WEALTH AND POVERTY IN THE UNITED STATES

Jeremy Cloward, Ph.D.

“The…truth is that the rich are the great cause of poverty”

Michael Parenti (American political scientist, historian and media analyst)

1 INTRODUCTION

By almost any measure the United States is a wealthy nation. In 2014, according to the IMF, World Bank and the United Nations, the US had the highest GDP in the world – standing at more than $16 trillion dollars. China is second with a GDP just over $8 trillion dollars. In fact, the Organization for Economic Co-operation and Development (OECD) reported in 2012 that the United States had the highest average wage in the world at some $55,000 dollars per year even if it that wage ranked 4th amongst the world’s nations in terms of purchasing power. However, contrary to Adam Smith’s most famous assertion about prosperity and self-interest in the marketplace, the “invisible hand” in the United States has not resulted in riches for all but instead great wealth for some, economic inequality for many and unrelenting poverty for the rest.

2 Income and Wealth Inequality

For some time, income and wealth in the United States have increasingly become concentrated into the hands of fewer and fewer people and powerful corporations. This, in addition to the continual neo-liberalization of US society, i.e., increased privatization and
reduced funding for social programs, has created a situation where day-to-day living has become more expensive yet the median wage “has been stagnant” for the great majority of the American people.³ Today, this has created a situation where economic inequality is greater than at almost any period in US history.

The Richest 1% vs. Everyone Else

In fact, income inequality has been on the rise in the United States since at least the early-1970s after consistent economic growth year after year for working people from 1947 – 1973.⁴ The 1970s was the beginning of neoliberalism in the United States (likely beginning with Nixon’s push to privatize health care) and was firmly put in place after the election of Ronald Reagan in 1980. Since that time the US working class has seen more and more austerity with the scaling back of social welfare programs, decreased union membership, decreased wages, increased working hours and an increase in the price of goods. Without question, since the 1970s, the greatest gains in the United States have been for the very richest segment of the US population. To be sure, based on CBO numbers, the Nobel Prize-winning economist Paul Krugman has extrapolated that “70 percent of the rise in average family income went to the top 1 percent” in the United States from 1977 – 1989.⁵ Further illustrating the upward trend of capital accumulation, in 2012, the richest 10% of the US population “captured a record 48.2 percent of total earnings.”⁶ Whereas the richest 1% of the US population saw their incomes rise “nearly 20 percent compared with a 1 percent increase for the remaining 99 percent” of the American population.⁷
According to the Economic Policy Institute and based on income figures of the United States from the 1979 – 2010, the largest money making year for the richest 1% of the US population was the same year that the “Great Recession.” Indeed, in 2007 the richest 1% of the US population earned 58.7% of the nation’s income, while the top 90%-99% segment of the population earned 24.3% of the nation’s income and the bottom 90% of the US population shared the remaining 17% of the national income. In other words, in 2007 the richest 1% of the nation’s income-earners “earned” 58.7% of the nation’s income while the bottom 99% earned just 41.3% of the nation’s income combined. By comparison, in 1979, wealth was more equally distributed with the top 1% earning 36.2% of the nation’s income, middle the 90% - 99% segment of the population earning 33.5% of the nation’s income and the bottom 90% earning 30.3% of the country’s pay. Still unequal but not as dramatic as today. Without a doubt, in summing up this change in income distribution the Congressional Budget Office found that between 1979 and 2007 income in the United States grew by 275% for the top 1% of households and just 58% for the bottom 80% of households combined.

Why is any of the above the case? At least one reason (although not the only reason) is because the US has the worst CEO-to-average worker pay ratio in the entire First World. While the US has the most billionaires in the world (492), including the world’s richest person – Bill Gates (net worth: $76 billion dollars), CEO-to-average worker pay stands at some 354:1. In other words, the average CEO in the United States earns more than $12 million dollars a year while the average employee earns less than $35,000 dollars a year. One of the most extreme examples of CEO-to-average worker pay is that of former JC Penney’s CEO, Ron Johnson, who’s income was almost 1,800 times greater than the average employee at JC Penny’s.
Johnson is hardly alone, as extreme income inequality is quite common across the United States. Indeed, Larry Ellison of Oracle “earns” $78 million dollars a year or some 2,700 times more than Oracle’s average employee. However, neither Johnson nor Ellison is the highest paid CEO in the United States – that spot belongs to Charif Souki of Cheniere Energy Inc. As head of the Texas oil company, Souki was paid almost $142 million dollars in 2014, more than 4,028 times than that of the average Cheniere worker. All three CEO’s “compensation” would be much greater still if it was measured not by CEO-to-average worker but by CEO-to-lowest paid worker.

Notably, CEO-to-average worker pay in the United States has increased 1000% since 1950. For sure, the disparity between those who earn the most and the average company employee has increased from 20:1 in 1950 to 42:1 in 1980 to 120-to-1 in 2000 to where its stands today. Yet any of this could have been prevented with the passage of one simple law that makes this type of income exploitation illegal. However, no law has been passed by the United States Congress and no law is likely to be passed as the neoliberal grip and the proponents of its advantages grab more firmly onto government policy, the economic system and society in general.

