The Economics of Inequality

By J. Michael Harrison

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He worked as an attorney for IBM in Armonk , NY, and New York City before joining the legal staff of the New York Public Service Commission, Albany, NY, in 1972. He became an administrative law judge in Albany in 1976, in which role he conducted hearings in numerous proceedings on utility rates, generic proceedings on the costs of capital and competition, the AT&T divestiture and the Bell Atlantic/New York Telephone merger cases, and the first major interconnection agreement between AT&T and Verizon in 1996.

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The outstanding faults of the economic society in which we live are its failure to provide for full employment and its arbitrary and inequitable distribution of wealth and incomes.

– John Maynard Keynes[1]

I was alarmed, late in 2010, when I first saw in Robert Reich's book *Aftershock*[2] a version of the graph showing the top one per-cent's share of total U.S. pre-tax income from 1913-2007, prepared from an extensive database compiled by economists Thomas Piketty and Emmanuel Saez.[3] The top one per-cent's share of total income peaked in 1928 at 23.9%, a year before the stock market crashed on October 29, 1929, ushering in the Great Depression. Following WW II, it gradually declined from 12% in 1946 to a low of 8.9% in 1976, a period of a growing middle class and widening prosperity. Then, in 1980, the trend abruptly reversed: The top one per-cent's share grew sharply over the next three decades, reaching 23.5% in 2007, a year before America's worst-ever stock market crash on September 20, 2008 ushered in the "Great Recession."

On its face, the new distributional data showed that growing income inequality and economic stagnation are fundamentally related. The traditional use of aggregate income (GDP) to measure an economy's health hid the effects of redistribution, causing inequality growth to be ignored. Without distributed income data, we had been unaware that the *bottom ninety-nine per-cent's* share of the economy steadily contracted after 1980, and that the concentration of income and wealth within the top 1% led inevitably to both the 1929 market crash, "Black Tuesday," and the Crash of 2008.

As a regulatory economist concerned about "reasonable returns" on investment, my first reaction was that the top 1% has simply made too much money, freezing out the bottom 99%. This may seem obvious to someone *not* trained in economics, but it has not been obvious to most economists. Unused to thinking about the distribution of money, most economists in the 80 years since Keynes published his *General Theory* have routinely treated income and wealth distribution as if it has no economic implications at all.[4]

After more than two years of focused study, I find these conclusions inescapable: (1) Growing inequality results when structural features in an economy create enormous instability and substantially reduce growth; (2) The stagnation caused by unrestrained inequality growth dwarfs all other effects on growth; (3) The distribution of wealth and incomes is, therefore, the fundamental factor determining a market economy's capacity for growth and prosperity.

When I learned economics, in the early 1960s, students were taught that Keynes had likely solved the depression problem, but we are now learning that he did not. Keynes had expressly assumed that maintaining full employment would suffice to solve the "poverty" problem. His model included the determinants of effective demand and investment—the interest rate, the propensity to consume, and the "marginal efficiency" of (expected return on) capital—but did not account for any change in the concentration of wealth and income, which he considered "arbitrary."

One distinguished economist, however, felt otherwise. Even when income inequality was falling in the 1950s, and hampered by an "extreme scarcity of relevant data," Simon Kuznets insightfully argued that distribution is a key determinant of growth:

> Without better knowledge of the trends in secular income structure and of the factors that determine them, our understanding of the whole process of economic growth is limited; and any insight we may derive from observing changes in countrywide aggregates over time will be defective if these changes are not translated into movements of shares of the various income groups.[5]

After the mid-1960s, both Keynes's demand-side emphasis and Kuznets's insights on distribution were basically ignored by mainstream economics until the Piketty/Saez national income data were compiled a few years ago. Thus, we are only now confronting inequality issues, with the U.S. economy in the advanced stages of an inequality crisis.

Instability

In his *General Theory*, Keynes maintained that market economies are inherently unstable, always tending to drift toward decline and unemployment. He argued that the "classical theory," which he had taught for many years, did not predict the Great Depression because it merely described an economy at full employment. Classical theory presumed that, following a downturn, an economy would always return to full employment "equilibrium" as savings and investment equilibrated.

Keynes recognized, however, that market economies are inefficient, and that capital investment and job creation depend on expectations of *future demand* and expected *future returns* on investment. This was a matter "of the most fundamental theoretical significance and of overwhelming practical importance," he argued, for a decline in consumption leads to less, not more, investment and employment:

> A decreased readiness to spend will be looked on in quite a different light if, instead of being regarded as a factor which will, *cet. par.*, increase investment, it is seen as a factor which will, *cet. par.*, diminish employment.[6]

[W]hen money is concentrated at the top of society, the average American's spending is limited. [...]

