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The Rich

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Abstract: The rise of the super-rich dramatically rose in the 1980's. The once dominant oil and gas sector was taken over by finance and technology overall. We can see a rise of these super rich, or the one percent, and even how quickly they were able to recover from the 2008

Recession. Now, the one percent are making continuous substantial gains in a current world, where a pandemic has struck, and many are struggling. I talk about the use of public policy in order to regain this economic gap between the one percent and the rest of the world. I

conclude the thought of how the world may be different if public policy were stricter in times of uncertainty.

The Rich

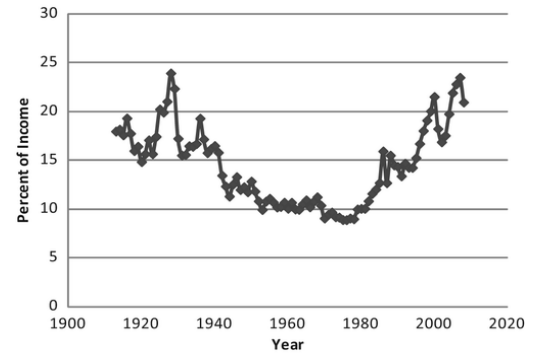
The United States, and the world as a whole, is centralized around money. Money can be a dangerous luxury. Once you have a lot of it, it then becomes easier to make more through different tactics, such as investing. If you are able to throw more money into investing, the quicker you will be able to grow it, whether it is investing in stocks, investing in real estate, or any other strategy. The one percent are a wealthy group of individuals who have found a way to earn money at an exponential rate, and grow their money even quicker. The one percent is a term in regards to the top one percent of U.S. earners, state earners, or world earners, depending on your demographic you're attempting to regard. Overall, the term is used to

represent those financially privileged and in the top one percent income in regards to their respective demographic. Those in the top one percent of the world could single handedly change many of the recurring world issues, one of many being world hunger. This is one of the many issues revolving around “the rich” or the one percent, they have the capability to change the world, but is it their obligation to do so? Not necessarily, which is why this can be perceived as a wicked problem. There have been many suggestions that revolve around this issue that continuously arise, such as making sure we tax the rich or they are fully paying their taxes, those in the top one percent could donate a small percent of their money to ENTIRELY solve many world issues, and to stop donating towards politics overall, but rather donate to fundraisers that are created to help major catastrophes around the world. However at the end of the day it is their money and they may do whatever with it, but I believe with how much they (the one percent) have, the entire world could be different. The top one percent’s effect on the world is a problem that is difficult or almost impossible to resolve because of incomplete and contradictory requirements, the large economic burden, and the interconnected nature of these problems with other issues.

Before digging deep into the modern day top one percent, it is important to note the rise of the super rich, which first derived from the oil industry. However, according to *The Rise of the Super-Rich: Power Resources, Taxes, Financial Markets, and the Dynamics of the Top 1 Percent, 1949 to 2008* by Volscho, “The income share held by the top 1 percent fell from a high of nearly 24 percent (in 1928) to its lowest point of 8.9 percent (1975 to 1976), a decline of 63 percent. This pattern dramatically reversed after 1980, with income concentration rising from just over 10 percent in 1981 to 23.5 percent by 2007, a 135 percent increase” (Volscho). The

graph above from the same source helps illustrate.

There are many conclusions that can be drawn from this. When observing the different rankings of top income earners, much of the new money (money that came after the early 1980's) has stemmed from the financial sector, replacing the once dominant oil and gas sector.



This is due to the rapid rise in finance, insurance, and real estate profits.

Furthermore, the overall stock market's performance in the late 1990s has likely contributed to top income, or top one percent income, concentration due to the rapid increase in stock prices and dividend payouts (Volscho). The rise was brought to an instant halt as we hit a recession due to the housing bubble, which affected everyone, but had a greater net loss of the one percent, even though they had more to spare compared to the working middle class.

Since the Recession in 2008, the top one percent have grown at a rapid pace while the working middle class has been stagnant. According to Gregory Mankiw from *Defending the One Percent*, "These high earners have made significant economic contributions, but they have also reaped large gains. The question for public policy is what, if anything, to do about it. This development is one of the largest challenges facing the body politic" (Mankiw).

This is where public policy draws into this wicked problem. Yes those in the top one percent have made contributions, but are these contributions made to benefit themselves or the greater good? Many people argue that if we tax the rich more, we as a country can do more with those tax dollars. Taxing the rich more is a constant idea that draws into politics, which I will talk about next paragraph. However, there are many ways for wealthy individuals to avoid

paying substantial amounts with tax breaks on capital gains. For example, let's suppose a woman buys a hotel for five million dollars, which over time in ownership, rises to ten million dollars. She realizes there is little potential gain after her profit and wants to invest that money elsewhere. However, she owes taxes on her five million dollar capital gain. But, if she exchanges that money for a new investment, say a restaurant, that five million dollars won't be subject to tax UNTIL she decides to sell the restaurant. This is an everlasting cycle of exchanging properties to avoid taxes (Marr). Now put this into perspective for the top one percent. Those who have HUNDREDS of millions of dollars to play with can avoid this tax on capital gains by just hopping from property to property. Another way to work around taxes that is well known is that instead of paying taxes each year on the capital gains, you can continue to get returns on the money you would have paid. These continuous returns year after year will compound, delaying the day when taxes are due which is a large benefit. These are only two examples of ways to avoid paying taxes, there are many more, and there are also those who do not pay taxes at all and get away with it.

