RESTORING THE BROKEN LINK:

What Every Policymaker Should Know—and Do—About the Broken Link Between Profit and Prosperity
Until the rules work for every American, they’re not working. The Roosevelt Institute asks: What does a better society look like? Armed with a bold vision for the future, we push the economic and social debate forward. We believe that those at the top hold too much power and wealth, and that our economy will be stronger when that changes. Ultimately, we want our work to move the country toward a new economic and political system: one built by many for the good of all.
Today’s economy is not working for most Americans. While corporate executives and wealthy shareholders earn record profit, more and more Americans are stuck in low-paying jobs and burdened by enormous debt. For people of color and women, who are already held back by historical and persistent inequities, today’s economy has been even harder. The link between profit and prosperity has broken—and rewriting the rules to address the outsized power of corporations is an essential part of any agenda to make our economy work for all of us.

**CORPORATE PROFITS ARE HIGH—but are only benefiting the wealthiest Americans.** Between 1980 and 2013, the average real income of the richest 1 percent and 0.1 percent increased by 142 percent and 236 percent, respectively, while the pay of executives at American firms rose by a whopping 937 percent.1 During that same time, household income grew by just 9 percent, and between 1988 and 2013, it actually shrunk.3

**American workers have not had a raise in nearly two decades.** Despite being more productive than ever before, the salaries of U.S. workers have barely kept pace with inflation. Had all workers’ wages risen in line with productivity, for example, as they did in the three decades following World War II, a worker earning around $40,000 today would instead be making close to $61,000 today.4

**Today’s economy has been especially harmful to people of color and women.** The economic gains made by black Americans in the 1960s, as a result of the civil rights movement and a series of inclusive rules, have largely stalled.5 The gap between the median income of white and black households has expanded from $19,000 in 1967 to approximately $27,000 in 2012.6 Today, black households have less than 7 cents on the dollar compared to white households, and black families living near the poverty line have a median wealth near zero, while white families in similar economic circumstances have about $18,000 in wealth.7 Women’s participation in the labor market has been in decline in recent decades, and women workers continue to face a persistent wage gap that varies substantially by race and geography. Black women working full-time, year-round typically make only 63 cents for every dollar paid to their white, male counterparts; for Latinas, this figure is only 54 cents.8

Recent improvements in some economic metrics should not obscure the decades of decline in Americans’ prosperity. Although Americans are working more productively than ever, most have seen little of the benefits: From 1973 to 2016, net productivity rose 73.7 percent, while the hourly pay of typical workers essentially stagnated—increasing only 12.5 percent over 43 years, after adjusting for inflation.9 The recent, incremental increases in wages do little to account for this long-term and troubling trend. Importantly, to the extent that there have been recent economic gains, they are a result of progressive policymaking, including minimum wage increases that took effect in 18 states and 19 cities in 201810 and the decision by the Federal Reserve—at the behest of progressive advocates, policymakers, and economists—to keep interest rates low for the past 10 years.
THE ECONOMY IS NOT WORKING FOR MOST AMERICANS

MOST AMERICANS CANNOT AFFORD EVEN BASIC LIVING EXPENSES. Americans all over the country are struggling to pay the bills and make ends meet. A Federal Reserve survey report found 46 percent of Americans don’t have the money to cover an unexpected $400 expense.\(^9\) 78 percent of workers reported living paycheck to paycheck, and 71 percent of all US workers reported being in debt.\(^10\)

SMALL BUSINESSES ARE STRUGGLING. The rate of new business formation has been declining for decades, and the rate of business deaths is now higher than the rate of new business births for the first time since the 1970s, when researchers started collecting data.

SECTION ENDNOTES


\(^3\) Joseph Stiglitz, “Inequality and Economic Growth.”


\(^5\) These inclusive rules included affirmative action policies that increased black representation in public-sector and union jobs, enforcement of antidiscrimination policy, and the desegregation of education, to name a few. For more, see The Hidden Rules of Race.


