



M.I.M GROUP

*Making . International . Manageable
Global Advisory*

Singapore / Jan 2010

Model USA in Turmoil

Political Mythology & Free Market Challenges

Jim Sanderson

CEO & Managing Principal
M.I.M GROUP

jsanderson@mimgroup.net

Mobile +1 612-868-5369

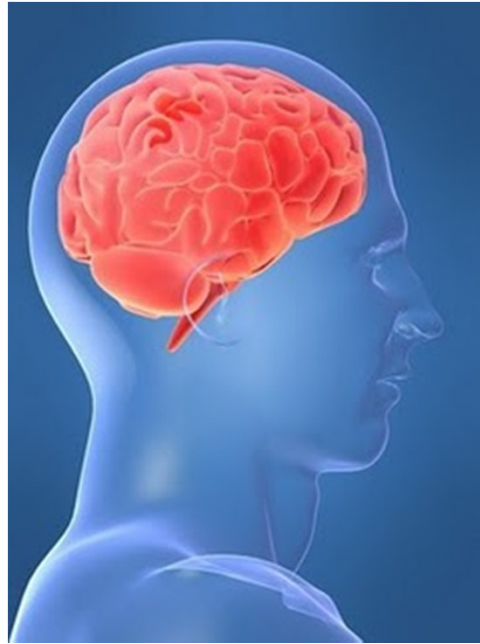


Singapore

AGENDA

- **Jobs**
- **Taxes**
- **Politics**
- **Income**
- **Deficits**
- **Plutocracy**
- **Forward Challenge**

JOBS



Are US Jobs Gone?

Should you move to Brazil/Russia/India/China (BRIC Countries) for work, or should salaries be reduced to the levels of the BRIC countries to compete?

Due to the recession, many people feel it's time to redefine the "American Dream." Others feel we should sit tight and wait for the next big prosperity bell to ring.

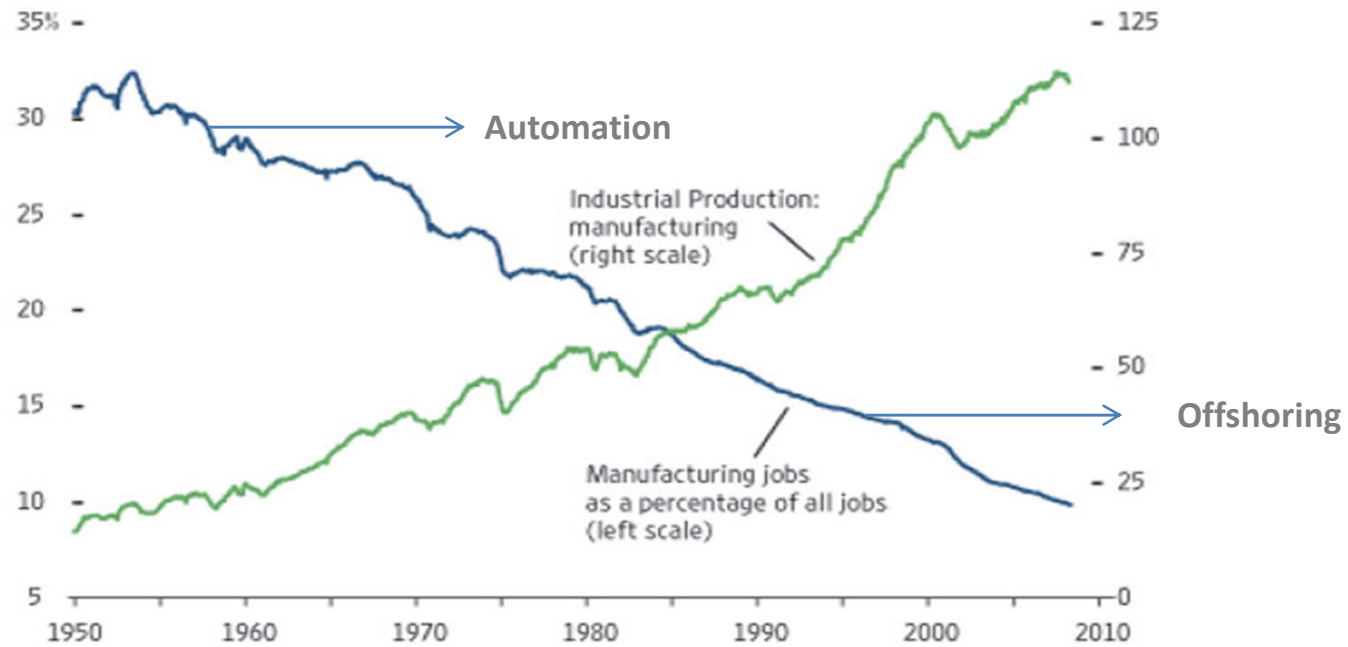
Following is some food for thought.....

Production is Up, Where Did the Jobs Go?

JOB

The Productivity Revolution

Manufacturing job share vs. manufacturing output (index: 2002=100), 1950-2008



Source: Brian Wesbury, First Trust Portfolios

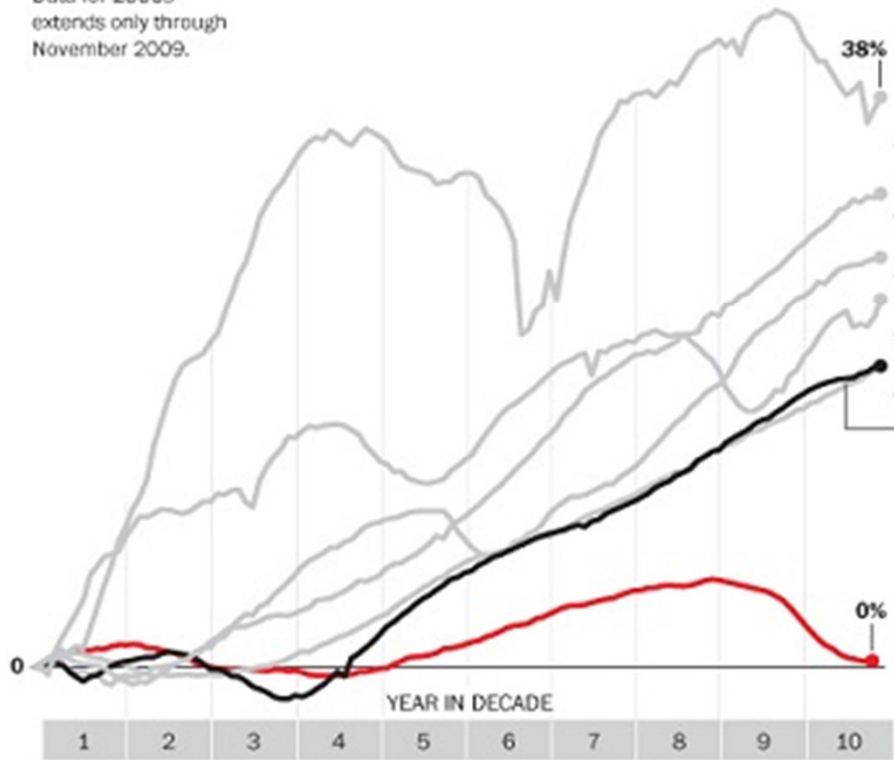
Job Growth has been Declining for Decades

