

## **The income gap**

By: John Floyd – October 30, 2013

Chief Executive Officers of major corporations are overpaid, professional football players are overpaid, and especially professional basketball players are overpaid. But when the discussion on overpaid people in the American population, professional athletes never take any criticism, only CEOs of American corporations. But when the top 1 percent of earners in the United States are discussed, never forget that most professional athletes fall in that 1 percent category.

The richest 1 percent of all Americans account for 19 percent of earned income. This inequality is reaching levels only attained in the 1920s. Is this difference good or bad? I maintain it makes no difference in the long run. The fact that someone makes more money or how much more than me, has never been a consideration one way or the other. It either means they were luckier, more intelligent, or born under different circumstances. Any of the three reasons are inconsequential.

The inequality of earnings growth could lead to an uncomfortable relationship between classes of earners. Most labor unions think leaders of their respective companies are paid too much, and unions are right in most cases. CEOs are paid too much, have too many lucrative perquisites, and are treated like royalty. I have stated many times CEOs of major corporations are America's monarchy.

CEOs are paid to make tough decisions, and in most cases the most difficult decisions involve employee reductions. Unless you are living on another planet, everyone knows the implication of telling an employee, he or she, no longer has a job. It is easy to approve the purchase of new equipment but it is never easy to approve employee reductions. Even though CEOs have to make the toughest of decisions, most are not worth what they are paid.

CEO compensation and the American War on Poverty are similar, both are out of control. President Lyndon Johnson's War on Poverty was the beginning of an earnest effort by the United States government to initiate programs that would essentially eliminate the ravages of poverty on the American people. The original War on Poverty is now 50 years old and the poverty rate is 30 percent higher than the 1970s.

However the definition of poverty has changed over the 70-plus years. Oren Cass, stated in the October 14th edition of the National Review that Society's definition of a minimum standard of living now includes higher education, health coverage for everything from birth control to most advanced therapies, and even cell phones and broadband Internet access. If every American is entitled to all government benefits, those who work hard to earn a middle-class living will find themselves doing little better than those who do not work at all.

The anti-poverty programs have generated unforeseen circumstances. The many government anti-poverty programs have eliminated the historical financial difference between the working class and the non-working class, the wage gap. The financial benefits received by non-working Americans are a

disincentive to finding a job. In other words, a person can generate as much income on the government dole as he can gainfully employed.

The working population of the United States is 2 million less than 2007. The number of American workers on Workman's Compensation, being paid not work because of workplace injuries, is 2 million. Food stamp recipients has grown by 25 percent since the recession ended, and more than 100 million people now receive government assistance of some kind.

The number of benefits available for Americans has grown to monumental proportions managed by too many governmental agencies. Because of the plethora of bureaucratic agencies associated with welfare programs, there is little likelihood for welfare reform.

Oren Cass reported when all annual spending for entitlement programs are totaled, the results are stunning. The Cato Institute added up the annual expenditures for all anti-poverty programs and arrived at a total of \$1 trillion. That total excludes Medicare and Social Security which amounts to another \$1 trillion in additional spending in one year.

Interestingly enough, Aid to Families with Dependent Children is not the largest entitlement program. AFDC falls behind the Supplemental Nutrition assistance Program (food stamps), Earned Income Tax Credit, Supplemental Security Income (disability), and Pell Grants for higher education. Now the Affordable Care Act is adding billions of dollars to the annual budget.

As I have stated in previous commentaries, the spending level to sustain present government entitlement programs is impossible, and many good Americans depend on one or more of good anti-poverty programs. The answer is simple, higher taxes, decreased spending, and eliminating fraud. Those three actions would be easy if the American people only had men in Washington who understand responsibility and the consequences of deficit spending.

The second solution to this budget malaise in which we find ourselves, is for the federal government to relinquish all entitlement responsibilities to the states. The federal government should act as tax collector and divide tax money equitably among the states. States are better suited to administer entitlement programs because states are closer to the problem and have less difficulty with adhering to budgets. This is probably too simple for those great minds in Washington.