Today’s Corporations Are Out of Balance
And Understanding How Is Key to Solving for It

TODAY’S CORPORATIONS ARE NOT DOING THE THINGS WE NEED FOR OUR ECONOMY TO GROW. Starting in the 1980s, large corporations changed how they were structured, and wages and employment security for workers began a concurrent, long-term decline.

- Corporations are earning record profits, but they are not investing those profits back into their companies or into the economy. Corporate investment as a share of profits has been declining since the 1980s. In the 1960s and 1970s, 40 cents were invested for every dollar a company earned or borrowed—but since the 1980s, less than 10 cents of each borrowed dollar is invested.13

- Instead, executives are using their profits to pay themselves and their wealthy shareholders—at the expense of investments in research, capital expenditures, or employee compensation. Before the 1970s, American corporations paid out 50 percent of profits to shareholders and retained the rest for investment.14 Today, payments to wealthy shareholders account for 90 percent of reported profits, with fewer and fewer dollars available for the productive investments that make our economy grow.15

Economic growth comes from either private or public investment in new technology, new equipment, higher wages, or demand for services, which creates jobs and drives the economy forward. Since both corporate and public investment have been in steep decline, our economy is not growing the way it should be.
Today’s Corporations are Out of Balance

The power relations among a company’s stakeholders have changed substantially over the past 30 years, resulting in far greater bargaining power for some stakeholders than others.

Every corporation consists of a variety of stakeholders: CEOs and managers who oversee operations; employees who perform the labor; other businesses, often smaller, who are part of the corporation’s supply chain; wealthy shareholders who own a piece of the firm through publicly traded stock; and consumers who purchase the company’s products or services.

These stakeholders all have their own set of interests—at times overlapping, at times competing. When power is evenly distributed among these stakeholders, each serves as a check on the other as they struggle over who gets the greatest share of the company’s earnings. In the past, when power was more evenly distributed, the struggle over who gets the greatest share of earnings resulted, while still far from ideal, a more even distribution of profits among corporate stakeholders than we see today. Companies also invested more in things like research and innovation, because each of the stakeholders stood to gain from the company’s long-term growth. When stakeholder interests—including the interests of CEOs and their wealthy shareholders—are more balanced, then a business’s growth can be more broadly shared.

Today, however, the relative wealth and power of executives and shareholders has grown, while the relative power of workers, consumers, and suppliers has shrunk. This imbalance is a result of a number of changes in the relationships among these stakeholders:

+ **The interests of executives and wealthy shareholders have become aligned**, largely due to changes in policy and in corporate practice. This means that they are no longer in healthy tension as a check on one another; rather, they sit atop the firm together, each reinforcing the other to create more leverage toward their aligned goals.

+ **Companies have merged and consolidated** more than at any point in our history, which means shareholders and CEOs face little competition to check their decisions or discipline their investments. According to the Obama administration’s Council of Economic Advisors, global activity in mergers and acquisitions surpassed $5 trillion in 2015, of which $2.5 trillion was in the United States—the highest annual amount in any year on record.

+ **The power of workers has declined precipitously**. Executives and wealthy shareholders have used their leverage to prevent workers from joining or forming unions, and they have restructured employment relations in ways that make it a practical impossibility for workers to join or form a union in some industries. This has removed an important check on the bargaining power of those at the top.

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Relationships among these stakeholders have changed because of shifts in policy and corporate practice. Today, companies are able to generate profits in ways that were formerly illegal—with high profit-making potential but limited productive value—like squashing competitors, exploiting consumers, limiting the rights of workers, or artificially boosting share price, among many others.

**THIS SHIFT IN THE RELATIVE POWER OF CORPORATE STAKEHOLDERS HAS CHANGED WHERE PROFITS GO, AND WHERE THEY COME FROM**

The increased power of executives and wealthy shareholders, and the decreased power of workers, consumers, and smaller businesses along the supply chain, have resulted in a substantial change in how a company’s earnings are allocated:

+ Executives and wealthy shareholders have used their increased leverage and power to demand more of the company’s profits for themselves. The average CEO made 30 times higher than the average worker in 1978, but 271 times more than the average worker in 2016. And payouts to wealthy shareholders now account for more than 90 percent of all corporate profit—with stock buybacks, the dominant way companies pay shareholders, at a record high in 2018.