Nonetheless, the strongest bulwark against wage inequality in the United States has traditionally been union membership. Yet, union membership has dropped dramatically since the 1970s with many people, unfortunately, often viewing unions with suspicion. As previously mentioned, according to the Bureau of Labor Statistics just more than 1 in 10 or 11.3% of “wage and salary workers” belonged to a union in 2013 – the lowest rate since the Great Depression when unions first began to develop in the United States. In fact, during the summer of 2009,
“disapproval” of unions was measured at an all-time high with some 45% of the population not viewing unions in a favorable light.\textsuperscript{19} During that same time-period not more than 8% of the population had a “great deal” of confidence in organized labor with that number never moving beyond 11% by 2014.\textsuperscript{20}

Unlike income, wealth is determined not by one’s salary but instead is based upon an individual’s assets, i.e., homes, cars, personal valuables such as jewelry and art, businesses, savings and investments. Based on this criteria, as of 2014, the bottom 80% of the US population controls just 7% of the wealth in the United States combined.\textsuperscript{21} Yet, as noted, the gap between the wealthiest 1% of the United States and the other 99% is greater than at any time since 1928, the year before the Great Depression began. To be sure, today the top ¼ of 1% of the US population has more wealth than the bottom 99% combined.

As of 2014, according to former Secretary of Labor and political-economist Robert Reich, 95% of the gains that have been made since the beginning of the “recovery” from the “Great Recession” in 2009 have gone to the top 1% of the population\textsuperscript{22} resulting in situations where “just six Walmart heirs have more wealth than the bottom 42 percent of Americans combined (up from 30 percent in 2007).”\textsuperscript{23} And, the 400 wealthiest Americans have more wealth (some $2 trillion dollars’ worth) than the bottom one half of the US population combined.\textsuperscript{24}
The Concentration of Corporate Power in the US Marketplace

A second reason for economic inequality in the United States is rooted in the concentration of corporate power within any given sector of the US economy. Undeniably, the great majority of commodities and services produced within any one industry are done so by a narrow group of multinational corporations. The MNCs within that industry then set the price of that commodity or service and determine the wage of the workers as well as much of the conditions of the workplace. In doing so, it is often corporate power and not some Smithian “invisible hand” that determines the amount of income that the US working class will be provided with in order to live. After all, it is the owners of the means of production who hire and fire members of the working class and not the other way around. Detailed below are two separate industries – (1) the consumer goods industry, and (2) the banking industry – which are used to illustrate the degree of concentration of corporate power in any one industry within the United States.

The Corporations that Control the Consumer Goods Industry

Much in the way that the news media in the United States is dominated by six giant corporations, effectively creating an oligopoly – a market that is dominated by just a few firms – so too is the consumer goods industry controlled by just a handful of powerful corporations. A complete listing of the thousands of products sold by these companies in the US would only make sense in an appendix and would be much greater still if that appendix enumerated the
extensive list of products sold not just in the United States but around the world. However a listing of some of the products sold within the United States can be instructive. Below is a listing of the top ten consumer goods corporations that produce the vast majority of what is consumed by the American people:

(1) Procter & Gamble Co is an American conglomerate with assets of more than $139 billion dollars in 2013. Employing more than 121,000 people, some of Procter & Gamble Co.’s major assets include: Bounty, Braun, Charmin, Crest, Dawn, Dash, Duracell, Febreze, Fusion, Gain, Gillette, Pepto-Bismol, Head & Shoulders, Olay, Oral-B, Pampers, Pantene, Scope, Tide, Vicks, Bold, Bounce, Camay, Cascade, Comet, Cheer, Clairol, CoverGirl, Gucci, Fixodent, Fab, Gleem toothpaste, Herbal Essences, Old Spice, Ivory, Safeguard, Vidal Sassoon, Joy, Max Factor, Venus, Metamucil, Mr. Clean, Nice ’n Easy, Safeguard, Secret, Tampax, Pringles, Jif and Folgers.25

(2) Johnson & Johnson’s is a US owned transnational corporation with assets of more than $132 billion dollars in 2013. Employing over 128,000 people, some of Johnson & Johnson’s major holdings include: Actifed, Acuvue, Band-Aid, Benadryl, Bengay, Carefree, Clean & Clear, Cortaid, Desitin, Efferdent, First-Aid, Imodium, Johnson's Baby Shampoo, Johnson & Johnson Red Cross, Lactaid, Listerine, Listermint, Lubriderm, Motrin, Mylanta, Neosporin, Neutrogena, Nicoderm, Nicorette, Pepcid AC, Provin, Purell, REACH, Rembrandt toothpaste, Rogaine, Rolaids, Splenda, Stayfree, Sudafed, Tucks Pads, Tylenol, Visine and Zyrtec.26

(3) Nestle is a Swiss multinational corporation with assets of more than $120 billion dollars in 2013. Employing in excess of 333,000 people, some of Nestle’s major assets include: Coffee
Mate, Taster’s Choice, Nestle, Skinny Cow, Nescafé, Sweet Leaf Tea, Arrowhead Water, Perrier, San Pellegrino, Drumstick, Haagen-Dazs, Edy’s, Carnation, Nesquik, Ovaltine, Baby Ruth, 100 Grand, Bottlecaps, Chunky, Goobers, FunDip, Oh Henry!, Pixy Stix, Raisinets, SweetTarts, Nerds, Butterfinger, Kit Kat, Nestlé Crunch, Rolo, Dreyer's, Drumstick, Cheerios, Trix, Gerber, DiGiorno, Hot Pockets, Lean Cuisine, Stouffer's, Tombstone, Nestlé Purina Pet Care, Dog Chow and Friskies Purina ONE.

