



March 2, 2019

How to close America's income gap

by ABRAHAM UNGER

It is already clear that the presidential campaign just starting will be focused overwhelmingly on our fast-declining middle class, and for good reason. For the 52 percent of Americans earning between \$45,200 to \$135,600, salaries are not keeping up with the cost of living. This is the most important issue of our time, plain and simple. It extends from blue-collar laborers to white-collar professionals. A revealing bottom line of this socioeconomic reality is that most Americans don't have as much as \$400 on hand in case of emergency.

President Trump and Sen. Bernie Sanders (I-Vt.) figured this out during their previous run in 2016. They had their ears to the ground, and they carved out a populist message that wasn't all that divergent beneath the layers of competing arena spectacle. Both were anti-globalist. The idea was jobs creation.

For jobs to be meaningful, they must pay competitively in a cutthroat economy. That requires more than just more low-paying service jobs such as warehousing jobs at Amazon fulfillment centers. Experts conclude those actually cause job losses in other local industries.

It turns out that protectionism itself isn't much help, either. Tariffs end up as a regressive tax against the moderate- to low-income population. In short, they end up costing working people more for essential goods such as food and children's clothing. Conservatives' infatuation with a lowered corporate tax rate also ends up hurting the middle class. It actually has exacerbated the income gap between the haves and the have nots.

Research shows that lowering corporate taxes doesn't mean money is trickling down to workers. Patents get moved to low-tax areas, but a change in location of intellectual property doesn't translate into building more U.S. factories. To add insult to injury, affluent Americans earning over \$200,000 a year have been able to reclassify their income to save yet more on taxes through corporate breaks.

I'm worried about the loss of our middle class, because without that secure buffer between rich and poor, democracy is finished. No other issue tops this right now. Democracy always is at risk when the middle class drops out. All that remains then is a small, wealthy elite that protects its assets generationally and makes itself distant from the grassroots, while a majority population living with daily insecurity over the acquisition of basic needs nurtures festering resentments. This formula does not spell great success for a free and stable regime.

There is only one way out of this crippling socioeconomic situation — and it happens to be truly bipartisan. It is clear and easy to move forward, if only government and the electorate can reach beyond partisan formulae. My proposal contains two fundamental policy ingredients. One relies

on government, and the other on the private sector, but these two features cannot work without each other. It is a marriage of sorts.

The first ingredient is government deregulation of business, and the second is socially responsible behavior on the part of our corporate leaders. The National Association of Manufacturers reports that annual federal regulation compliance mostly harms small businesses. The cost of regulation for manufacturers goes beyond direct expenditures by 37 percent. Add to that local and state regulation. Small companies may end up paying more to comply with myriad regulations than with the daily grind of just trying to build a company. No wonder only the corporate behemoths survive and become ever more dominant over our markets and culture. They are the only businesses that can.

But, large corporations also have to make a choice that, if they are going to do more than pay lip service to the democratic ideal that allowed them to flourish in the first place, they have to worry less about margins and more about people. How much is enough? I came of age in the Reagan era, when unions were broken. But I think now that, while unions may have demanded too much, their core concerns were, and are, justified. They wanted a living wage, benefits and, ultimately, respect for workers who were vital in the making of a product.

Corporate leaders do not need to gouge cities and workers for their own stock options and astronomical returns. Offer rank-and-file employees a bit more. More Wall Street firms are putting their clients' money into impact investments, which puts capital into companies that have social purpose. That's a good model. All companies should think of themselves as impact investments, where they develop a culture of fairness and honor for each link in the production chain.

This proposal asks for something very basic: Pay all employees a salary that correlates to the cost of living in the cities where they work. That's all. It is beyond the scope of government to do so. The corporate sector has to decide if it will do the right thing by the American people. It is that simple.

In the end, it comes down to choice. What kind of nation do we want to be? Do we want a paternalistic government operating concurrently with an oligarchic corporate sector, or an environment that allows for the longevity of small business while marshaling the moral will to compel big business to act just as we would expect any citizen to — with real care and concern for all those in its orbit?

If sovereignty lies with the people, we the people have to take ownership of our future. The answer does not lie in Washington or on Wall Street. It lies with us, and what we demand of our society. This election year is more than a national debate over who ought to be president. It is a time to close the American divide.

Abraham Unger, Ph.D., is senior research fellow at the Carey Institute for Government Reform and an associate professor and director of urban programs at the Department of Government and Politics, Wagner College, New York. He is the author of "The Death and Life of the American Middle Class" (Palgrave Macmillan, 2018).