**A RISING PROPORTION OF PROFIT FLOWING TO ONE SET OF STAKEHOLDERS OR USES NECESSARILY MEANS A DECLINE IN WHAT IS AVAILABLE FOR THE OTHERS—IN THIS CASE, WORKERS, SUPPLIERS, AND THE LONG-TERM CAPITAL EXPENDITURES THAT, OVER TIME, GROW THE COMPANY.**

The shift in power to wealthy shareholders has not only changed how earnings are allocated; it’s changed how companies generate profit in the first place:

+ Because executives and wealthy shareholders hold all the cards among stakeholders, they are now free to generate profit not by creating and selling a product that has value, but by extracting value from the firm’s other stakeholders.

+ In practice, this means squeezing suppliers, typically smaller businesses, by paying them less and less to provide the same goods and services; cutting services or lowering quality at the expense of consumers; and borrowing money, which saddles the company with debt burdens that limit its options for growth in the future. One particularly troubling way companies have cut costs is by contracting out or otherwise outsourcing large portions of their workforce to third parties, which has resulted in lower wages, insecure employment, unsafe working conditions, and less comprehensive benefits.

The enormous power some companies have over others within the market also has an effect on what happens to a company’s stakeholders, because, without competition, the powerful firm knows that the other stakeholders have no place else to go:

+ Thanks to their power in the market, firms can profit from behavior that extracts value from consumers—for example, selling lower quality goods at higher prices—without having to worry that their customers will go to a competitor.
Powerful firms have often used their power to generate profits by purposefully exploiting consumers of color; for example, charging different prices for a mortgage to black borrowers or reducing investment (in grocery stores, broadband, and many others) in previously redlined neighborhoods.

Firms can squeeze suppliers or contractors; lowering the price they are willing to pay to smaller firms who have no choice but to accept the terms of a behemoth buyer. A company that exercises power in this way is known as a "monopsony," in which there is just one or a few buyers, and they use this power to extract from their suppliers.

Powerful companies can and do use this monopsony power to extract from those who supply labor, e.g., workers. When workers have no other place to go, companies can and do use their leverage to offer lower wages, fewer benefits, and harsh contract terms. There is now evidence that part of the reason for our high-profit, low-wage economy is because of this power that employers have over workers.

**THIS SHIFT—WHEREBY COMPANIES EXTRACT RESOURCES FROM STAKEHOLDERS RATHER THAN REINVESTING RESOURCES BACK TO THEM—HAS LED TO OUR HIGH-PROFIT, LOW-WAGE ECONOMY.**

The consequences of this shift have been dramatic: fewer capital expenditures, fewer resources along the supply chain, and increased outsourcing, which means fewer jobs, lower wages, and more precarious work.

It doesn’t have to be like this. When companies make productive investments, it grows the economy overall—by creating greater demand for goods, services, and workers, and laying the foundation for innovation and long-term growth. A more equitable balance within corporations is good for workers, for communities, and for the economy at large.
This assumes all demographic interests are represented among stakeholders. Additional obstacles can prevent women, people of color, differently abled individuals, and other communities from even being represented among corporate stakeholders.


William Lazonick, “Reforming the Financialized Business Corporation.”
The Broken Link Between Profit and Prosperity Is a Result of Policy Choices That Shape Corporate Behavior

Not Forces Beyond Our Control

THE ECONOMY IS STRUCTURED BY A SET OF RULES THAT SHAPE HOW OUR ECONOMIC ACTORS RELATE TO ONE ANOTHER. Beneath the surface of economic trends—stock market performance, unemployment rates, average household pay—is a series of rules, written by policymakers, that shape how our economy functions.

Healthy markets, healthy corporations, and a healthy economy depend on rules to create an equitable balance of power between workers, consumers, and businesses, and when those rules skew the balance of power, markets favor the most powerful to the detriment of the majority.

