Those Who Despise America – Part 3: Inequality

by

Phil Rasmussen

Inequity, in all its phases, has always existed and will continue to do so, regardless of whatever form of government exists. This is simply the nature of humans.

Socialists claim that wealth and income disparities, in both the economy and society, have become too large because capitalist-based economies concentrate power and resources in a relatively small group of people, i.e., the "wealthy."

Their contention is that the wealthy accumulate wealth from workers' labor, leading to persistent inequality. They base this reasoning on the working class not having equal access to education, healthcare, inheritance, and ownership of productive assets.

The fallacy of this thinking lies in not understanding the intricacies of how a business is developed and grows. In simple terms, the process for a product or service to come to market goes through six stages:

1. **Idea Development** – An idea is created based on customer needs, market gaps, technological advances, or innovation. Ideas are always generated by a single individual regardless of whether or not they are a company employee.

2. **Idea Evaluation** – The idea is evaluated to determine it is practical, will be profitable, and if it aligns with the developer's goals. This may be done by the developer or a small group of interested associates.

3. **Development and Testing** – The idea/concept is expanded upon and a prototype is developed and tested with a potential customer base.

4. **Business Analysis** – If the prototype proves successful the developer or employer may determine if the product is financially viable. If the developer is not associated with a company, he may establish his own company or approach one to take the prototype or service to market.

5. **Product Refinement** – Employees refine the product or service. It is tested for quality, safety and performance, and may be introduced to a small, selected market to assess customer response and identify any issues before a full launch.

6. **Market Launch** – The product is manufactured on a large scale, promoted through advertising and other marketing activities, distributed to retailers or customers, and officially launched into the market. Similarly, if it is a service, it will be promoted in the same manner as the product.

Whether in a capitalist or socialist society, this process is essentially the same. If the person who initiates the idea never receives gratification in a form acceptable to them, the ideas will stop, and hence economic advancement.

If the idea person, innovator, pioneer, entrepreneur, or whatever you want to call that person, develops their own company, they are in charge of setting product/service costs, policies, and employee compensation rates and benefits. Applicants who accept employment with the company should know and understand the company's policies and compensation packages in addition to what the job requirements are.

As the company grows, it may have a board of directors who help guide the company, through its management. The employee compensations may change, and employees will continue to have the option of continuing to work for that organization or not.

As mentioned, this process is the same for capitalist and socialist countries. The process is not only found in the economic and social areas of a country but also in its government and military. If you don't believe it, just look at the former USSR, a communist socialist country, where the wealth class included

- Communist Party elite (nomenklatura)
- Senior government officials
- Military leaders
- Managers of state enterprises
- Leading scientists, engineers, and academicians
- Prominent artists, writers, musicians, and athletes

These citizens enjoyed higher earnings, travel opportunities, and access to goods unavailable to most citizens. If other Soviet citizens distinguished themselves, they could earn higher incomes and receive better housing and other rewards for their work. Wealth in the Soviet Union was usually expressed through privileges and access rather than ownership of private companies or vast personal fortunes.

Other socialist countries such as China, North Korea, Cuba, Vietnam, and Laos, follow a similar pattern of state distributed "wealth."

While socialists believe that the inequity of wealth and power exists because of capitalism, their primary answer to reducing it is to target the wealthy through significant taxation. Other mantras include:

- establishing labor protections
- institute universal healthcare
- provide free or affordable education
- implement robust social welfare programs.
- advocating for public ownership or worker ownership of key industries

Socialists view increased taxation of the wealthy as a means to support their various goals. The problem is that there is no agreement as to how much the wealthy should be taxed. Like the rest of the Democrat party, there is a wide range of who will be taxed with regard to taxing income or wealth. For example,

- Alexandria Ocasio-Cortez, would tax the portion of income above $10 million at 70%, not all income.
- Bernie Sanders proposes a 5% yearly tax on the net worth of U.S. billionaires.
- Elizabeth Warren suggests a 2% annually on net worth above $50 million and a 3% annually on net worth above $1 billion.
- New York City Mayor Zohran Mamdani wants a 2% increase for people earning more than $1 million per year. He also wants to increase the corporate tax rate from 7.25% to 11.5%, and add a luxury tax (0.8% to 1.3% annually) for second homes in New York City valued above $5 million.

When looking at the percentage of federal taxes paid by income groups, the Internal Revenue Service (IRS) provides the following distribution for tax year 2023:

Federal Income Tax by Group

Income Group	Income	Share of AGI	Share of Taxes Paid	Average Tax Rate
Top 1%	$675,602 +	20.6%	38.4%	26.3%
Top 5%	$272,209 to $675,601	15.8%	20.9%	18.7%
Top 10%	$187,608 to $272,208	11.2%	11.2%	14.2%
Top 25	$105,604 to $187,607	20.9%	15.8%	10.6% / 7.7%
Middle / Upper-Middle (Top 50%)	$53,801 to $105,603	19.2%	10.4%	4.1% - 7.7%
Bottom 50%	Under $53,801	12.3%	3.3%	0

The figures above do not provide a total picture of earning and AGI. The far-left progressives and socialists fail to disclose the relationships between increasing taxes on the top 1% of earners and their charitable donations which support man of the social programs that socialists want.

If the top 1% of earners were to be taxed an additional 5% flat tax on their AGI, the additional revenue would be $156.73 billion.

According to IRS data, the top 1% accounts for nearly half of all charitable deductions claimed on federal individual tax returns. The total estimated charitable giving across the entire U.S. (including non-itemizers, corporations, bequests, and foundations) is approximately **$617.20 billion**. Given that the 1% account for about halt of this amount, they then give about $308.6 billion annually. The philanthropy of the 1% earners is more than twice the amount that they would be taxed.

So, the question is why would the socialists want to tax the wealthy. While AI will give several reasons to the question (If the philanthropy of the top 1% earners is greater than the revenue of a 5% tax on their income, why do socialists want to tax them?), the easily deduced answer is to have control of the money. And this becomes the crux of the matter.

Research has shown that when our government institutes programs, they are either effectively managed and face significant management challenges. Over time, many programs become bogged down in rules, regulations, mismanagement, and corruption. DOGE, whether you like it or not, has certainly brought this issue to light.

It sounds attractive to many people when socialists tell them that social services, such as healthcare, education, transportation, and even groceries will be free. The reality though is that the user of these services many not pay directly at the time they use them, but they will pay. The costs are shifted to the taxpayers or may be provided through borrowing, or using other public funding sources.

Economists, agree on one underlying point: every service has a cost. The debate is about who pays, how they pay, and what trade-offs are.

In summary
Socialists see excessive inequality as both an economic and social problem. It argues that society should organize its economy and public institutions to ensure that wealth, opportunities, and power are distributed more equitably, though there is debate within socialist thought about the best way to achieve this.