In writing about the relentless collapse of Western economies, I frequently point to “forty years of plummeting wages” for Western workers, in real dollars. However, where I have been remiss is in quantifying the magnitude of this collapse in Western wages.

On several occasions I have glibly referred to how it now takes two spouses working to equal the wages of a one-income family of forty years ago. Unfortunately that is now an understatement. In fact, Western wages have plummeted so low that a two-income family is now (on average) 15% poorer than a one-income family of 40 years ago.

Regular readers will recognize the chart below on U.S. average wages:

Using the year 2000 as the numerical base from which to “zero” all of the numbers, real wages peaked in 1970 at around $20/hour. Today the average worker makes $8.50 hour – more than
57% less than in 1970. And since the average wage directly determines the standard of living of our society, we can see that the average standard of living in the U.S. has plummeted by over 57% over a span of 40 years.

There are no “tricks” here. Indeed, all of the tricks are used by our governments. The green line shows average wages, discounted by inflation calculated with the same methodology for all 40 years. Obviously that is the only way in which we can compare any data over time: through applying identical parameters to it each year.

Then we have the blue line: showing wage data discounted with our “official” inflation rate. The problem? The methodology used by our governments to calculate inflation in 1975 was different from the method they used in 1985, which was different than the method they used in 1995, which was different than the method they used in 2005.

Two obvious points flow from this observation. First, it is tautological that the only way in which data can be compared meaningfully is to use a consistent methodology. If the government thinks it has improved upon its inflation methodology, then all it had to do was take all of its old data and re-calculate it with their “improved” methodology. Since 1970 there is this invention called “computers” which makes such calculations rather simple.

This brings us to the second point: the refusal of our governments to adopt a consistent methodology in reporting inflation statistics can only imply a deliberate attempt to deceive, since it is 100% logically/statistically invalid to simply string together disconnected series of data – and present it as if it represents a consistent picture. More specifically, we can see precisely what lie our government was attempting to get us to believe.

Roughly speaking, the blue line trends flat. Thus, our governments have been lying about inflation for the last 40 years as a deliberate means of hiding the 57% collapse in our standard of living. Meanwhile, the situation is more than reversed if you’re one of the fat-cats at the top. While average American workers have seen their wages plummet by 57% over the past 40 years, in just 15 years (1992-2007) the 400 wealthiest Americans saw their incomes rise by 700%

Now we have the complete picture: wages grinding steadily lower year after year, decade after decade for the Little People, while wages go straight up for the fat-cats. To say this is “unfair” would rank as one of history’s greatest understatements. This is economic rape, plain and simple.

To this point I have only presented the consequences of our economic rape, in a chart which is totally unequivocal/incontrovertible. The causes of that economic rape are equally obvious in terms of categories, although the actual analysis of those causes is somewhat more complex.

1) **Taxation oppression.** As I detailed in a previous three-part series, income taxation is the worst possible form of taxation which could possibly be devised. The length of criticisms is virtually infinite, but at the top of the list is the fact that as a matter of basic arithmetic, all income-taxation systems must funnel all wealth into the hands of the ultra-wealthy, over time. This is precisely what we see today. Billionaires and trillionaires sit with the largest fortunes in history – while ordinary people have been turned into “the working poor”.

2) **Systemic/structural unemployment.** Technology always eliminates jobs faster than it creates new opportunities. This means that our economies are *permanently* reducing jobs (and creating structural unemployment) every day, every week, every month, every year. For more than 200 years, our governments have dealt with this permanent structural unemployment problem by shortening the work week every few decades…until now. The refusal of our governments to shorten the work week (while we have the worst structural unemployment in history) is a **deliberate attempt to maintain massive unemployment** – which is the strongest downward driver of average wages.

3) **Oligopolies/monopolies.** It is elementary capitalist theory that monopolies and oligopolies are *unmitigated evils*. By definition they are 100% parasitic, and 100% non-competitive – and have absolutely no place in any capitalist economy. Yet today the global economy is totally overrun with these gigantic, non-competitive parasites. With these mega-parasites permanently blood-sucking us, the impoverishment of our societies was an inevitable result.