(4) The Coca-Cola Company is an American transnational mega corporation with more than $90 billion dollars in assets in 2013. Employing more than 136,000 people some of the Coca-Cola Company’s major assets include: Coca-Cola, Sprite, Fanta, Diet Coke, Dasani, Minute Maid, Power Ade, Vitamin Water, Odwalla, Mello Yello, Bacardi Mixers, Barq’s root beer, Black Cherry Vanilla Coca-Cola, Tab, Fresca, Squirt, Mr. Pibb, Schweppes, Seagram’s, Rockstar and Nestea.

(5) PepsiCo is a giant American conglomerate with assets of some $77 billion dollars in 2013. Employing over 274,000 people some of PepsiCo’s major holdings include: Frito-Lay, Gatorade, Quaker Oats, Tropicana, Lipton, 7UP, Quaker Chewy Granola Bars, Starbucks DoubleShot, Starbucks Frappuccino, Starbucks Iced Coffee, Rockstar Energy, SoBe, Cap'n Crunch Cereal, Quaker Life Cereal, Quaker Grits, Quaker Instant Oatmeal, Quaker Old Fashioned Oats, Aunt Jemima Mixes & Syrups, Quaker Large Rice Cakes, Rice-A-Roni Side Dishes, Cheetos Snacks, Doritos Tortilla Chips, Lay's Potato Crisps, Ruffles Potato Chips, Tostitos Tortilla Chips, Pork Skins, Cracker Jack Candy Coated Popcorn, Funyuns Onion Flavored Rings, Mountain Dew, Sierra Mist, Pepsi, Diet Pepsi, Pepsi Wild Cherry, Aquafina, Propel Zero and SoBe Lifewater. PepsiCo also originally owned Taco Bell, KFC, Pizza
Hut, Long John Silver’s and A&W Restaurants before creating Yum Brands in 1997 to “spin out” each of those companies under the Yum Brands name.

(6) **Unilever** is an Anglo-Dutch multinational corporation with assets of more than $64 billion dollars in 2013. Employing in excess of 174,000 people, some of Unilever’s major assets include: Dove, Lipton, Mrs. Filbert’s, Popsicle, Fudsicle, Ben & Jerry’s, Hellmann’s mayonnaise, I Can’t Believe It’s Not Butter, Imperial Margarine, Breyers, Klondike, Lipton, Lipton Ice Tea, Country Crock, Klondike, Slim Fast, Starbucks, Sure, Lifebuoy, Brylcreem, Vaseline, Noxzema, Close-Up, Comfort, Degree, Pepsodent, VO5 and Pond’s.  

(7) **Mars Incorporated** is third largest privately owned corporation in the United States. The Mars Family net worth is estimated to be more than $30 billion dollars. Employing more than 72,000 people, some of Mars Incorporated major assets include: Altoids, Big Red, Bounty, Doublemint, Dove, Eclipse, Extra, Freedent, PB Max, Hubba Bubba, Juicy Fruit, Life Savers, M&M’s, Mars Bar, Milky Way, Orbit, Pedigree, Skittles, Snickers, Starburst, Spearmint, Twix, Uncle Ben’s Rice, Whiskas and Winterfresh.

Cheese, Planters, Premium, Pretzels, Pure Kraft Salad Dressings, Seven Seas, Shake 'n Bake, South Beach Living, Stove Top stuffing, Swiss Crackers, Sugar Wafers, Taco Bell (grocery store items), Velveeta, Cadbury, Cheese Nips Chiclets, Chips Ahoy!, Fig Newton, Nabisco, Nilla (wafers), Oreo, Ritz Crackers, SnackWells, Tang, Teddy Grahams, Triscuit, Vegemite and Wheat Thins.32

(9) General Mills is an American owned conglomerate with assets of $22 billion dollars in 2013. Employing in excess of 35,000 people, some of General Mills major assets include: Cheerios, Chex, Golden Grahams, Honey Nut Clusters, Kix, Lucky Charms, Oatmeal Peanut Butter Toast Crunch, Raisin Nut Bran, Boo-Berry, Chex, Cinnamon Toast Crunch, Cocoa Puffs, Count Chocula, Fiber One, Franken-Berry, Reese’s Puffs, Total, Trix, Wheaties, Betty Crocker, Bisquick, Pillsbury, Fruit Roll-Ups, Hamburger Helper, Green Giant, Progresso, Columbo, Good Earth, Nature, Valley, Wheaties, Yoplait and Haagen-Dazs.33

(10) Kellogg’s is an American owned multinational corporation with assets of $15 billion dollars in 2013. Employing more than 30,000 people, some of Kellogg’s major assets include: Froot Loops, Corn Flakes, Frosted Flakes, Rice Krispies, Special K, Cocoa Krispies, Keebler, Pringles, Pop-Tarts, Pringles, Mother’s Cookies, Cheez-It, Eggo Waffles, Nutri-Grain, Morningstar Farms, All-Bran, Apple Jacks, Cinnabon, Coco Pops, Cracklin’ Oat Bran, Corn Flakes, Raisin Bran, Crispix, Fiber-Plus Bars and Frosted Mini-Wheats.34

The above list illustrates the extreme concentration of food stuffs and hygiene products within a small coterie of the very rich. However, the point here is not that basic necessities are being controlled by a handful of companies. It would be difficult to argue that potato chips, sweetened drinks or sugar cereals are essential food items. Instead, the fine point is that it is
difficult to live in the United States and remain untouched by one of these mega-corporations which help to shape far more than just their niche within the American marketplace. Indeed, most people in the United States consume one or more of the above products on a regular basis. While seeming to be separate products the great majority of these products are in reality controlled, much like the news media, by just a handful of powerful corporations (e.g., Nestle controls 8,000 separate brands all by itself). In turn, and most importantly, these ten corporations determine the wages and working conditions of over 1.3 million people in the US and around the world and at the same time set the price for each commodity for all of the planet’s seven billion people generating extraordinary profits for a handful of people.

