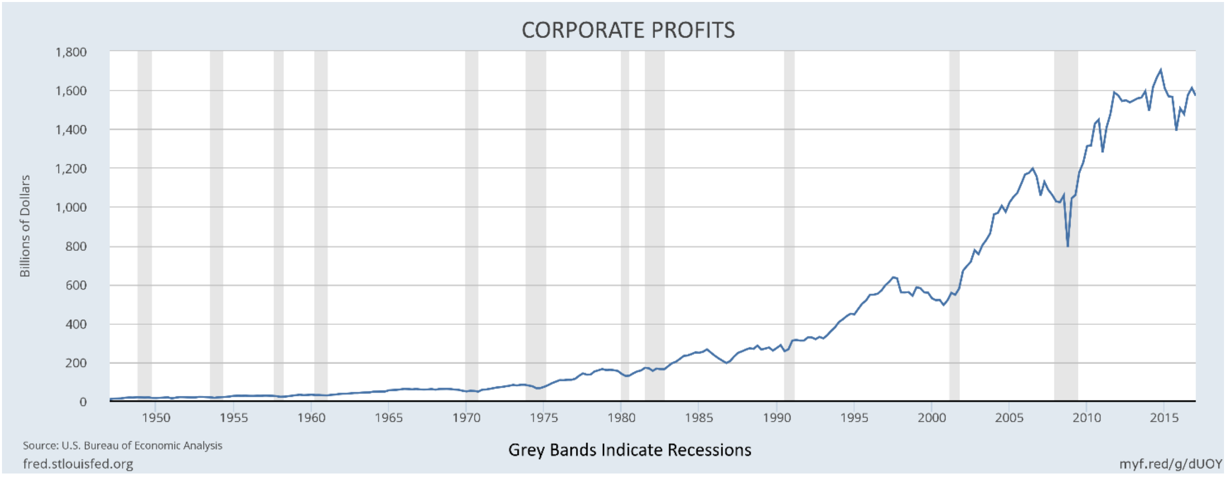
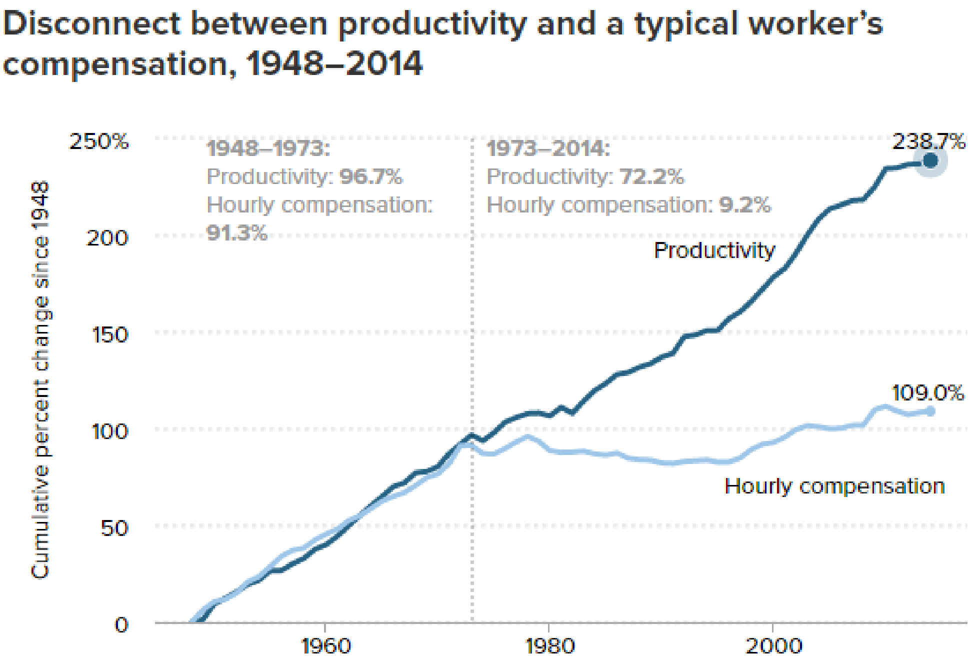
The Value Produced by Workers That They Do Not Keep