A dramatic shift in the policy landscape over the past 40 years has codified and facilitated this shift in the power relations among corporate stakeholders and changed the incentives that shape corporate behavior. For example:

- In tax policy, the dramatic lowering of top marginal tax rates—from 70 percent in 1980 to now just 37 percent in 2018—changed the incentives of high earners who sit atop corporations. Prior to President Ronald Reagan’s Economic Recovery Tax Act of 1981, when the top marginal rate was 70 percent, salary increases for high-earning managers went mostly to taxes, so they were less inclined to pursue higher salaries and instead had more incentive to invest corporate profits in productive spending, such as raises for workers or expansionary investment.20
THE BROKEN LINK BETWEEN PROFIT AND PROSPERITY IS A RESULT OF POLICY CHOICES THAT SHAPE CORPORATE BEHAVIOR

- **In competition policy**, a substantial shift occurred in the government’s analysis of whether and under what circumstances a company becomes too much like a monopoly and behaves in ways that harm the economy. This shift allowed a number of corporate activities that were once illegal—like buying smaller businesses along the supply chain—to become commonplace. The result of permitting this anti-competitive behavior may be seen in the dramatic increase of mergers and acquisitions annually—from less than 2,000 in 1980 to roughly 14,000 per year since 2000.\(^{21}\)

- **In securities law**, there was a shift in what constituted illegal market manipulation by the Securities and Exchange Commission (SEC), which, over time, created a legal pathway for companies to raise the price of their stock by buying their own shares. This shift provided a new way for executives, often paid through stock options themselves, to both raise their own pay and the pay of the company’s wealthy shareholders, without engaging in any of the more traditional ways to increase the real value of the company—ways that also benefit a company’s other stakeholders. Since the SEC adopted this “safe harbor” rule in 1982, companies’ use of stock buybacks has exploded—from few, if any, in the 1970s to roughly $800 billion in expected buybacks this year—and is the way companies now use more than half of all corporate profits.\(^{22, 23}\)

- **In labor and employment law**, a move to redefine employment relationships led companies to restructure their workplaces to avoid their legal obligations to employees. In 1984, the National Labor Relations Board (NLRB), for example, narrowed the joint employer standard, which determined under what circumstances two or more businesses—such as a staffing agency and the firm where the worker is placed—are both legally responsible for bargaining with employees.\(^{24}\) Since then, the number of contingent workforce arrangements has grown dramatically, to roughly 16 percent of the American workforce today.\(^{25}\) And, under the Reagan-era joint employer standard, these workers effectively lost their right to join a union that can meaningfully bargain over wages and working conditions, because the people who have real control do not have to be at the bargaining table.\(^{26}\)

- **In monetary policy**, a focus on inflation targeting, despite the Federal Reserve’s “dual mandate” of price stability and full employment as required under the Full Employment and Balanced Growth Act, weakens the relative bargaining position of people who work for a living and strengthens the bargaining position of those who make their money from investing.

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*When the rules favor powerful corporations and wealthy shareholders, as they do in America today, then the powerful are able to profit, not by creating value, but by extracting it. The link between profit and prosperity has broken. The good news? We can change it.*

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SECTION ENDNOTES

20 Recent work by economists Thomas Piketty, Emmanuel Saez, and Stefanie Stancheva has supported this claim, finding that that lower tax rates for the wealthy encourage corporate managers and executives to bargain for higher compensation for themselves. Further reading is available at http://www.nber.org/papers/w17616.pdf


22 William Lazonick, “Profits Without Prosperity.”


26 In 2015, the NLRB adopted a joint employer standard in Browning-Ferris Industries that requires all firms that control the terms and conditions of employment to come to the bargaining table. Since that time, the NLRB overturned Browning-Ferris in its Hy-Brand Industrial Contractors, Ltd case, but the Hy-Brand decision was recently vacated by because participation of one of the board members violated the NLRB’s ethical standards. As a result, Browning-Ferris stands, and an appropriate joint employer standard is the law—for now. For more information, see the National Employment Law Project, http://www.nelp.org/.
Throughout U.S. history, the rules of the economy have often pushed women and people of color to the margins of the labor market. Those rules—including the explicit exclusions established by slavery and during the Jim Crow era, the racialized and gendered exclusions of the New Deal, interpersonal racism and sexism (and the combination of both), and the failure to provide adequate public work-family supports, among many others—are not a relic of our past. The legacy of these historical rules lives on through entrenched racial and gender inequities and current day public and corporate policies and practices.