JOBS

Job growth, by decade

PERCENT CHANGE IN TOTAL NON-FARM PAYROLL EMPLOYMENT

Data for 2000s extends only through November 2009.

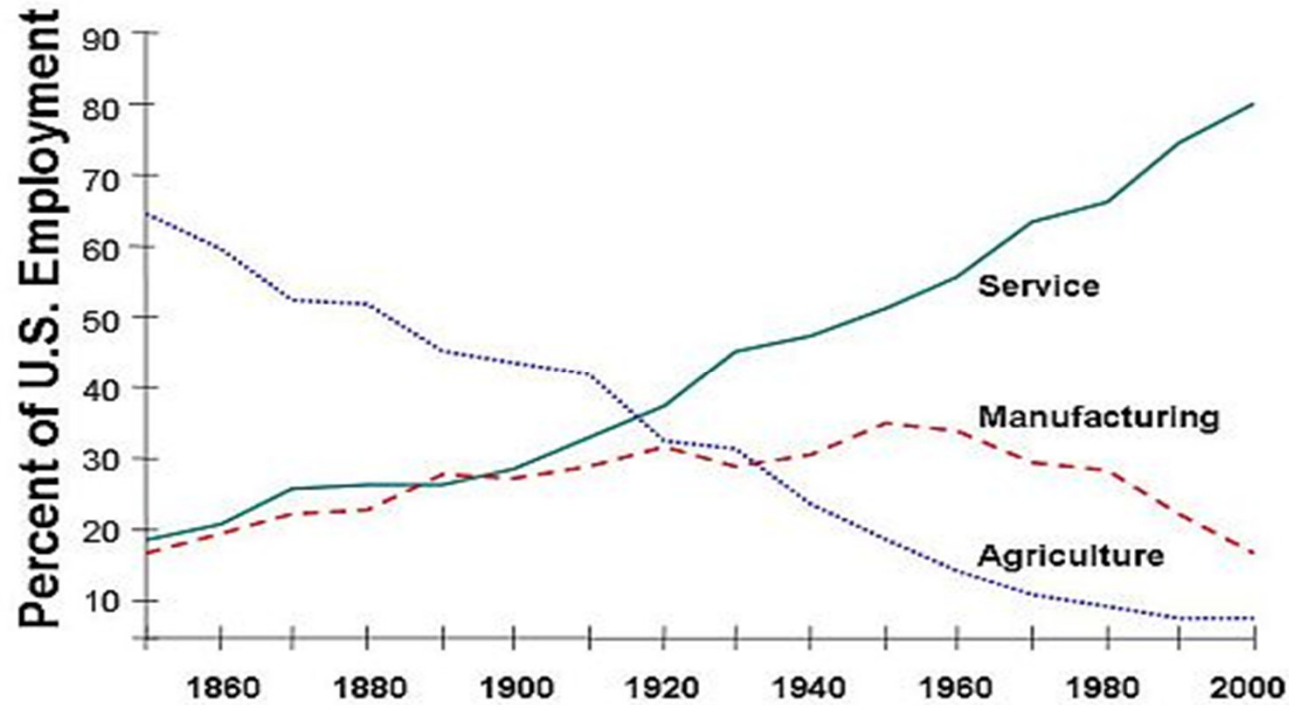


	Percent change in gross domestic product* By decade, Inflation-adjusted	Percent change in household net worth* By decade, inflation-adjusted
1940s	72.0%	Not available
1960s	53.1%	44% ▲
1970s	38.1%	28% ▲
1950s	51.3%	Not available
1980s	34.9%	42% ▲
1990s	38.6%	58% ▲
2000s	17.8%	-4% ▼

*Data for 2000s extend through third quarter of 2009. Household net worth is adjusted by consumer price index.