Viewed through the prism of class, working people get a factory job and a candy bar while a tiny fraction of the very rich, such as the Mars Family, gets $30 billion dollars to divide amongst themselves. This is class power and the essence of capitalism. That is to say, the turning of sugar, molasses and cocoa into a commodity that is produced by working people for a low wage at an unfulfilling workplace, which is then sold to the very people who produced it at a higher cost than what the commodity is actually worth so the owning class can extract an exorbitant profit all for themselves.

**The Banking Industry**

Not only is the news media, consumer goods industry (as well as many other industries within the US economy) controlled by just a handful of corporations but so too is the banking industry. In 2011, the nation's ten largest financial institutions held 54% of the US population’s
total financial assets as compared to just 20% in 1990. From 1990 through 2011, the number of banks in the US decreased from 12,500 to about 8,000 in part from one bank buying another.

In looking at some of the most powerful banks in the US we see an upward cycle of banks and capital concentrated into the hands of fewer and fewer banks from 1990-2011. Consider the following:

**Citigroup** was formed through the merging of Travelers Group, Citicorp, European American Bank and Banamex.

**JPMorgan Chase** was formed through the merging of Washington Mutual, Great Western Financial, H.F. Ahmanson, Dime Bancorp, First Chicago, Banc One, First Commerce, JPMorgan, Chase Manhattan, Chemical Banking and Bear Stearns.


**Wells Fargo** acquired First Interstate Bancorp, Norwest Holding Company, SouthTrust, Wachovia, Central Fidelity National Bank, CoreStates Financial, First Union and the Money Store.

Today, the size of the banks are even bigger than during the “Great Recession.” In fact, between 2008 and 2013 some 485 banks failed and another 915 merged with larger banks further consolidating the banking industry. The ten largest banks in the United States today are: (1) JPMorgan Chase ($2.39 trillion dollars in assets); (2) Bank of America ($2.17 trillion dollars in assets); (3) Citigroup ($1.88 trillion dollars in assets); (4) Wells Fargo ($1.44 trillion dollars in assets); (5) Bank of New York Mellon ($356 billion dollars in assets); (6) US Bancorp ($355
billion dollars in assets); (7) HSBC North America Holdings ($305 billion dollars in assets); (8) PNC Financial Services Group ($301 billion dollars in assets); (9) Capital One Financial Corp ($300 billion dollars in assets and $212 in deposits); and 10) TD Bank US Holding ($223 billion in assets).

Strikingly, these ten largest banks in the United States have combined assets that are roughly equal to the total GDP of the entire country of China.

Equally revealing is the enormous power over the US economy of the six largest banks in the United States. Today, JPMorgan Chase, Bank of America, Citigroup, Wells Fargo, Bank of New York Mellon and US Bancorp “now have 67% of all the assets in the US financial system” which is an increase of 37% between 2008 and 2013. In fact, 1/3rd of all business loans in 2013 were made by Bank of America, Wells Fargo funds almost ¼ of all home loans and JPMorgan Chase has some 12% of the United States’ “collective cash, including the payrolls of many thousands of companies.” Not surprisingly, each has spent millions of dollars influencing federal policy through lobbying dollars and campaign contributions. For example, Wells Fargo, Citigroup, JPMorgan Chase and Bank of America all spent between three to six million dollars lobbying the federal government and gave another one million dollars in campaign contributions federal office-seekers from both major parties in 2013. However, relative to the size of these banks deposits and assets, campaign and lobbying dollars never made up more than a tiny fraction of each bank’s total net worth. For certain, in 2014 two of the richest US-owned banks in the world – JPMorgan Chase and Bank of America – together had assets that were more than the total federal tax revenue of the US government.

The Wealthiest People in the United States
Perhaps not more than ten thousand people control the vast majority of the commanding heights of the global economy – many of whom are US citizens. Possibly less. In fact, one recent study of transnational corporate ownership discovered just how concentrated economic power has become within the global capitalist system. Indeed, the Swiss Federal Institute of Technology\(^{43}\) examined all 43,060 multinational corporations in existence today and discovered that just 147 of them “own interlocking” shares “of one another” and “together…control 40% of the wealth” of all the MNCs on Earth.\(^{44}\) Equally as striking, “a total of 737 [corporations] control 80%” of all global corporate wealth.\(^{45}\) The major-shareholders and board members of these 737 corporations, at times, serve on the board of or often hold large shares in more than just one of the other 737 companies. Below is a list of the wealthiest people in the United States who have stakes in many of these corporations.