The ability of corporate executives and wealthy shareholders to accrue and wield outsized power is the result of rules that were written (and unwritten) by policymakers. Over the last four decades, corporations that focused on maximizing profits and securing high returns for shareholders have cut costs by outsourcing large portions of their workforce to third parties, which has resulted in lower wages, insecure employment, unsafe working conditions, and less comprehensive benefits. These and other imbalances in the way corporations are run reinforce the rules of race and gender and perpetuate the inequities women and people of color experience as workers, consumers, and small business owners. These changes also channel a larger percentage of all workers into precarious work arrangements that have long been the hallmark of the labor market for women and people of color.

**OCCUPATIONAL SEGREGATION MEANS THAT WOMEN AND PEOPLE OF COLOR ARE DISPROPORTIONALLY REPRESENTED AMONG LOWER WAGE, NON-UNION, INSECURE JOBS.** Occupational segregation pushes women and people of color into jobs and industries characterized by low wages and poor working conditions. Women of color are often segregated into jobs that pay low wages, do not guarantee reliable schedules, and do not offer benefits such as paid sick or family leave. Women represent more than 60 percent of the workforce in four of the five fastest-growing sectors in the labor market, including in food preparation and retail, and the majority of those jobs pay less than $10.50 per hour.

**THE DECREASED POWER OF UNIONS HAS HURT EMPLOYMENT OPPORTUNITIES AND WAGES FOR WOMEN AND PEOPLE OF COLOR.** The sharp decline in union jobs is an important part of our modern story of economic inequality: Both historically and currently, wages are higher—and wage gaps are smaller—for women and people of color who are in unions compared to those who are not. Women union members earn $224 more a week than non-unionized women workers, and the gender wage gap between unionized women and men is approximately half the size of the wage gap among non-union workers. Among black women and men, union workers earned 37 and 35 percent more, respectively, than their non-union counterparts.
CONSUMERS’ ACCESS TO GOODS AND SERVICES IS INFLUENCED BY THE RULES OF RACE AND GENDER. Without the presence of sound rules and regulations, and with the increased power they have accrued, shareholders and executives are able to ignore—or even worse, prey on—certain communities. In the years preceding the financial crisis, lenders targeted communities of color, and particularly single women of color, for subprime loans. Car insurers have engaged in price discrimination for consumers of color. The monopolized and deregulated broadband market has allowed internet service providers to update digital infrastructure in the most profitable, high-income areas first, resulting in a “digital redlining” that has left neighborhoods of color behind. These contemporary rules compound historical inequities and drive cascading negative outcomes for women and people of color.

CORPORATE CONSOLIDATION HAS REDUCED OPPORTUNITIES FOR NEW BUSINESS OWNERS TO GROW THEIR BUSINESSES, ERODING A PATHWAY TO THE MIDDLE CLASS FOR PEOPLE OF COLOR AND WOMEN. Black women, for example, are the fastest-growing group of entrepreneurs, but in an economy dominated by large firms and their shareholders, who can squeeze suppliers or buy out competitors, more entrepreneurs are failing and fewer are getting started. In the face of consolidated markets, older and more independent firms—once a path for wealth building for people of color—are pushed out by externally owned and managed companies, weakening or outright eliminating these pathways and community supports. Over the past 30 years, tens of thousands of black-owned businesses, for example, have gone out of business or been acquired by larger companies. In 1985, 60 black-owned banks were providing financial services to their communities; by mid-2017, only 23 remained. Of the 50 black-owned insurance companies operating in the 1980s, just two remain in business.