Professional Services Jobs Require More Intellectual Capital

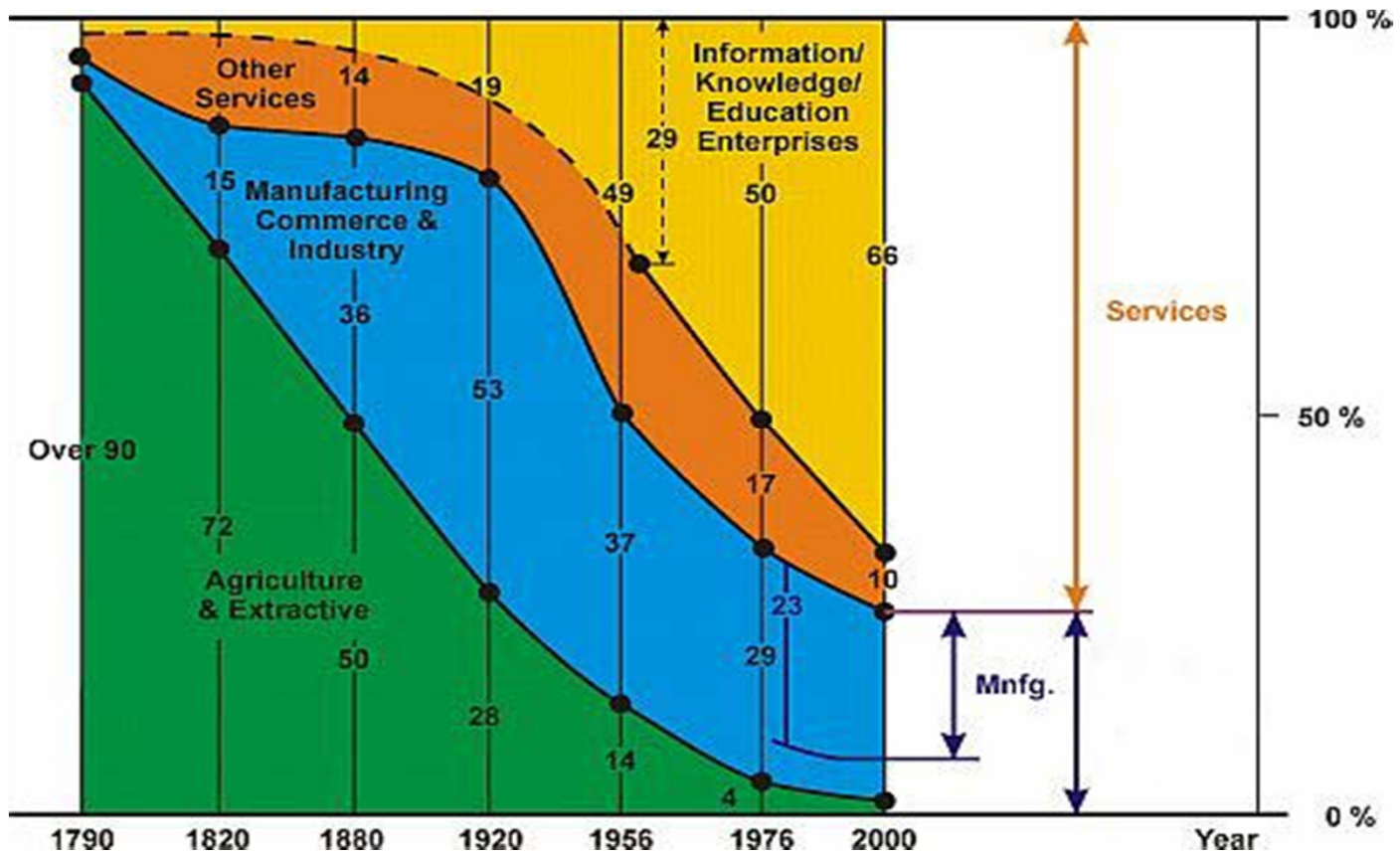
JOB



Source: U.S. Department of Commerce, Bureau of the Census 2003