**TABLE 1: The Wealthiest People in the United States (2014)**

<table>
<thead>
<tr>
<th>Name</th>
<th>US Rank</th>
<th>World Rank</th>
<th>Net Worth (Est.)</th>
</tr>
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<tbody>
<tr>
<td>Bill Gates</td>
<td>#1</td>
<td>#1</td>
<td>$80 billion dollars</td>
</tr>
<tr>
<td>Warren Buffet</td>
<td>#2</td>
<td>#3</td>
<td>$58 billion dollars</td>
</tr>
<tr>
<td>Larry Ellison</td>
<td>#3</td>
<td>#5</td>
<td>$52 billion dollars</td>
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<tr>
<td>Charles Koch</td>
<td>#5</td>
<td>#6</td>
<td>$41 billion dollars</td>
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<tr>
<td>David Koch</td>
<td>#5</td>
<td>#6</td>
<td>$40 billion dollars</td>
</tr>
<tr>
<td>Sheldon Adelson</td>
<td>#6</td>
<td>#8</td>
<td>$37 billion dollars</td>
</tr>
<tr>
<td>Christy Walton</td>
<td>#7</td>
<td>#9</td>
<td>$37 billion dollars</td>
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<tr>
<td>Jim Walton</td>
<td>#8</td>
<td>#10</td>
<td>$34 billion dollars</td>
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<tr>
<td>Samuel Walton</td>
<td>#9</td>
<td>#11</td>
<td>$33 billion dollars</td>
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</tbody>
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More often than not, the corporations that these individuals control help to shape the political, economic and social reality for much of the world’s seven billion people. Without question, in looking more closely at each individual below it becomes clear how much power this small group of people has over significant parts of the global economy and the US government. For instance:

(1) Bill Gates is the founder and former chairman of Microsoft. Microsoft controls more than 90% of the net market share of operating systems for computers. In fact, some one billion people use Microsoft’s most popular software – Microsoft Office – with another 1.5 billion people using Windows on a daily basis. Microsoft has more than 20 separate trademarks (e.g., MSN, Xbox, Windows, Word, etc.) has acquired hundreds of separate corporations (e.g., Skype, Nokia, Visio, Hotmail, etc.) and has had stakes in hundreds more (e.g., Comcast, Apple Computer, Facebook, Barnes & Noble, AT&T, BET, DreamWorks, NBC, RadioShack, Ticketmaster, etc.). Yet at the same time, Bill Gates and Microsoft have been accused and found guilty of anti-competitive and monopolistic practices on multiple occasions.

As in Microsoft v. United States (1998), Microsoft was found guilty of violating the Sherman Antitrust Act which was passed by Congress in 1890 to prevent monopolistic practices. Gates gave testimony in the case that was so transparently false that even the trial judge, U.S. District Court Judge Thomas Penfield Jackson, openly laughed. Later, the European Union found Microsoft guilty of violating its antitrust laws in European Union v.
Microsoft (2004) and ordered Microsoft to pay almost $800 million dollars in fines – the largest in EU history. Microsoft refused to do so and by 2006 the European Union fined Microsoft another $350 million dollars for defiance. By 2014 Microsoft fines by the European Union totaled almost $2.4 billion dollars for antitrust and monopolistic practices – more than any other company in the world.

However, Bill Gates, probably has more influence over at least one institution in US society – public education – than any other person in the United States. Without a doubt, the strongest supporter of the new national K-12 curriculum standards – Common Core – was the Bill & Melinda Gates Foundation. They spent some $200 million dollars funding institutes, interest groups and politically connected individuals to advance their vision of education in the United States. The issue here is not whether or not the Common Core standards are good or bad but instead whether or not one very wealthy man, who does not even have his own children in public schools and who has been found guilty in a court of law on more than one continent, should have any say whatsoever over the public education of millions of Americans students. However that question is answered, in total Bill Gates has spent more than $3.4 billion dollars on a wide variety of activities in trying to shape K-12 public education in the United States.

(2) Warren Buffet is the chairman, president, and CEO of the holding company Berkshire Hathaway. The company has assets in excess of $450 billion dollars. Some of the major holdings of Berkshire Hathaway include: GEICO (100%), Dairy Queen (99%), Mars Incorporated, See’s Candies (100%), Heinz (50%), Fruit of the Loom (99%), Acme Brick
(100%), The Buffalo News (100%), Business Wire (100%), Omaha World-Herald (100%),
Helzberg Diamonds (100%) and Burlington Northern Santa Fe Corp Railroad (100%).

Some of Berkshire Hathaway common stock holdings (i.e., stock holdings where an
individual can vote on company policy) include: American Express (14%), Anheuser-Busch
(10%), The Coca-Cola Company (9%), Procter & Gamble (2%), IBM (6%), ConocoPhillips
(2%), Costco (1%), General Electric (>1%), Kraft Foods (2%), Home Depot, Johnson &
Johnson (>1%), Lowe’s, Moody’s (11%), Nestle, Nike, Outback Steakhouse, WellPoint,
UnitedHealth Group Inc., UPS, Wal-Mart (2%), Wells Fargo (9%) and Goldman Sachs (3%).

In perhaps a clear indication that the politico-economic system is designed by and for the
benefit of the very wealthy and that on financial matters there is very little difference
between the two major parties, Warren Buffett is both a financial supporter of Democratic
President Obama and was the finance advisor to Republican Arnold Schwarzenegger during
his 2013 gubernatorial campaign.

(3) Larry Ellison is the founder, CEO and board member of Oracle, the 2nd largest software
manufacturer in the world by revenue after Microsoft. Over the years Oracle has acquired at
least 100 separate corporations consolidating a broad-range of software and jobs – the most
well-known being PeopleSoft and Sun Microsystems – under the umbrella of one
corporation.54

Oracle has also been involved in gaining government contracts under less than ethical
conditions (e.g., hiring former Attorney General John Ashcroft’s lobbying firm to gain a
government contract who had originally turned Ellison down as Attorney General), bribery of
foreign officials, subject to multiple lawsuits involving monopolistic practices and fraud by
both the United States government and the European Commission. Nevertheless, Oracle has been very active in campaign contributions\textsuperscript{55} and lobbying dollars,\textsuperscript{56} (even if what Ellison has spent is only a tiny portion of his net worth) donating an almost equal amount to Democratic and Republican members of Congress during the 2014 election year cycle. In turn, Ellison has used his wealth to purchase vast amounts of art work and cars, personal yachts and at least one golf course, homes around the world including \(\frac{1}{3}\textsuperscript{rd}\) of the 70 multimillion dollar mansions in Malibu, CA and actually owns outright 98\% of the Hawaiian island, Lanai.