To Keynes, this was the source of market economy instability. He maintained that declining employment could be corrected by central government stimulation of consumer demand and investment via fiscal policy (borrowing and spending) or monetary policy (lowering interest rates). As James Tobin put it in 1997, Keynes's "demand-side" theory explained why "our market capitalist economy, left to itself, without government intervention," does not "systematically return, reasonably swiftly, to a full employment state whenever displaced from it." [7]

However, this mild instability is minor compared to the stagnation associated with continually growing inequality. In his groundbreaking book *The Price of Inequality* (July 2012), Joseph Stiglitz put it this way:

> [W]hen money is concentrated at the top of society, the average American's spending is limited. [. . .] Moving money from the bottom to the top lowers consumption because higher-income individuals consume a smaller proportion of their income than do lower-income individuals.[8]

Growing inequality *itself* reduces aggregate consumption because the "propensity to consume" of those with growing incomes at the top is much lower than that of those with declining incomes at the bottom. An unstable cycle of reduced growth and higher inequality is created, as lower investment and employment further increase inequality, which further reduces demand, investment and employment.

The Reign of Ideology

Mainstream economics has ignored even the basic Keynesian instability of market economies (which presumes fixed distribution), reverting to a neoclassical "normality" assumption. In 2009, Mason Gaffney (a "Georgist," that is, a supporter of the perspectives of Henry George) pointed out, "Most economists believe that a market economy is a self-correcting system," [9] and James Galbraith recently concurred:

> The deepest belief of the modern economist is that the economy is a self-stabilizing system. This means that, even if nothing is done, normal rates of employment and production will someday return. Practically all modern economists believe this, often without thinking much about it.[10]

This misconception fosters the popular myth that capitalism provides a level playing field, with equal opportunity for all in Milton Friedman's "free market."[11] After publication of Friedman's *Capitalism and Freedom* in 1962, related myths have increasingly dominated economic discourse in America, including: (1) the "trickle-down" notion that *reducing* taxes on top incomes, instead of lowering government revenues, actually *increases* them; (2) the converse "Laffer Curve" [12] proposition that *raising* taxes on top incomes *reduces* government revenues; and (3) the currently popular "austerity" idea that cutting government spending promotes growth.

All of these ideas are false and have been disproved.[13] Their fatal problem is that the trillions of dollars needed for the imagined growth are unavailable. Fewer people can succeed, or even survive, as the *finite* money supply is increasingly sequestered at the top.

False ideology obstructs our ability to see the nature and severity of the inequality problem. Apologists for wealth have denied that there is any material inequality problem at all. For example, the Cato Institute and Friedman protégé Ben Bernanke argue that income inequality is nothing more than the availability of higher incomes to people with college or graduate degrees.[14] This perspective overlooks the substantial effects of inequality growth, including the very low *median* real incomes of college graduates ($51,000 for men and $40,000 for women in 2009), the recent descent of the lowest-paid college graduates into poverty,[15] and the 10% decline of the median income since 2007. It also ignores the astonishing growth of top incomes. The multiplier by which corporate CEO compensation exceeds a typical worker's income has increased from 42 in 1980 to 343 in 2010, and hedge fund managers routinely make over $1 billion per year. [16]

The Thirty-year Record of U.S. Inequality Growth

These statistics on the rising income gap, remarkable though they are, only begin to suggest the true enormity of the U.S. inequality problem. Today, the U.S. has the highest level of income inequality among wealthy nations, and the highest level of associated health and social problems,[17] both by wide margins.

The bottom 99% share of the economy has contracted substantially over the last three decades: from 1976 to 2007, 14.6% (23.5%-8.9%) of total GDP moved from the bottom 99% to the top 1%. Total GDP in 2007 was $13.8 trillion, so the bottom 99% was getting $2.0 trillion less *per year* than if this income was distributed as it had been in 1976 – a one-fifth loss of its income share, averaging $18,300 per bottom 99% household in 2007, *before* the Crash of 2008.

This necessarily reflected an extreme reduction of overall growth. From 1979 to 2007, while the real household income of the top 1% grew by 224% and that of the top 0.1% by 390%, real income of the bottom 90% grew by only 5%.[18] Meanwhile, *total* per capita income grew 90% over the first of two comparable 30-year periods (1946-1976) but only 64% over the following 30 years (1976-2006),[19] a one-third reduction in aggregate growth.