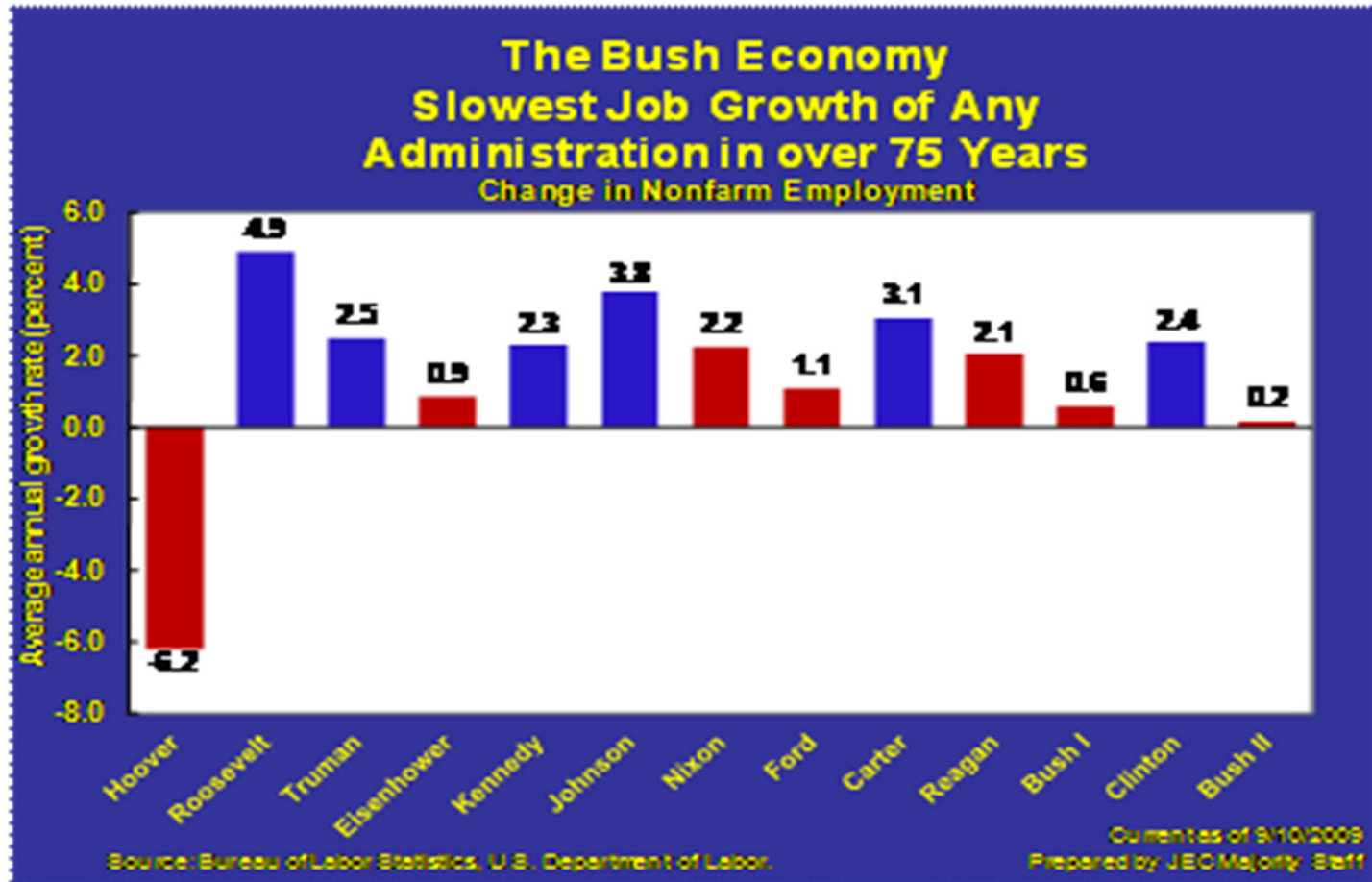
Education is the Only Basis for Growth

JOB



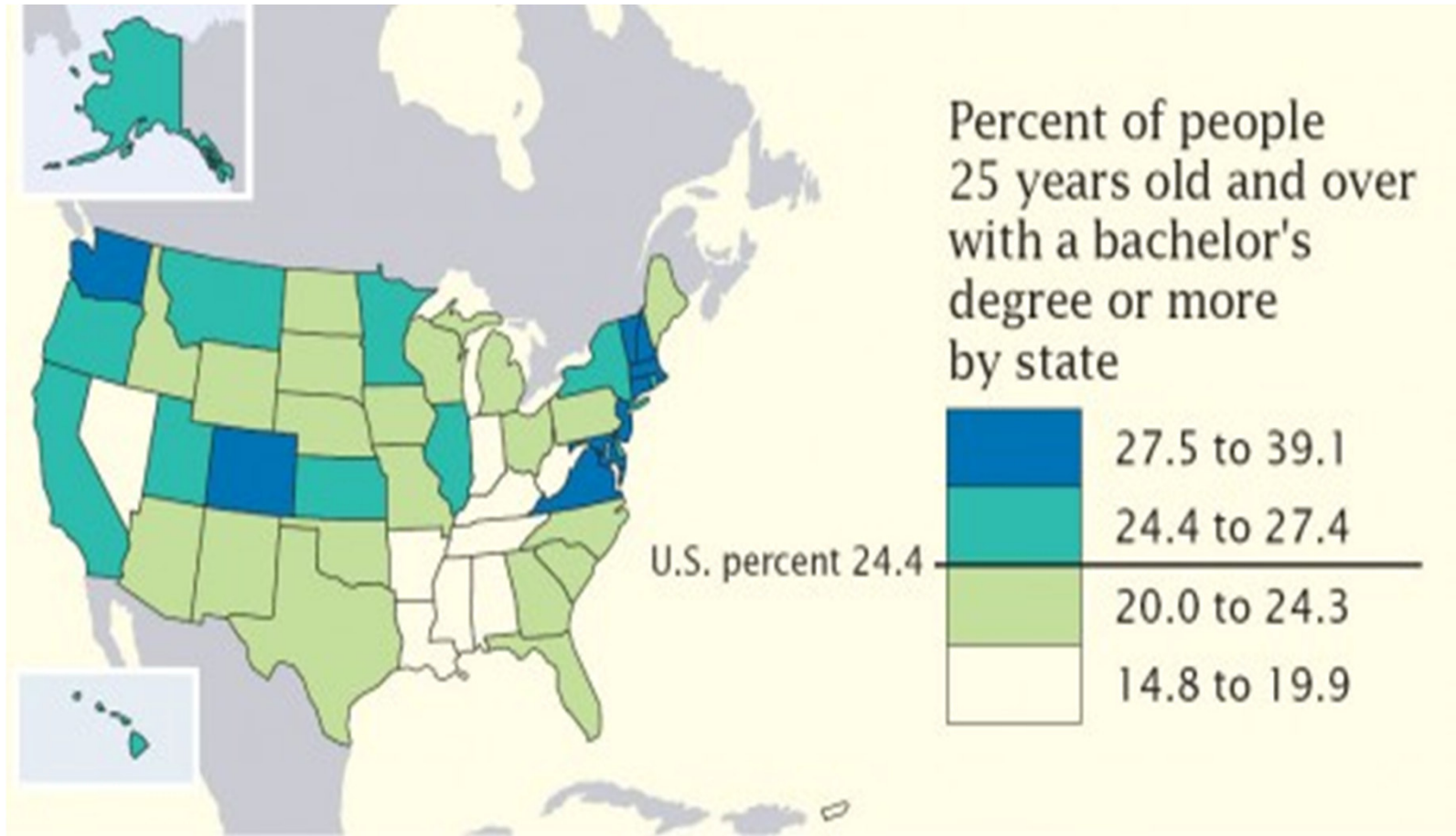
Job Growth by Administration