The richest people in the world continue to only get richer in a really chaotic world. A world that has so many wicked problems within itself, such as climate change, world hunger, inequality, poverty, water supply, drug abuse, etc. This is how the rich overall are perceived as a wicked problem. We cannot rely on hope that the one percent do their part to help save many of the revolving word issues. For that reason public policy is forever attached to this idea, although there are many more ways to avoid these policies that I have not listed. According to Patricia Cohen from New York Times article, What Could Raising Taxes on the 1% Do? Surprising Amounts, "Raising their total tax burden to, say, 40 percent would generate about \$157 billion

in revenue the first year. Increasing it to 45 percent brings in a whopping \$276 billion ... If the tax increase were limited to just the 115,000 households in the top 0.1 percent, with an average income of \$9.4 million, a 40 percent tax rate would produce \$55 billion in extra revenue in its first year" (Cohen). What is the country capable of doing with that extra money from a tax increase? You are able to eliminate all undergraduate tuition for all of the US's public colleges and universities. You could make a major dent into a severe world issue with just one year in a tax increase. However, it is not about one issue with a tax increase, it is more about the overall concept of taxing the rich more to gradually attack some of the predominant world issues that have tended to worsen.

The most important factor in regards to the one percent's impact on the world, in my opinion, is the .01%, which is the one percent OF the one percent. These are a handful of the richest people in the world, who only continue to get more rich. After tax income between the one percent and the 0.01% are dramatically different compared to the rest of the population. According to Howard Gold from the Chicago Booth, "For the top 1 percent, it (after tax income) nearly tripled between 1980 and 2014, according to research by Paris School of Economics' Thomas Piketty and UC Berkeley's Saez and Zucman. For the top 0.1 percent, it almost quadrupled in the same period. And posttax income for the 0.01 percent rose 423 percent. Posttax income for the entire US population rose by only 61 percent during this time, the study demonstrates" (Gold). As shown above, the rich are growing their post tax wealth at an aggressive rate. The super rich are generating an absurd amount of income, in a time where most are struggling, or are recovering from the effects of COVID 19. The world felt the Coronavirus strike in March, where we observed its overall economic decline. Millions were left

jobless, unemployment was at an all time high, and the stores were left empty as people bought in bulk to prepare for what was to come. The more well known billionaires, categorized in the .01% of the world, have greatly benefited from the coronavirus. This is due to online retail normalizing in a world where many are scared to visit any store, or go out in general. According to the Forbes article, *The Rich Are Getting Richer During The Pandemic*, "The Guardian wrote that at the height of the pandemic, Jeff Bezos, Bill Gates, Mark Zuckerberg (his net worth ballooned by about \$15 billion in 2020), Warren Buffett and Larry Ellison collectively witnessed their already incredible wealth increase by \$101.7 billion between March 18 and June 17" (Kelly). One of the reasons they were able to prosper, especially Jeff Bezos (CEO of Amazon), is due to the fact that without storefronts, companies ongoing expenses are significantly lower than other competitive retailers. That gives companies like Amazon or Walmart the edge to undercut rivals on price, allowing them to operate on a thinner profit margin (Krishna).

These massive companies, and their CEOs/Owners, are some of the main factors circulating around this wicked problem of the rich. Previously, I mentioned how a tax increase on those in the one percent, or overall, could be incredibly beneficial for our current world. However, an important thing to note is how little these major companies pay in taxes compared to what we thought. According to Mrinalini Krishna from Investopedia article *The Amazon Effect on the U.S. Economy*, "A 2016 analysis by The New York Times and S&P Global Market Intelligence reveals that Amazon paid taxes at an average rate of 13% from 2007 to 2015, nearly half of the 26.9% average for S&P 500 companies. But it wasn't alone. Other tech giants like Facebook, Alphabet, and Apple also paid taxes at a rate significantly lower than the

average” (Krishna). This is because Amazon reinvests its profits into expanding the business, which is a major way companies avoid taxes, as previously mentioned.

If we were to set a minimum tax percent that was MANDATORY for companies reaching a certain threshold in net profit (a way to tax those thriving, especially during a pandemic, compared to those who are barely getting by), we could redistribute that, as well as the owners personal taxes, into the world to better it. Public policy is not the only answer, however it seems to be the most hopeful and efficient, compared to taxing them less and expecting them to make contributions and donations themselves to better it. Those in the top one percent of the world could single handedly change many of the recurring world issues, however we cannot expect everyone in the top one percent of the world to make contributions, so in my opinion, public policy has to be drawn into this topic more than it has been in the past. The rich are only getting richer in a world that is in the middle of a pandemic, and these people in the top one percent, or the rich overall, need to contribute more to saving it, whether it is by public policy, or any other alternative.

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