EXECUTIVES AND SHAREHOLDERS ARE OVERWHELMINGLY WHITE AND OVERWHELMINGLY MEN, SHAPING WHO HAS POWER AND WHAT IS DONE WITH IT. Today’s corporate structures enable those who have traditionally held power to accrue and wield even more of it, reinforcing historical rules of race and gender that largely dictate who gets to graduate to the C-suite or shareholder status. As of 2017, women led only 26 S&P 500 firms, and people of color (only 3 of whom were black) managed just 19. Women represented roughly 20 percent of corporate board members, and almost 1-in-3 U.S. businesses had no women at all in senior roles. These disparities are linked to the historical rules of race and gender exclusions, to persistent and unchecked personal bias, and to contemporary rules that skew opportunities and drive negative economic outcomes for women and people of color.

When the rules are written to benefit those who already hold power and privilege, the incentives for preserving and reinforcing those rules increase, and more resources are devoted to shaping the rules further in favor of the powerful. If we rewrite our economic rules but fail to take the hidden rules of race and gender into account, we perpetuate exclusion. We can rewrite the rules, so that they correct for the ways women and people of color have been excluded, and a set of inclusive economic rules would benefit us all.
SECTION ENDNOTES


30 Katherine Gallagher Robbins and Julie Vogtman, “Low-Wage Jobs Held Primarily by Women Will Grow the Most Over the Next Decade.”


38 “The Percentage of Women in Senior Roles is Slowly Growing Worldwide, But at This Pace We Won’t Reach Parity for Decades,” Catalyst (February 2017) http://www.catalyst.org/knowledge/women-management.
Restoring the Link Between Profit and Prosperity Requires Real Structural Reforms

Restoring the link between profits and prosperity will take real structural reforms to change the balance of power within companies and change the incentives that drive corporate behavior.

Policies that tackle the symptoms of this broken link, such as raising the minimum wage, are necessary and important, but addressing the symptoms is not the same as rewriting the rules to prevent these problems in the first place. To rebalance power within companies and change the incentives that drive corporate behavior, we must:

CURB THE POWER OF THE WEALTHY AND CORPORATIONS

The wealth and power of executives and the corporations they lead have given them outsized power within their companies, their industries, and our economy. The first step to creating the balance needed to restore the link between profit and prosperity is to directly tame the wealth and power at the top. This can be done by:

- Breaking up or, in some cases, regulating the most powerful corporations through aggressive antitrust actions;
- Taxing the wealthy to limit how much wealth they can accumulate and to change the incentives they have to extract profits from others; and
- Limiting the structural incentives, and in some cases challenging directly, the unification of shareholder and executive interests, so they serve as a check on each other rather than reinforcing their power.

BUILD COUNTERVAILING POWER FOR THE REST OF US, THE OTHER STAKEHOLDERS IN OUR ECONOMY

We need is to strengthen the power the rest of us have—as workers, consumers, and small business owners—to bargain for more of the share of the profits we all have a hand in creating. This can be done by:

- Strengthening the power of workers to bargain for more of the profits they earn; and
- Giving more power to smaller businesses, both as direct competitors as well as those along the supply chain, to force large corporations to spend more of their profits on building and sustaining a competitive business.
USE THE POWER OF GOVERNMENT TO DO WHAT CORPORATIONS CANNOT, WILL NOT, OR SHOULD NOT ACHIEVE ON THEIR OWN

Not all public problems can or should be solved by a well-functioning market or by well-balanced corporate stakeholders. In these instances, we need to use the power of government to meet our collective goals, by:

- Directly providing certain goods and services;
- Regulating or even nationalizing certain industries; and
- Directly tackling racial and gender inequality through targeted universalism and other means.

CHANGING THE RULES OF GOVERNMENT TO PREVENT THE RULES OF THE ECONOMY FROM BEING RIGGED AGAIN

Because the wealthy and corporations have colluded with government to help them maintain their advantage over others, we must prevent the rules of government itself from being rigged again, by:

- Creating disincentives, including stricter and more enforceable penalties, so individuals do not use public office for private gain; and
- Facilitating and prioritizing public input in government rulemaking to reduce the influence of corporate lobbying.