JOB



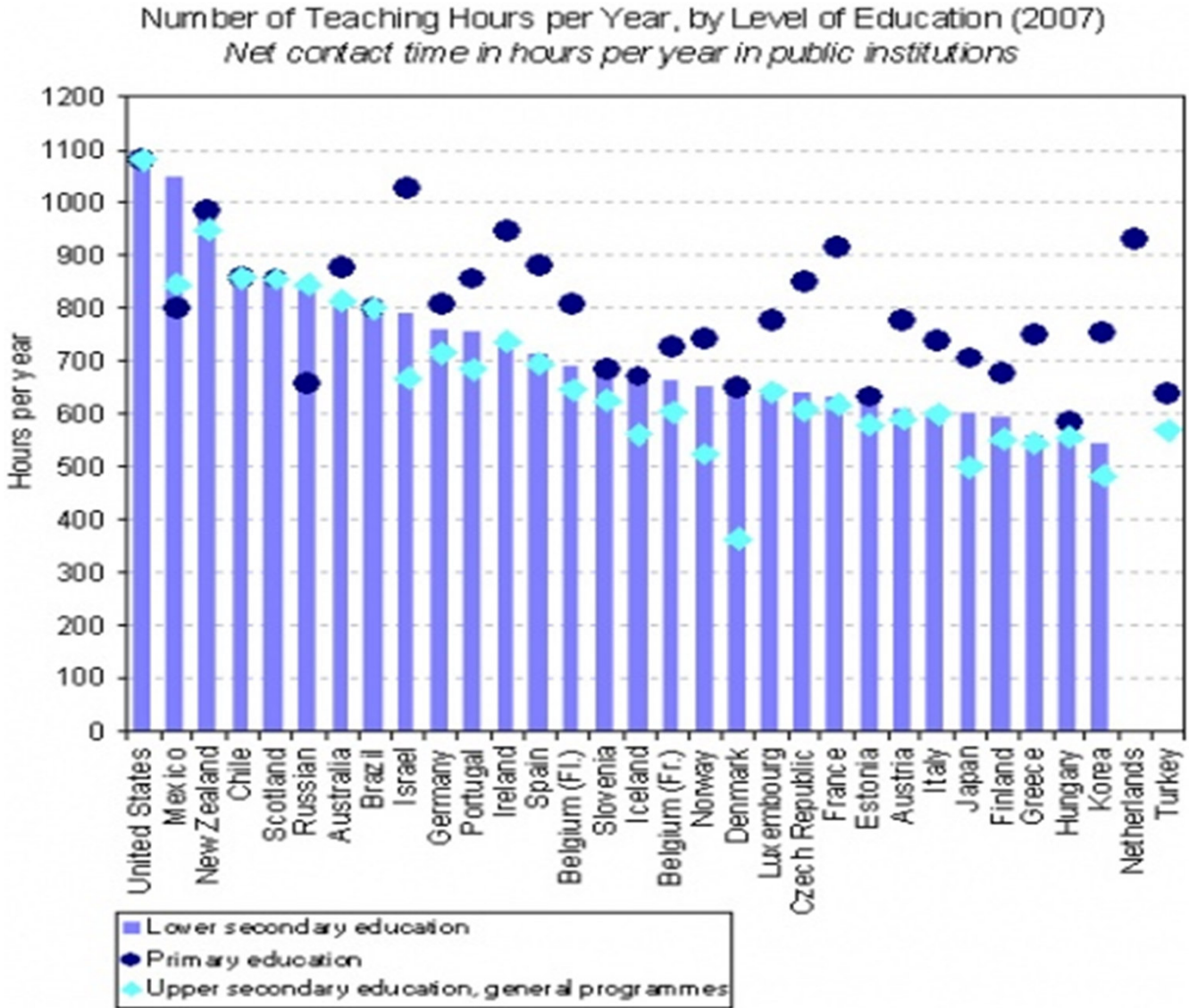
US Education Distribution

JOB



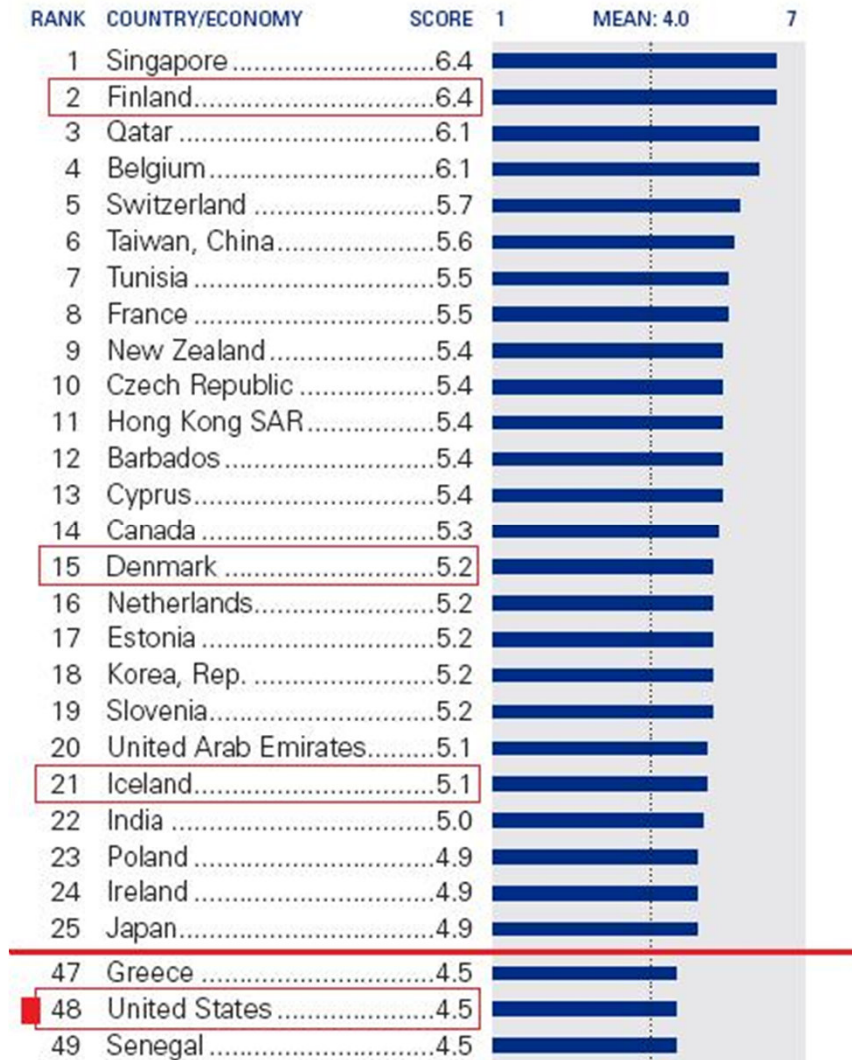
US Spends the Time/Doesn't get the Results