Having now seen the consequences of our problems and the causes of our problems, the solutions are obvious. To even halt the slide in our wages (and standard of living) we must eradicate at least one of these three problems. To reverse this trend (and restore our standard of living) requires eradicating all three problems.

Taxation oppression can be solved by implementing a **flat wealth tax**. Everyone pays at the same rate. No one gets to hide their wealth with sleazy, tax loopholes. And once we tax wealth, we get to eliminate all of the ridiculous, inefficient taxes which discourage economic activity: our income taxes, our consumption taxes, our capital gains taxes, our corporate taxes. What kind of idiots create a capitalist economic system, and then strangle that system with taxes which discourage all capitalist activity?

Structural unemployment can be eliminated, at virtually zero cost; the same way that it has been done for 200 years: by **reducing the length of the work week**. The basic work week at the Dawn of the Industrial Revolution was 7 days a week, 12 hours a day – an 84-hour week. For 200 years our governments steadily shortened the work week, and our societies became steadily more prosperous. Suddenly our governments refuse to shorten the work week, and we immediately see our standard of living reverse lower *for the first time in modern history*.

Exterminating all of the parasitic oligopolies and monopolies is considerably more problematic. These corporate behemoths have been allowed to grow to unimaginable sizes. Not only do our governments lack the moral courage to eradicate this economic cancer, but they effectively even lack the political power to do so.

As a first step, I have recommended we adopt the progressive economic strategy known as **“protectionism”**. Big Business sold us “globalization”; pretending that it was the same thing as free trade. *They* all fattened-up to many times their original sizes and we got a 50+% drop in our standard of living. Bigger is not better (when it comes to parasites). And there is no more direct path to a Small Business (high prosperity) economy than protectionism.
At the very least, protectionism makes it impossible for these corporate behemoths to grow even larger. Add a flat wealth tax and a four-day work week to that equation and we have a means to genuinely “stimulate” our economies – which does not require any significant amounts of government spending (i.e. additional debt).

Big Media (itself another oligopoly) tells us we should have even more globalization, and allow these corporate behemoths to grow even larger and more concentrated. Not only do our economics text books dictate the opposite, but so does 40 years of empirical evidence.

Big Media tells us that our deadbeat governments (the biggest debtors in human history) are going to “bail out” each other by borrowing much, much more money. Simple arithmetic tells us this cannot possibly be true.

We need to completely tune-out the economic voodoo preached by these media charlatans. Fixing our economies requires returning to what has worked in the past, not continuing what has failed in the present. Fixing our economic balance sheets is another matter entirely.

Most of our governments are already past the point of no return in terms of indebtedness. It makes no sense at all to completely destroy economies with some form of Friedman Austerity first (as was done in Greece) – only to end up with an even larger default in the end. Had the bond parasites accepted a 50% haircut at the beginning of Greece’s debt-crisis, Greece’s economy would have remained intact, and they would have salvaged 50% more of their dubious debts (rather than the 75% default with which they ended).

Our morally bankrupt political leaders would have us believe that the collapse in our standard of living was some sort of inevitable “accident” of history. The truth is that the economic oppression inflicted upon us has been deliberate and intentional. We have been given the very worst taxation policies, solely to benefit the few at the top. We have been given the very worst employment policies, solely to benefit the few at the top.

Instead of our governments vigilantly preventing the spread (or even birth) of any oligopolies or monopolies, they have totally abdicated all responsibility – and allowed these monstrosities to devour most of the global economy. Even more reprehensible has been the silence of the economics community as these corporate behemoths have been allowed to rampage across the globe. Were all of these economists absent from class during the two weeks of study devoted to explaining why these oligopolies/monopolies should never be allowed to come into existence?

It is a tragedy that the standard of living in the United States (and much of the Western world) has plummeted by more than 50% over the last 40 years – unless you’re one of the privileged few. It is a crime that this take-down in our standard of living is an obvious matter of cause-and-effect.