SECTION ENDNOTES

39 The U.S. economy includes what are known as “natural monopolies,” which arise when high capital costs or other high barriers to entry exist that give companies overwhelming advantage over potential competitors. In these cases, particularly when public goods are at stake, these natural monopolies must be regulated.

40 It should be noted that this includes banks and other parts of the financial industry. The financial industry is often considered ancillary to and supportive of the “real economy,” merely providing sources of capital to make the economy function more efficiently. In practice, however, the financial industry has shifted away from its essential function of allocating capital to productive uses. Since the 1970s, the concentration, scale, and scope of the largest banks have grown significantly and rapidly, with the share of industry assets held by the top five banks growing from 17 percent to 52 percent. The financial services industry is now a huge part of our economy, comprising over 7 percent of GDP. As the industry’s concentration and share of the economy have grown, it has also become more extractive: Despite the dizzying amount of technological innovation in the past century, the average cost of supplying $1 of financial intermediation—connecting borrowers to savers—has actually grown since WWII. For a more detailed discussion of the role of the financial industry in the U.S. economy, and how to understand it in the context of this toolkit, see Rewriting the Rules of the American Economy.
We Must Rewrite the Rules to Change What Corporations Do—and Don’t Do—in Our Economy

Restoring the link between profits and prosperity requires rewriting the rules to change what corporations do and don’t do in our economy. From tax policy, to labor law, to ethics rules, there are specific policy steps that, taken together, will realign the balance of power within our economy to make sure corporations are contributing to broadly shared economic growth—not standing in the way of it. Any economic agenda must:

REIN IN THE WEALTH AND POWER OF THE TOP
Repeal the Trump tax law and replace it with real reform, including by:

+ Raising marginal tax rates on the rich, so that executives will have the incentive to raise workers’ wages and grow their businesses, rather than raise their own salaries;

+ Taxing income from wealth at a higher rate than income from work;

+ Addressing the serious problem of tax avoidance by multinational corporations, including through tougher enforcement and higher effective taxation; and

+ Restoring a meaningful estate tax to prevent a permanent upper class.

Limit the ability of corporate executives and wealthy shareholders to enrich themselves at the expense of workers, supplies, or long-term corporate investment, by:

+ Repealing the SEC’s safe harbor rule, and, in its place, affirmatively banning the practice of open-market share repurchases, also known as stock buybacks;

+ Imposing a luxury tax on excessive CEO pay—for every dollar over $6 million that a company pays an executive, in any form, the company would be required to pay a dollar in luxury or penalty tax; and

+ Regulating private equity, including by limiting the use of debt by private equity firms to purchase public companies.

Adopt a 21st century antitrust act to break up the companies that are dominating industries and better regulate today’s anti-competitive behavior, by:

+ Broadening what regulators take into account when they review a merger, beyond mere effects on consumers, to include an analysis of market structure and of the effects on the labor market;
+ Prohibiting and punishing extractive behaviors like no-poaching agreements and other labor market restraints, price discrimination and market segmentation, and the blocking or tolling of small business access to the market; and

+ Explicitly banning monopsonization, including in the labor market, which occurs when a buyer of a good or service has the power to unfairly lower the prices it pays its employees or suppliers.

**BUILD COUNTERVAILING POWER FOR THE REST OF US, THE OTHER STAKEHOLDERS IN THE ECONOMY.**

Create real pressure on companies to invest in their workforces and raise wages, by:

+ Strengthening traditional unions, by making it easier to join and form a union and extending the reach of federal labor law to those outside its current purview;

+ Creating new ways to expand the power of working people, including by experimenting with ways to allow workers to join together across an industry to raise their wages;

+ Requiring public companies to put workers on boards;

+ Creating a federal job guarantee, with a baseline living wage, for those who can work, to put pressure on companies to invest in their workforces by raising wages and providing opportunities for those excluded from labor markets;

+ Keeping monetary policy focused on full-employment to ensure that low unemployment rates keep pressure on firms to compete for workers and create opportunities from those often excluded from labor markets; and

+ Expanding non-predatory financing to provide entrepreneurship opportunities to those who have been historically excluded—particularly to black women, the fastest growing group of small business owners.