(4) **Charles Koch & David Koch** each own 42\% of Koch Industries which is a powerful privately-held conglomerate with subsidiaries involved in multiple industries including asphalt, chemicals, commodity and financial trading, energy such as natural gas and oil, fibers, fertilizers, minerals, plastics, paper and ranching.\textsuperscript{57} However, as much as anything the Koch Brothers are known for their attempts to advance their libertarian views by trying to influence the whole of the American political system (i.e., local, state and federal) through extensive campaign contributions and lobbying dollars.

In fact, the Koch brothers have spent hundreds of millions of dollars on “Tea-Party” candidates, Republican office-holders and seekers, conservative think tanks and right-wing issues, ballot measures and initiatives. Without a doubt, the Koch Brothers headed a conservative network which raised some $400 million dollars in “dark money” to help finance the elections of overwhelming conservative candidates during the 2012 election.\textsuperscript{58} The brothers have spent millions more funding scientists and institutes to try to prove that global warming is not real. Probably the more radical of the two brothers, David Koch labeled President Obama a “hard-core socialist”\textsuperscript{59} and in 1980 ran for Vice-President with the
Libertarian party with the intention of eliminating welfare, social security, minimum wage and corporate taxes.

(5) Sheldon Adelson is the CEO of the Las Vegas Sands Corporation which owns more than a dozen Casinos and Hotels in the US, China and Singapore. The Sands’ subsidiaries have been involved in at least one lawsuit for money laundering (i.e., the Venetian was ordered to pay $46 million dollars to the Department of Justice in 2013) and one crackdown for prostitution (i.e., more than 100 prostitutes were arrested for working in the Venetian Macao in 2010). Yet, neither has kept Adelson from being deeply involved in American politics, giving money largely to conservative political candidates seeking office. To be certain, in the 2012 election he spent some $100 million dollars all by himself.60

(6) Christy Walton, Jim Walton, Samuel Walton and Alice Walton are the majority owners of Walmart which is the largest publicly traded company in the world. A massive-sized transnational corporation, Wal-Mart has 11,000 stores in 27 different countries and employees more than two million people. However, Wal-Mart as a “corporate citizen” is something less than respectable. Indeed, the company has been involved in anti-union activities and pays its “associates” (i.e., workers) such low wages that according to a recent study by Americans for Tax Fairness, Wal-Mart workers qualify for Medicaid, food stamps, and subsidized housing costing tax payers some $6.2 billion dollars a year in public assistance.61 When combined with tax breaks and other government subsidies, Wal-Mart takes a full $7.8 billion dollars a year from the public treasury in the form of government assistance.62 The company has also been involved in bribing public officials in Mexico (which Wal-Mart officials have admitted) and lawsuits alleging racial, gender and sexual
discrimination. In fact, Wal-Mart has sold food from suppliers who have contracted with companies who use slave labor where some individuals have been forced to work for years without pay and some have even been outright killed.63

All of this is to say nothing of Wal-Mart’s spending millions of dollars trying to shape US elections including through encouraging their employees to contribute to candidates that support the Walton family’s political agenda (one that is very much in contradiction with every single Wal-Mart employee). This is done by a Wal-Mart employee giving money to some Wal-Mart favored political candidate. And, in return, Wal-Mart promises to donate twice the amount to some Wal-Mart controlled charity that might somehow help the poorest employees that work for the company. The establishment of the charity, creates a huge tax-break for Wal-Mart and is a means for Wal-Mart to buy a campaign donation from its employees. In other words, the Walton family has so much money that they will pay twice the value of a donation given by their employees to advance their family interests.

In sum, with their grip on key sectors of the commanding heights of the global economy these incredibly wealthy individuals are able to shape, determine and have the final say over the working conditions, wages, commodities and services for billions of people around the world. Without a doubt, their control over an immense number of powerful corporations generates extreme amounts of surplus capital. At last, we come to one of the basic truths about capital accumulation and ownership. To be sure, control over the means of the production generates huge amounts of surplus capital which is then used by the rich to: (1) fuel personal lives of extreme luxury; (2) extend their grip over more of the productive forces of the global economy,
and; (3) further develop a politico-economic and social order which is consistent with their own class interests.

3 Poverty in the United States

According to the US Census Bureau some 46.5 million people or 1/7th of the US population live at or below the poverty line – the highest number since the Bureau has published numbers on poverty. The poverty line as defined by the US Department of Health and Human Services is a family of four with an annual income of $23,850 dollars or less. California has the most people living below the poverty line with some 23% of its population living at society’s bottom. Poverty disproportionately affects children in the US with some 20% or one in every five children in the US living below the poverty line. In fact, kids are 24% of the total US population, but makeup a full 36% of those living in poverty. Poverty also disproportionately impacts minority groups compared to their white counterparts. For example, the 2010 Census reveals that more than 27% of blacks and 26% of Hispanics were poor as compared with just 10% of whites. Of course, the poorest people in the United States are families that are led by single women – particularly black and Hispanic – reaching some 30% for these groups.

In 2012, more than 1.5 million households in the United States were considered to be living in extreme poverty which is more than double since 1996. Extreme poverty is defined as a household that lives on $2 dollars or less a day (or just $730 dollars per year for the whole family). A household in the United States
States is equivalent to roughly 2.5 people. In other words, almost four million people, including 2.8 million children, in the United States live at the very rock bottom of US society.