JOB



Public education expenditure as percentage of GNI

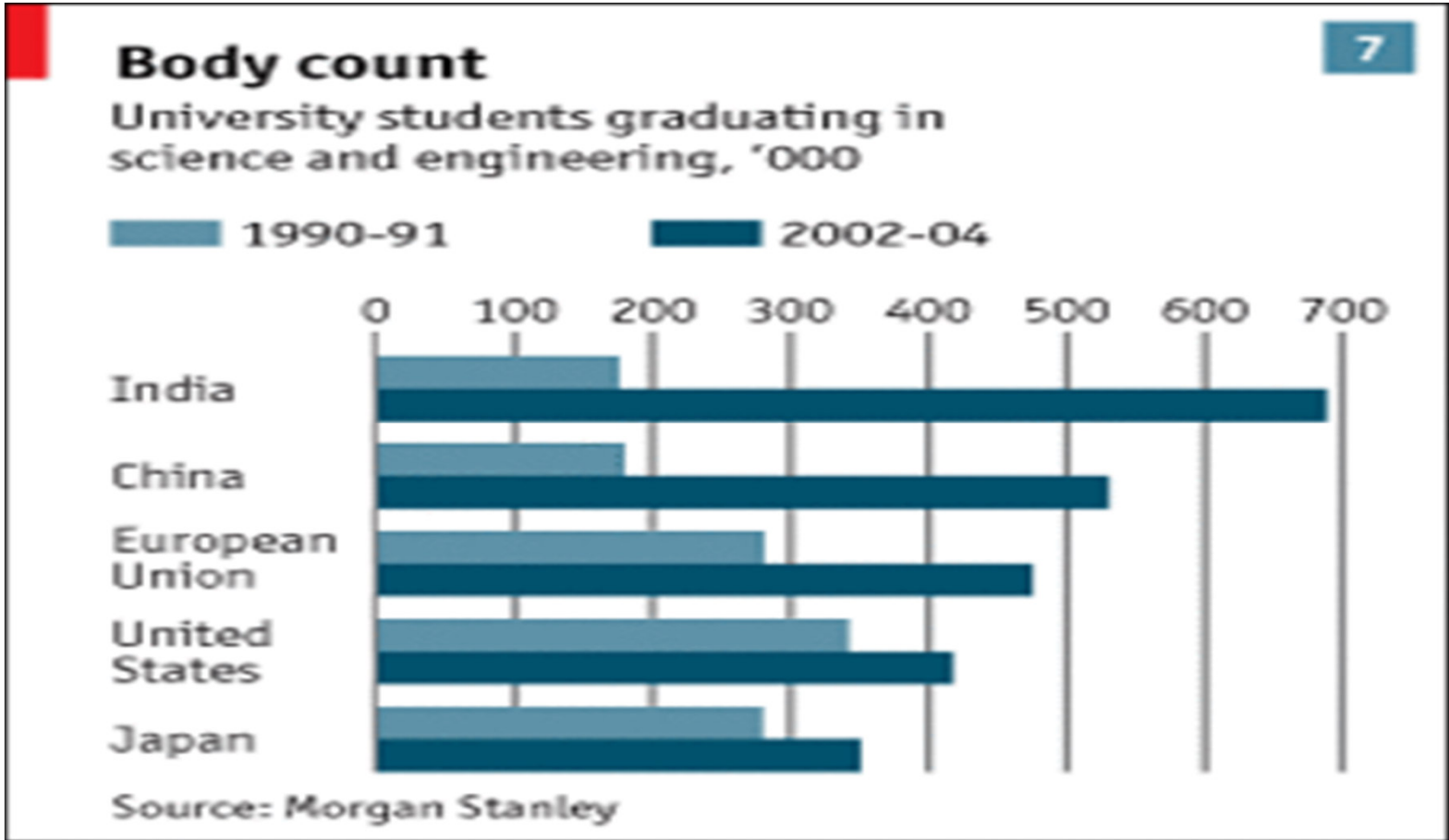
SOURCE: The World Bank, World Development Indicators 2009; national sources (1= 2008 data)



Scandinavian countries spend more on education than USA and they get better results. It is almost embarrassing that USA is spending on education about the same as Thailand and Lithuania. Spending more does not guarantee a better education, but teachers in USA are not paid enough to attract and retain well qualified teachers.

Scale as Well as Quality is Becoming a Competitive Disadvantage

JOB

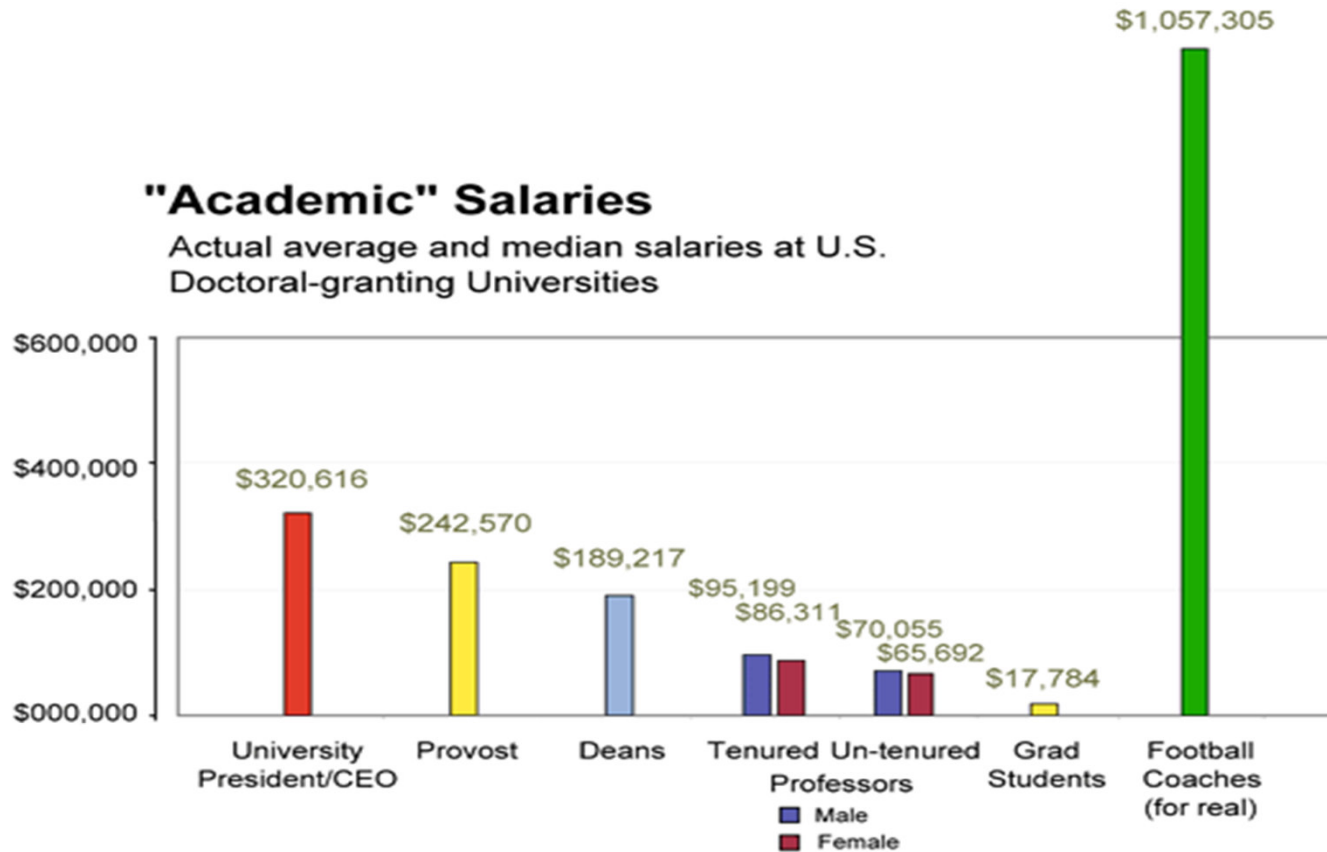


Education Spending Priorities

JOB

"Academic" Salaries

Actual average and median salaries at U.S. Doctoral-granting Universities



Notes: Administrator figures are medians salaries, the rest are averages. All figures in 2008 dollars. Sources: College and University Professional Association for Human Resources 2005 Survey; American Association of University Professors 2007 Survey; The Chronicle of Higher Education 2001 Survey of Graduate Assistants; USA Today Survey of Div. I-A College Football Coaches Compensation 2007.

