Theft at the Top

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According to the Economic Policy Institute the top 350 American CEO's between 1978-2019 had a 1,167% increase in compensation (adjusted for inflation) while workers received a cumulative (adjusted for inflation) 13.7% increase over the same period.

While the boss also gets a paycheck, it makes up a very small amount of his total income. 79% of that comes from stock based compensation. Stock options may be awarded in addition to cash income. Options allow the bearer to purchase stock at a price current to the day that they were awarded. If share prices rise, they may exercise their option and buy at the issued low price and sell at the current high price. The value of an option is not known until it is exercised, but in the wake of years of a bubble boom, they represent a vast sum of free money. Companies may also grant actual company shares that vest in a set number of years. Again, in a bubble economy they will likely have a value much higher than when issued. Because the value when issued is the reported value, the actual cash value when the transaction is eventually closed is usually unknown

So how much as the ratio of CEO and worker compensation changed between 1978 and 2019? In 2019 big boss pay was 320 times more than that of a worker. In 1978 the ratio was 31.4 times. Yet, amazingly, it's still a subject of puzzlement in the mainstream media, as to why workers feel their lives are in a downward spiral.

Economic Info

-- The Trump gang caused some concern when it announced a stimulus in the form of a payroll tax cut. Isn't this the tax that's responsible for funding Social Security and Medicare? Not really. The so-called 'Trust' that is said to be managing the accrued tax income is largely a fiction. FDR used an approach that made it appear his program was just a kind of insurance scheme. Obama, along with Trump, have cut or eliminated the tax for a time in order to give wage workers more purchasing power. The Trump people noted that SS and Medicare will be fully funded from the general fund. That happens to be where it always has been funded because the payroll tax income goes directly to the general fund. By not being an independent entity with the power to invest its assets it has lost untold billions/trillions over the years. Given the ridiculous sums wasted on arms and wars the payroll tax could easily be eliminated and thus improve the quality of life for many low income workers. But capitalists have a deep fear of giving the class of producers something for nothing. That is a right reserved for capitalists alone.

-- The Dow made another adjustment in what constitutes the DJIA 30. Four firms were out and replaced by the same number. Of course, this Ship of Theseus maneuver is what makes historical comparisons of the Dow ridiculous because weak companies (profit-wise) are replaced by stronger ones. Exxon-Mobil (in since 1928 as Standard Oil) is out even though it actually does something useful with respect to the real economy. It was replaced by Salesforce, a cloud based company that develops consumer related software, something that is only useful in a market economy. And since that usefulness only relates to the seller, it's not really 'useful' at all.

-- The markets ended another strong week thanks to consistent help from their friends. With a very week dollar causing an increase in imports, along with what is thought to be a rapidly recovering economy, there is the usual concern about inflation. But Powell speaking from Jackson Hole performed his usual bit of market uplift. He said the Fed will keep interest rates low despite expected growth in the rate of inflation. Actually, this is a disguised acceptance that things are not good except in the eyes of investors, therefore, he must do all that is in the power of the Fed to keep those other eyes be-fogged.

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