**USE THE POWER OF GOVERNMENT TO ACHIEVE WHAT THE MARKET CANNOT, WILL NOT, OR SHOULD NOT ON ITS OWN**

+ Provide for the direct provision of goods and services where profit motive is a barrier to achieving just outcomes, as in the case with the provision of health insurance.

+ Specifically employ public intervention to correct for historical and current inequities. This should include, for example, substantial public investment to de-industrialized or segregated communities, public funds to pay the costs of childcare for all families who need it, and the creation of trust accounts for children born to families with less than median wealth.

Create public options to eliminate profit motive from some of the most exploitative industries; for example, providing public checking accounts or financing mortgages directly through government-sponsored entities.
REFORM GOVERNMENT TO PREVENT CORPORATIONS FROM RIGGING THE RULES IN THE FUTURE

+ Establish a new Public Integrity Protection Agency, a single independent agency with real powers to enforce and police the corruption of and within government;

+ Raise ethical standards to ensure public service is not pursued for private gain, including by establishing new fiduciary duties that government officials owe citizens;

+ Prevent government officials from being corrupted by promises of future employment through restrictions on employment activities following government service; and

+ Level the playing field for the public to influence government rule-making as readily as corporate lobbyists have.
Americans Know the Link is Broken—and that only Real Structural Reforms Will Make a Difference

**AMERICANS KNOW THAT THE RICH AND POWERFUL PLAY BY A DIFFERENT SET OF RULES**

+ 83 percent of Americans agree that the top 1 percent have used their influence to shape the rules of the economy to their advantage.\(^41\)

+ A whopping 79 percent of voters polled agreed with the statement “the rules of the economy today are rigged against average Americans, and America’s working families need a better deal.”\(^42\)

+ 86 percent of voters agree that “our economy is increasingly dominated by a small number of very large corporations,” and most voters believe that this leads to consequences that often affect them personally.\(^43\)

+ The majority of Americans—63 percent—are dissatisfied with the size and influence of major corporations.\(^44\)

+ Three-quarters of people in the U.S. feel they have too little influence in Washington, while most say lobbyists, rich people, and big businesses have too much.\(^45\)

**VOTERS DO NOT THINK THEIR NEEDS ARE BEING ADDRESSED—PARTICULARLY WHEN IT COMES TO THE ECONOMY**

+ 67 percent of respondents feel that the Democratic Party is out of touch with the concern of average Americans.\(^46\)

+ A recent survey of likely voters in 2018 swing districts found that Democrats trail Republicans by 10 points on the question of which party is “better on jobs and the economy.”\(^47\)

+ A poll conducted months before the 2016 election found that 80 percent of Americans were angry or dissatisfied with government.\(^48\)
PROGRESSIVE ECONOMIC REFORMS ARE POPULAR AND IN DEMAND.

+ By a 2-to-1 margin (67 percent to 33 percent), Americans believe that it is a bigger problem that "huge corporations and billionaires are using their political power to reduce competition, keep wages low, and get special tax breaks" than that "government is imposing too many job-killing regulations on businesses and taxing people too much." 49

+ 63 percent of respondents said the wealth distribution in America is unfair, and over half support "heavy taxes" on the rich as a fix. 50

+ An overwhelming majority of voters—88 percent—agree that making sure those at the top pay their fair share in taxes would help grow the economy. 51

+ Americans believe that CEOs are "vastly overpaid." Over 70 percent of the public believes that CEOs are not paid the correct amount relative to the average worker, and over 60 percent supports capping CEO pay in some manner. 52

+ A 2017 Gallup poll found support for labor unions (61 percent) was at its highest rate since 2003, and the percentage of Americans who want to see union power expanded is steadily rising. 53

SECTION ENDNOTES


43 Ibid.


49 Ibid.