The lower growth itself was heavily concentrated at the top: [20]

	1947 to 1979	1979 to 2010
Lowest fifth	2.5%	-0.4%
2nd fifth	2.2%	0.1%
Middle fifth	2.4%	0.3%
4th fifth	2.4%	0.6%
Top 5th	2.2%	1.2%

This impact on aggregate growth is stunning. Income growth has been highly concentrated in the Top 5th quintile. This contraction has been so severe, in fact, that after 2009 all growth ceased except *within* the top 1%. Saez reports[21] the following allocation of new income between the top 1% and the bottom 99% over various time periods:

Period	Top 1%	Bottom 99%
1923-1929	70%	30%
1960-1969	11%	89%
1992-2000	43%	57%
2002-2007	65%	35%
2010	93%	7%
2009-2011	121%	-21%

The top 1%'s share of new income was 43% during Clinton years, and almost as much growth went to the top 1% during the GW Bush years as during the 1923-1929 run-up to the Great Depression. What has taken place since the Crash of 2008, however, seems unprecedented: That 121% of all growth in 2009-2011 went to the top 1% means that the point in the income distribution above which all growth is taking place was high up within in the top 1%.[22]

This should not surprise us: There has been enormous redistribution *within* the top 1%. From the top 10% to the top 1%, and then higher up within the top 1%, the income share increases exponentially:

Income Group	2007 Income Share	2008 Threshold Income
Top 10%	50%	$109,062
Top 1%	23%	$368,238
Top 0.1%	12%	$1,695,136
Top 0.01%	6%	$9,141,190

Even in the 2000-2006 period, when the bottom 99% was still getting about one-third of new growth, the average income of the top 0.01% increased 22.2%, while the rest of the top 1% grew less than 7.5%.[23] Today, income concentration within the top 0.01% accelerates as most of the rest of the economy loses ground.

The serious impacts of the one-fifth reduction of the bottom 99% economy include higher unemployment, reduced mobility, reduced job creation, lower median income and growing poverty, increasing levels of household and student debt, mortgage foreclosures, declining infrastructure, reduced public education and government services, and the decline and failure of cities, towns and small businesses.

Great Depression II

A "depression" is an abnormally severe downturn lasting more than a few months. Since the 1970s, recessions have steadily become deeper and longer-lasting.[24] The latest downturn, which began in September of 2008, is by far the worst since WW II.[25]

Employment bottomed out in January 2008, two years into the Great Recession, with a 6.4% job loss from peak. Even if the economy continued to add 200,000 new jobs per month, employment would not return to its pre-recession peak until February 2016,[ix] and a half years after the Great Recession began; and 100,000 more new jobs monthly would *still* be needed to meet workforce growth.[26]

While we have not yet seen the almost 18% employment experienced in the Great Depression,[27] U.S. unemployment reached 10% in 2010, and the median income fell by 10% during 2010 and 2011.[28] The Great Depression lasted only ten years, but given the continuing cycle of decline and inequality growth, the current depression will necessarily deepen, and might well last much longer.

The Causes of Rising U.S. Inequality

Here's why: the driving force behind depressions is the existence of structural changes permitting concentration of wealth and incomes. As Mason Gaffney put it:

> The only remedies most economists learned in the past century to correct disequilibrium were monetary (cutting interest rates to stimulate investment) and fiscal (running a government deficit to inject money into the economy directly). *Those types of policies deal only with symptoms.*[29]

Most of the public discussion so far has focused on labor's declining share of income, which the 2013 Economic Report of the President has attributed to "changes in technology, increasing globalization, changes in market structure, and the declining negotiating power of labor."[30]

Although labor share suppression is important, it is a relatively minor factor. Capital suppression within the lower 99% is a much bigger factor. From 1979 to 2007 the concentration of corporate and small business income (the tendency, that is, for more of it to go to fewer individuals), which was higher to begin with, grew far more than the concentration of labor income.[31] Thus, the top one per-cent's share of capital (corporate) income rose dramatically, and its share of small business income grew from less than 20% to more than 45%. The most concentrated income by far is capital gains, 75% of which went to the top 1% by 2007. It is no coincidence that, while the bottom ninety-nine per-cent's income share steadily declines, many corporations report all-time record profits in 2013 and the stock market posts all-time highs.