If we are to look at not just poverty but also include people who are “low-income,” i.e., a family of four with an annual income of $45,000 dollars a year or less, then we find that a full one in every two people in the United States or almost 160 million people are either poor or low-income. In fact, the richest 400 people in the United States have more wealth than this bottom 160 million people combined.\textsuperscript{69} As wealth continues to gather into the hands of fewer and fewer individuals, which it has done since the 1970s as we have already seen, the list of the 400 wealthiest Americans is sure to grow. However, so too are the ranks of the 160 million poorest Americans, adding further weight to the long-held radical political economy view of capitalism that poverty is created by wealth and wealth by poverty. Without a doubt, as Nelson Mandela famously remarked, “Like slavery and apartheid, poverty is not natural. It is man-made and it can be overcome and eradicated by the actions of human beings.”\textsuperscript{70}

**Consequences of Poverty**

People who live in poverty are more likely than others to endure homelessness, hunger, incarceration and poor health. In addition, poor children and their parents are more likely to attend inferior schools, live in unsafe or violent neighborhoods, and on the whole, possess fewer “life opportunities” as compared to the rest of US society.
Health

The US Government Accountability Office (GAO) notes that health problems for the poor have a variety of causes including: (1) limited access to health care (because privatized health care is unaffordable for the poor); (2) limited amounts of healthy foods because of costs with the poor eating less fresh fruits, vegetables and fiber-rich food than the rest of the US population; (3) a sedentary lifestyle (which can be a consequence of unemployment); (4) exposure to environmental hazards and high levels of air pollution from living in city centers and in close proximity to highways and freeways.

Poor people endure high rates of chronic and debilitating illnesses, disease and, in general, tend to die younger than more affluent members of US society. Notably, one study reported on by the GAO determined that people who are poor have life expectancies that are 25% lower than those who are not. The poor also have high rates of high blood pressure, hypertension and elevated levels of bad cholesterol. In fact, the poor are more likely to be overweight than those who are not with another study concluding that women who were very poor were 50% more likely to be obese than those who were not. Possibly as a consequence of idle time, a lack of education, as a cause of poverty or a brief escape from it, the poor are more likely to use drugs and alcohol than the rest of the society. In addition, the poor are less likely to have leisure time or do some kind of physical activity further complicating chronic health conditions. Finally, there is a correlation between poverty, emotional and psychological stress and health problems such as “compromised immune systems.”71
Education

Poverty impacts education. Without a quality education any individual in the United States will have a difficult time attaining a well-paying job (to say nothing of meaningful work) to generate a steady and reasonable-rate of income for themselves and their family. A lack of education which not only decreases one’s future employment possibilities, but in turn, further adds to the likelihood that an individual and his or her family will remain poor. In 2004, high school dropout rates in the United States were four times higher for the poor than they were for those individuals and families who were not poor. An individual without a high school diploma is three times more likely to be unemployed than someone with a college degree. Adding to the cycle of poverty, lack of education and unemployment, someone with a college degree will earn almost 40% more in salary than someone without a high school diploma. This of course is significant because 49% of those that are poor are likely to attend college whereas a full 78% of those who come from more well-off back grounds are likely to pursue a college degree.

Prison

There is also a strong correlation between poverty and incarceration. After more than 25 years of steady increases, since 2008 the United States is beginning to see a decrease in the size of its prison population. However, the number of people incarcerated in the US is still dramatic.
According to the U.S. Department of Justice nearly seven million people are behind bars, on probation or on parole. Said another way, in 2011 one in every 34 US citizens is subject to some form of correctional supervision. Notably, according to the International Centre for Prison Studies at King's College in London, more people are behind bars – some 2.2 million people – in the United States than any other country in the world. China, has four times the population of the United States, but still ranks second on the list of national incarceration rates with 1.7 million people in jail. In terms of proportion of the population, the US is second only to the African island nation of Seychelles which has a total national population of just over 90,000 people in its incarceration rate. In fact, the US has 5% of the global population but 25% of its prison population. According to the Pew Center, its costs almost $30,000 a year to incarcerate each individual prisoner in the US and some states such as Georgia have as many as one of every 13 adults either behind bars or under “community supervision.” “Today, an estimated 100,000 children and teens are locked up in juvenile facilities across the country, and thousands more are incarcerated in adult prisons.” Remarkably, with state funds on the rise to build new prisons, five states – Oregon, Vermont, Michigan, Connecticut, and Delaware – spent more on prisons than on college and graduate level education.

Race and incarceration in the US is particularly problematic. Indeed, according to the American Civil Liberties Union (ACLU), one in every 106 white males is incarcerated, while one in every 36 Hispanic men is in jail and a full one in every 15 African-American males is behind bars. African-Americans make-up 40% of the prison population even though people who are black compose just 12.6% of the total US population. In fact, if incarceration rates continue at current rates then one in every three black males in the United States can expect to
serve time in prison during their lifetime. Today, there are more black men in prison, on probation or parole than were enslaved in 1850 – just over ten year prior to the Civil War. On the whole, according to the ACLU “since 1970 [the] prison population has risen 700%” which when viewed in accordance with the “War on Drugs” (1980s) and in combination with increased levels of poverty and stagnant wages since the 1970s the high level of Americans incarcerated should come as no surprise to anyone. Without a doubt, more than 2,400 years ago Plato wrote in *The Republic* that when a nation devolves into a plutocracy, i.e., “rule by the rich” where wealth is valued over goodness – there will be a high-level of criminality. There is a high rate of criminality in the United States, so if we are to believe Plato, the United States must have also finally devolved into a plutocracy.