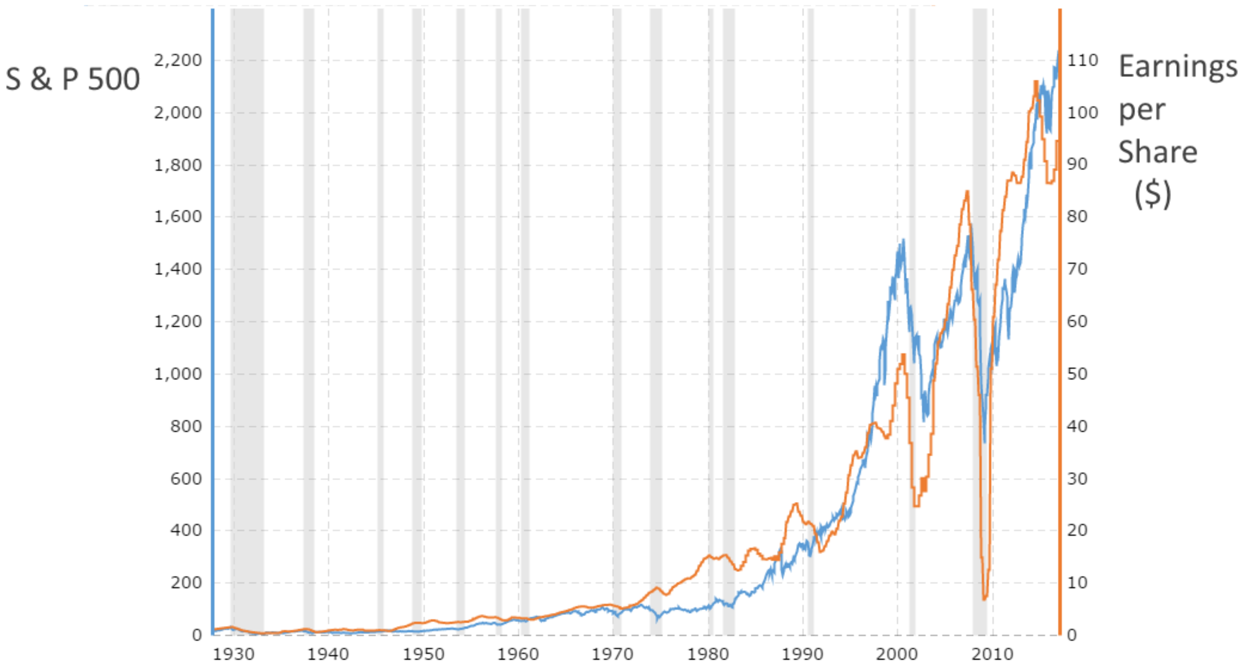
Below is a graph of corporate profits from 1948 to 2016. It shows that workers are having a rapidly increasing amount of the value they produce taken by corporations for their profits, which benefit owners and top managers.



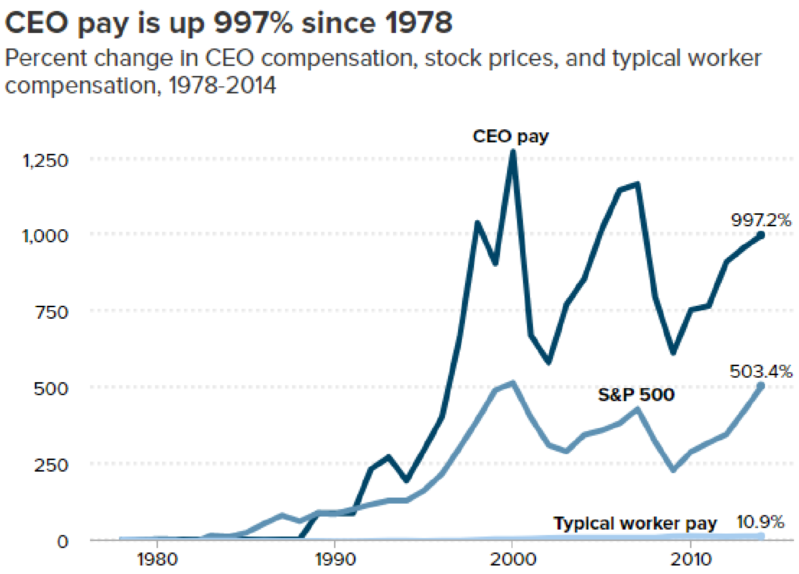
The graph below shows a fundamental cause of the profit boom. The value the average worker has produced per hour has increased greatly, but little of this increase in value has gone to them. From the mid-1970s on a disconnection occurred between the increasing amount that non-supervisory workers produce and the amount they are paid. Owners and upper management have taken almost all the massive increase in value that workers have produced. In 1968 the minimum wage in 2017 dollars was $11.35 per hour. According to Bureau of Labor Statistics, productivity grew since 1968 through 2016 by a factor of 2.52. If we all shared in the benefits resulting from these gains, the 1968 minimum wage would be $28.70 per hour today. Instead it is $7.25 per hour. Also, the 1968 median annual household income of $51,320 in 2015 dollars would be $133,660 today. Instead it was $55,775 in 2015 (2015 is most recent data available).



Owners benefit from the increasing value workers produce directly from the increased profits and indirectly from the growth in the company value resulting from the increased profits. The graph below shows the rapid rise in both of these benefits for S & P 500 company owners. The earnings per share amount (orange line) is proportional to the dividends owners or stockholders receive, and the S & P 500 value (blue line) is a measure the value of the 500 largest public companies based on the market capitalizations.



Maximizing corporate profits is the primary mission of corporate CEO's. To accomplish this, a labor oversupply has allowed them to depress workers' wages and benefits. Sending jobs to foreign low wage low regulation countries, which essentially puts American workers in competition with workers making a small fraction of the U.S. minimum wage is also depressing wages. CEOs are highly motivated to make wages and benefits of workers be as low as possible without negatively impacting corporate performance. The resulting boom in corporate profits combined with a compensation process CEOs commonly control either themselves or through people they can strongly influence is essentially allowing them to decide how much they will take of the profit boom. The result is what you see in the following chart—an explosion in CEO compensation.



The New Enlightenment details how we can end or minimize these injustices.