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Economic Rent and Market Power

The 30-year decline in growth and prosperity was the direct, systemic result of two Reagan Administration initiatives: (1) deregulation of business and finance, allowing corporations to increase their profits and the wealthiest Americans to increase their incomes; and (2) reduced taxes on top household incomes and corporate earnings, which allowed the wealthiest Americans to keep a greater share of their higher incomes and accumulate greater wealth. No set of policies could have been better designed to maximize inequality and minimize overall growth and prosperity.

Very wealthy people seem to be making way too much money, but how can we define "too much"? The answer lies in the concept of "economic rent." Economic rent consists of payments for which no new value is created, including all unearned income and excess profits. The unearned income of hedge fund managers is an excellent example.[32] As Stiglitz explains:

> [M]uch of the inequality in our economy was the result of rent seeking. In their simplest form, rents are just redistributions from the rest of us to the rent seekers. […] What is striking is the prevalence of limited competition and rent seeking in so many key sectors of the economy.[33]

The American economist Henry George, two depressions and 133 years ago (1879), was the first to associate *inequality* with economic rent. "Current political economy cannot explain why poverty persists in the midst of increasing wealth,"[34] he argued, and economic rent provided the missing explanation. "Georgists" are now in the forefront of the small cadre of economists focusing on inequality issues.[35]

Georgist and Keynesian theory intersect at "the cost of capital," a fundamental concept in my field of utility rate regulation. In the U.S., rates charged by electric utilities and other regulated corporations providing essential monopoly services have been set to allow sufficient earnings to attract capital—i.e., to earn their "cost of capital." This cost is equivalent to the "marginal efficiency of capital" Keynes identified as the underlying cost, for an entire economy, of full employment and growth.

When unregulated firms make profits exceeding their market cost of capital, this "excess profit" is a form of economic rent—and that is a good functional definition of "too much money." Since 1980, excess corporate profits have been enabled by lax anti-trust law enforcement, relaxed industry and financial transaction regulation, control of government contracting, and a new corporate culture that values financial gain over employment and tangible growth. This is why we have been reading and hearing so much about Wall Street excesses, about the consequences of the repeal of the Glass-Steagall Act in 1999,[36] and about the consolidation of market power in a small number of mega-corporations like Exxon Mobil, General Electric, Koch Industries, Monsanto, Time-Warner, and Walmart.[37]

Taxation and Wealth Transfers

Reduced taxation of the wealthy and corporations (the second feature of "Reaganomics") greatly magnified the damage. Wealth was already highly concentrated in the 1970s,[38] but high tax progressivity had allowed normal growth and a stable income distribution after WW II. The top marginal income tax rate (MTR) was 91% from 1950-1963, when it was reduced to 70% for most of the 1965-1980 period. It was reduced after 1980 to 50%, then 28%, raised to 40% by Clinton, then reduced to 35% in the Bush tax cuts, where it remained until 2012. The top capital gains rate, under 30% since WW II, was reduced to 20% with the initial Reagan tax cuts, increased again for a few years before being reduced again to 20% then 15% in 2002-2003.

Piketty and Saez show a high correlation between increases in top 1% income shares and reductions in the MTR and capital gains tax rates. The U.S., which had a top 1% income share slightly above average among 19 OECD countries in 1975-9, became the OECD country with the lowest MTR and (by far) the highest top 1% income share in 2004-8.[39] A recent Thomas Hungerford study also shows a high correlation between the top U.S. tax rate reductions and the increasing top 0.1% share of income.[40]

The rapid growth of income inequality has resulted in an extraordinary increase in wealth concentration. The top 1% of wealth holders increased their domestically reported net worth (assets minus liabilities) by about $16 trillion (in 2005 dollars) from 1980 to 2012,[41] and wealthy Americans hold an additional $5-8 trillion of unreported income in overseas accounts.[42] In current dollars, therefore, I estimate that the top 1% has increased its wealth by a virtually unimaginable $22-25 trillion. That amounts to about $69-$79 thousand *per capita*, for all 318 million Americans.

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The National Debt

The tax reductions for the wealthy were not matched by decreased government spending, so the Reagan-Bush administration ran up a huge level of national debt. The debt, which now stands at well over $16 trillion,[43] has financed about two-thirds of the top 1%'s wealth increase, the balance of which (an estimated $5-8 trillion) has transferred up from the bottom 99%. This implies annual wealth transfers to the top 1% of more than $300 billion.