WWW.PHDCOMICS.COM

JORGE CHAM © 2008

Educational Results are a Challenge



An International Education Test

The Organization for Economic Cooperation and Development has released the results of its 2009 PISA (Program for International Student Assessment) test of 15-year-old students in 65 countries. In the Math and Science tests, all participating regions of China outperformed the United States.

SCIENCE	PISA SCORE
Shanghai, China*	575
Finland	554
Hong Kong, China	549
Singapore	542
Japan	539
Korea	538
New Zealand	532
Canada	529
Estonia	528
Australia	527
Netherlands	522
Taiwan	520
Germany	520
Liechtenstein	520
Switzerland	517
Britain	514
Slovenia	512
Macao, China	511
Poland	508
Ireland	508
Belgium	507
Hungary	503
United States	502
AVERAGE SCORE	501
Czech Republic	500
Norway	500
Denmark	499
France	498
Iceland	496
Sweden	495
Austria	494
Latvia	494
Portugal	493

READING	PISA SCORE
Shanghai, China	556
Korea	539
Finland	536
Hong Kong, China	533
Singapore	526
Canada	524
New Zealand	521
Japan	520
Australia	515
Netherlands	508
Belgium	506
Norway	503
Estonia	501
Switzerland	501
Poland	500
Iceland	500
United States	500
Liechtenstein	499
Sweden	497
Germany	497
Ireland	496
France	496
Taiwan	495
Denmark	495
Britain	494
Hungary	494
AVERAGE SCORE	494
Portugal	489
Macao, China	487
Italy	486
Latvia	484
Slovenia	483
Greece	483

MATH	PISA SCORE
Shanghai, China	600
Singapore	562
Hong Kong, China	555
Korea	546
Taiwan	543
Finland	541
Liechtenstein	536
Switzerland	534
Japan	529
Canada	527
Netherlands	526
Macao, China	525
New Zealand	519
Belgium	515
Australia	514
Germany	513
Estonia	512
Iceland	507
Denmark	503
Slovenia	501
Norway	498
France	497
Slovakia	497
AVERAGE SCORE	497
Austria	496
Poland	495
Sweden	494
Czech Republic	493
Britain	492
Hungary	490
Luxembourg	489
United States	487
Ireland	487

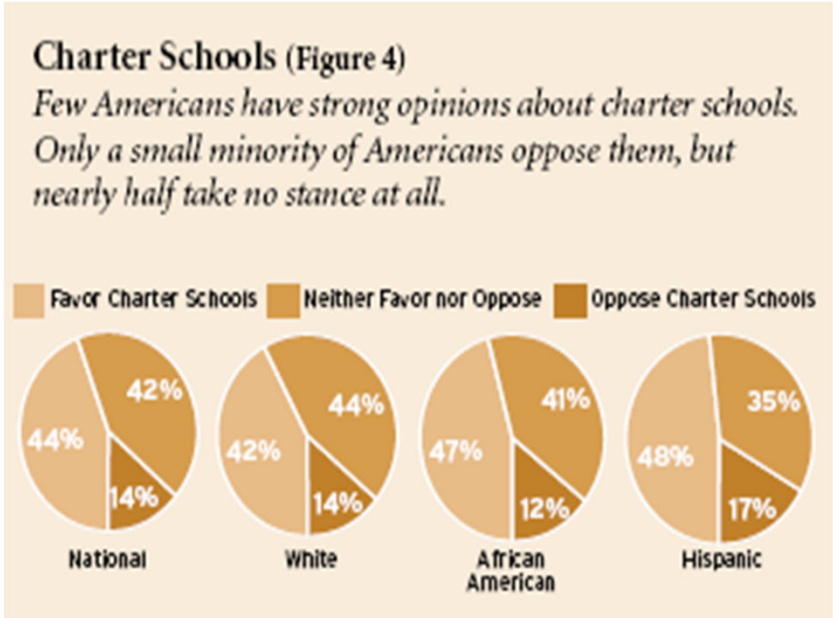
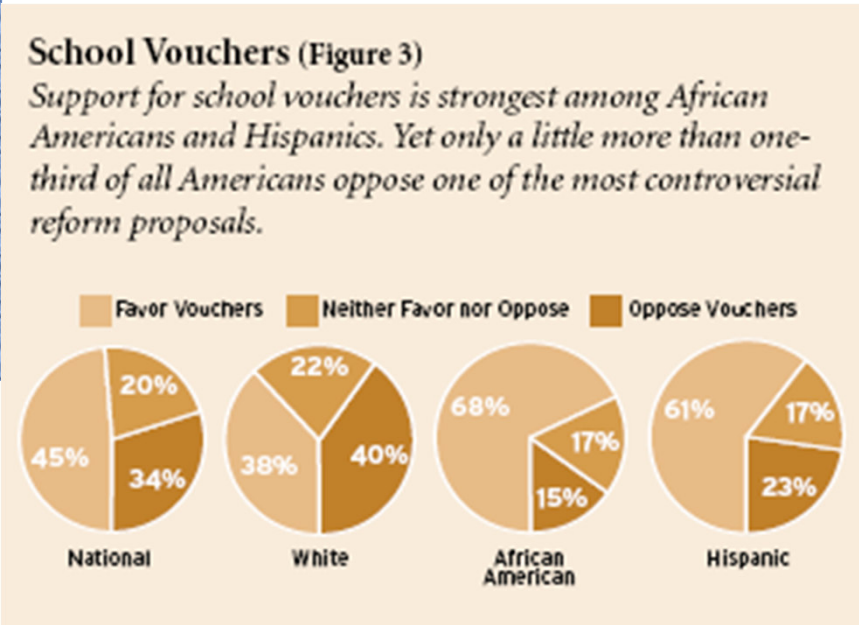
*In the study, China was represented by the city Shanghai and by the administrative regions Hong Kong and Macao.