**Alienation**

The basis for wealth and poverty in capitalist society is control over the means of production. Whomever controls the productive forces in society has *power over much of society*. For certain, the rich set the tone for the whole of society politically and economically. However, ownership by a small group of individuals over the means of production creates one more problem for working people – alienation. Alienation means loss, disconnection, estrangement or feelings of being exploited, disregarded, disrespected or used. Alienation can occur from oneself, the work process (i.e., the act of working), other workers or society itself. Alienation manifests itself in a variety of ways in US society and, in fact, all capitalist countries. The most basic cause of alienation is that the vast majority of people in a capitalist economy do not control
the workplace or the work process. They are told what to do and how to do it. Workers can be disrespected, underpaid, treated as a number, written up for minor transgressions (such as being late), asked to work through their lunch hour or even overtime without pay, electronically monitored, drug tested, prevented from taking days off for rest and laid-off or fired at any time. And, significantly for understanding alienation in capitalist society, the work that they do is meaningless.

Instead, of performing personally fulfilling tasks (or even life-sustaining ones such as hunting, fishing, constructing a family shelter, etc.) working people often spend their time doing low-paid and mind-numbing jobs such as: waitress, construction worker, landscaper, truck driver, factory worker, shoe-shiner, miner, baker, coffee-seller, janitor, porter, plumber, fence builder, business secretary, track walker, grocery store worker, dishwasher, clothes maker, sales-floor worker, forklift operator, hairdresser, bartender, bookkeeper, dry cleaner, fast food worker, brick layer, receptionist, operator, street cleaner, security guard, cabinet maker, taxi driver, window cleaner, carpet layer, garbage worker, maid, doorman, bus driver, furniture mover, butcher, painter, concrete pourer, welder, gas station attendant, tree trimmer, locksmith, sewer inspector, road maintenance worker, car-washer and farmworker, to name just a few. Often times, the natural rebellious impulses of working people and the poor which have been further stoked by their working conditions are diverted into other meaningless activities such as pop music, movies or other such things instead of confronting the conditions of the workplace or the political and economic system itself.

Without a doubt, the inability to fully express oneself through his or her work and having their working conditions dictated to them leads to all types of frustrations and problems for
working people and the poor. Indeed, drug and alcohol abuse, a lack of emotional health or a limited sense of well-being, overeating, extensive TV watching (particularly of the “zoning-out” variety), gambling, some types of interpersonal (and intrapersonal) violence, and the obsessive involvement in following sports, to name a few, can all be viewed as a result of people who are unhappy from meaningless and often times degrading work. Why? Because the economic system which creates alienation – capitalism – is not interested in developing people for the purpose of their personal happiness but instead views them as a means to generate super profits for those that own the productive forces of the economy. In fact, for most people within a capitalist economy there is no place for them to do work that is consistent with their very soul. And, in seeking some kind of release or happiness in ultimately destructive outlets working people simply become further alienated from themselves and society. In other words, alienation, once set into place can become a self-perpetuating way of life.

4 Conclusion: A Final Comment on Wealth and Poverty in the United States

Edward Gibbon concluded in *The History of the Decline and Fall of the Roman Empire* that one of the marks of the decaying culture of ancient Rome was the “widening disparity between very rich and very poor.” As we have seen above, the disparity between rich and poor in the United States is as great as it has been since the “Roaring Twenties.” The ever-increasing concentration of wealth during that time-period into the hands of the few ultimately gave way to the “Wall Street Crash of 1929.” The “Crash” was followed by a long-lasting global-wide depression. The hardships that came with it, overwhelmingly, were experienced by working
people and the poor in the United States and around the world. In fact notably, and maybe most concerning for all, the Great Depression did not relent until the global economy was *reignited* by World War II.

Ultimately, confronting the system which makes great wealth and poverty possible – global capitalism – does not have to be done all at once. Instead, there is likely no bigger step that can be taken by any one person than simply rejecting *any compromise* of their own personal dignity. In fact, collectively, the most important step towards overturning a system predicated on human callousness and greed requires only that the people commit themselves to this basic principle. Otherwise, and in referencing Plato one final time, there is nothing stopping the American republic from disintegrating further. For sure, after first sparking a democratic revolt but later descending into a chaotic political order, the American republic will eventually degenerate into a dictatorship – or “rule by the criminal” – where US society would be guided by those exhibiting only the basest of human emotions.89

In the end, in opposing the powerful politico-economic forces confronting the American republic, the people of the United States will be best served by connecting their struggle with *all peoples of the world*. After all, the economic system which rips oil from the desserts of Iraq is the same system that strips coal from the mines in West Virginia, paying poverty wages to the many while wrecking the physical beauty and biosphere of the Earth – all to enrich an already wealthy few. In so doing, the American people will become aware of not only the mass of humanity standing beside them but the immense power of their own class.
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NOTES


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8 The Economic Policy Institute’s study was published in the article: Krugman, “The Rich, the Right, and the Facts: Deconstructing the Income Distribution Debate:”

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72 Except where noted, all information in this section is gathered from: GAO, “Economic Research Shows Adverse Impacts on Health Status and Other Social Conditions as well as the Economic Growth Rate.”


74 Bureau of Justice Statistics, “Correctional Populations in the United States.”

ICPS, “Highest to Lowest - Prison Population Rate.”


Plato, Republic. See Plato’s chapter entitled: “Warped Minds, Warped Societies.”