In the 1930s, there was a "great debate" between Keynesians and the "Austrian School" led by Fredrich Hayek about whether government fiscal policy (deficit spending) and monetary policy (interest rate manipulation) could effectively stimulate investment and demand.[44] The Austrians argued that increasing the money supply through deficit spending would likely lead to inflation, cancelling out real growth. The Keynesians thought government spending could stimulate investment and growth, but lacked the Austrians' faith that monetary policy would be sufficient. Neither side, however, was aware of the hugely depressing effect of wealth and income redistribution. More than $16 trillion of deficit spending by the U.S. government over three decades has produced neither Keynesian stimulation nor an Austrian inflationary spiral. Both potential outcomes have been squelched by the suppression of income growth caused by rising inequality.

Conclusion

As Stiglitz put it in a January 2012 interview: "Inequality stifles, restrains and holds back our growth."[45] The distribution of wealth and incomes, long ignored by mainstream economics, is by far the most significant factor underlying the instability of market economies. Extreme income and wealth concentration is the underlying cause of depression. Accordingly, central government's most important responsibility is to maintain stable and reasonable levels of income and wealth distribution.

This cannot be accomplished by fiscal or monetary policy, nor can the regulatory and social changes that unleashed the current runaway inequality spiral in the U.S. be rapidly reversed. A quick return to the highly progressive taxation that controlled inequality growth before the Reagan presidency has now become essential to our survival.

Notes

1 John Maynard Keynes, *The General Theory of Employment, Interest, and Money,* 1935, New York and London, Harvest/Harcourt, Inc., 1953, 1964 ed., 1991 printing, p. 372.

2 Robert B. Reich, *Aftershock: The Next Economy and America's Future,* New York, Alfred A. Knopf (2010).

3 "How Progressive is the U.S. Federal Tax System? A Historical and International Perspective," by Thomas Piketty and Emmanuel Saez, *Journal of Economic Perspectives* 21:1 (Winter 2007) 3-24; "Optimal Taxation of Top Labor Incomes: A Tale of Three Elasticities," by Piketty, Saez, and Stephanie Stantcheva, DP No. 8675 (CEPR, November, 2011).

4 Analyses of the Crash of 2008 have routinely ignored distribution. *See,* e.g., "Explaining the Housing Bubble," by Adam J. Levitin & Susan M. Wachter, *The Georgetown Law Journal* 100:1177 (2012).

5 "Economic Growth and Income Inequality," by Simon Kuznets, *The American Economic Review* 45:1 (March, 1955) 27.

6 *The General Theory,* Ch. 14. "*cet. Par.*" means "all else equal."

7 Cowles Foundation Paper 947 (1997)

8 Joseph E. Stiglitz, *The Price of Inequality: How Today's Divided Society Endangers Our Future,* Norton, Kindle Edition (2012), pp. 84-85.

9 Mason Gaffney, *After the Crash: Designing a Depression-Free Economy*, Walden, Ma., Wiley-Blackwell (2009), p. 56.

10 "The Third Crisis in Economics," Presidential Address, Association for Evolutionary Economics (January 5, 2013).

11 Milton Friedman, *Capitalism and Freedom*, The University of Chicago Press (1962).

12 See Laffer, Moore, and Tanous, *The End of Prosperity: How Higher Taxes Will Doom the Economy – If We Let It Happen*, Ch. 2, "How a Cocktail Napkin Changed the World – the Laffer Curve," Threshold Editions (2008). This book ironically was published only a few months before the Crash of 2008.

13 "Trickle-down" is disproved by the failure of the Bush tax cuts to eliminate the national debt as predicted by the Heritage Foundation (Report, April 27, 2001) and by Paul Ryan's reliance on an impossible projection of $45 trillion income growth through 2050. (House Budget Committee Fiscal 2012 Budget Resolution, "Path to Prosperity," March 20, 2012.) The "Laffer Curve" is refuted by Piketty, Saez, and Stantcheva's finding (2011, *supra*), that income tax revenues are maximized at top rates in the 63%-83% range. Paul Krugman's *New York Times* column extensively documents the disproof of the "austerity" doctrine.

14 Thankfully, it was removed from the 2013 ERP.

15 Sources: The National Center for Education Statistics and the U.S. Bureau of the Census. The barebones poverty threshold for a household of 8 in 2009 was $35,300.

16 Jennifer Liberto, CNN Money , April 20, 2011; Paul Krugman, *End This Depression Now!*, New York & London, W.W. Norton & Co., 2012, p. 82; *See also*, fn. 32.

17 Richard Wilkinson and Kate Pickett, *The Spirit Level: Why Greater Equality Makes Societies Stronger*, New York, Bloomsbury Press (2010).

18 "Snapshot: Incomes rising fastest at the top," by Arin Karimian, Economic Policy Institute (October 20, 2011).

19 "Income Concentration at highest level since 1928, New Analysis Shows", by Chye-Ching Huang and Chad Stone, Center on Budget and Policy Priorities (CBPP, rev. October 22, 2008); Piketty & Saez, BEA, and Census data, adjusted for inflation; *See also* "A Guide to Statistics on Historical Trends in Income Inequality," by Chad Stone, Danilo Trisi, and Arloc Sherman, CBPP (rev. October 23, 2012).

20 "Family Income Growth in two eras," Economic Policy Institute (updated, October 5, 2012); "A Shrinking Middle Class Means a Shrinking Economy," by Alan Krueger, Obama CEA Chairman, *Reuters*, January 13, 2012.

21 "Striking it Richer: The Evolution of Top Incomes in the United States," by Emmanuel Saez, (January, 2013).

22 In September, 2013, Saez reported that 95% of all growth in 2009-2012 accrued to the top 1%. – Ed.

23 Seeking Alpha, using Piketty/ Saez data.

24 "The Recession of 2007-2009," Bureau of Labor Statistics (BLS) Spotlight on Statistics (February, 2012), p. 8.

25 "Sluggish Growth and Payroll Employment," by Bill McBride, the Calculated Risk blog (11/7/2011).

26 "Cumulative job losses for 2007 recession likely to be six times worse than any since WW II," by Rob Levine, The Cucking Stool (blog), (11/7/2011).

27 "October Employment Report: 171,000 Jobs, 7.9% Unemployment Rate," Bill McBride, Calculated Risk (11/2/2012).

28 "Median Household Income Index (HII) and Unemployment Rate by Month: January 2000 to April 2012," Sentier Research, LLC (data from the U.S. Census Bureau and the U.S. Bureau of Labor Statistics).

29 Gaffney, *supra* (emphasis added).

30 2013 ERP, p. 60.

31 "Trends in the Distribution of Household Income between 1979 and 2007," CBO (October, 2011).

32 The 25 highest-paid hedge fund managers in 2010 raked in $22 billion, with the one at the top collecting $4.9 billion. "2010 Highest-Paid Hedge Fund Managers," The Richest People, April 11, 2011.

33 *The Price of Inequality, supra,* pp. 95-96.

34 Henry George, "Progress and Poverty," San Francisco 1879, edited and abridged by Bob Drake, the Robert Schalkenbach Foundation, Fourth Edition, New York 2006, p. 28.

35 "How an anti-rentier agenda might bring liberals, conservatives together," by Mike Conkzal, *The Washington Post* (March 30, 2013).

36 *See, e.g.,* Nomi Prins, *It Takes a Pillage,* John Wiley & Sons, NJ (2009); Jacob S. Hacker and Paul Pierson, *Winner-Take-All Politics*, Simon & Schuster, NY (2010).

37 Barry C. Lynn, *Cornered: The New Monopoly Capitalism and the Economics of Destruction,* Wiley & Sons, NJ (2010).

38 Wealth concentration, always higher than income inequality, did not change much between 1983 and 2004. The top 1% held about 34% of total net worth and 42% of financial (non-home) wealth in 2004, about the same as in 1983; And in both 1983 and 2007 the bottom 40% had zero net worth, and the bottom 60% had negligible wealth except for their homes. "Recent Trends in Household wealth in the United States," by Edward N. Wolff, W.P. No. 502 (June 2007).

39 Piketty, Saez, and Stantcheva, *supra,* at 50-51.

40 Congressional Research Service (CRS) Study (November, 2012)

41 Census Bureau net worth data, and wealth concentration data from Edward Wolff, various sources. (2005 is the base year for federal price indexing.)

42 Data from "The Price of Offshore Revisited," Tax Justice Network, July 2012.

43 The national debt was under $17 trillion when this article was written, but has nearly reached $18 trillion by the end of FY 2014 - Ed.

44 *See* Nicholas Wapshott, *Keynes Hayek: The Clash That Defined Modern Economics*, W.W. Norton, NY (2012).

45 "Inequality Is Holding Back the Recovery," *The New York Times* (January 20, 2013).