Source: Organization for Economic Cooperation and Development

Educational Efforts in The U.S.

Louis V. Gerstner, Jr., Former Head of IBM, Launches "The Teaching Commission"
Establishes National Taskforce To Focus Exclusively on U.S. Teaching Crisis

JOBS



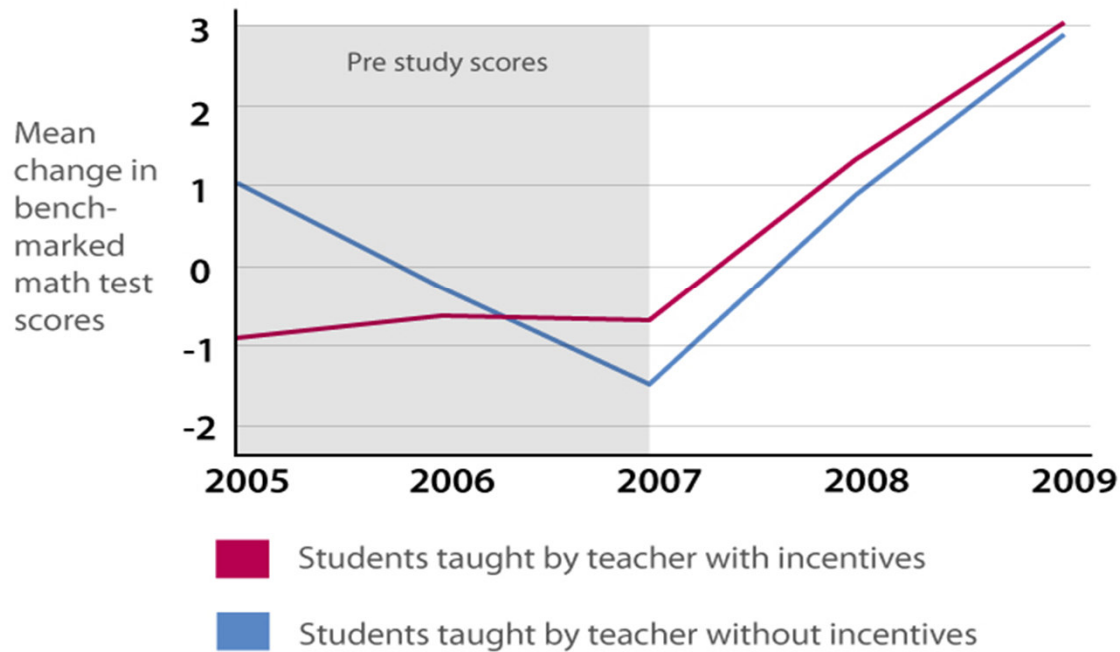
Lou's take on teachers role over time..... Women's history

Incentive Pay in Education

Offering middle-school math teachers bonuses up to \$15,000 did not produce gains in student test scores, Vanderbilt University researchers found in the first scientifically rigorous test of merit pay.



Teacher pay incentives: Do they make a difference?

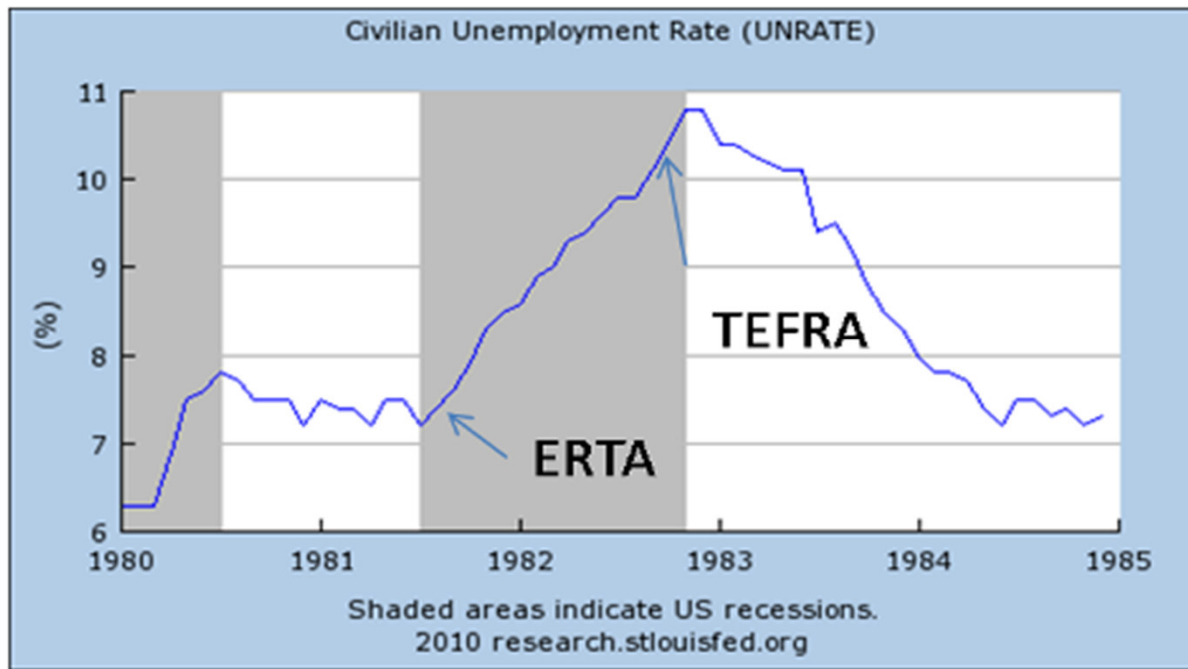


Source: "Teacher Pay for Performance: Experimental Evidence from the Project on Incentives in Teaching," NATIONAL CENTER ON PERFORMANCE INCENTIVES (September 2010).

Tax and the Economy

JOBS

ERTA, aka the Reagan tax cut, was signed in August 1981; TEFRA, which *raised* taxes, was signed in September 1982.



Unemployment, which had been stable until Reagan cut taxes, soared during the 15 months that followed the tax cut; it didn't start falling until Reagan backtracked and raised taxes.

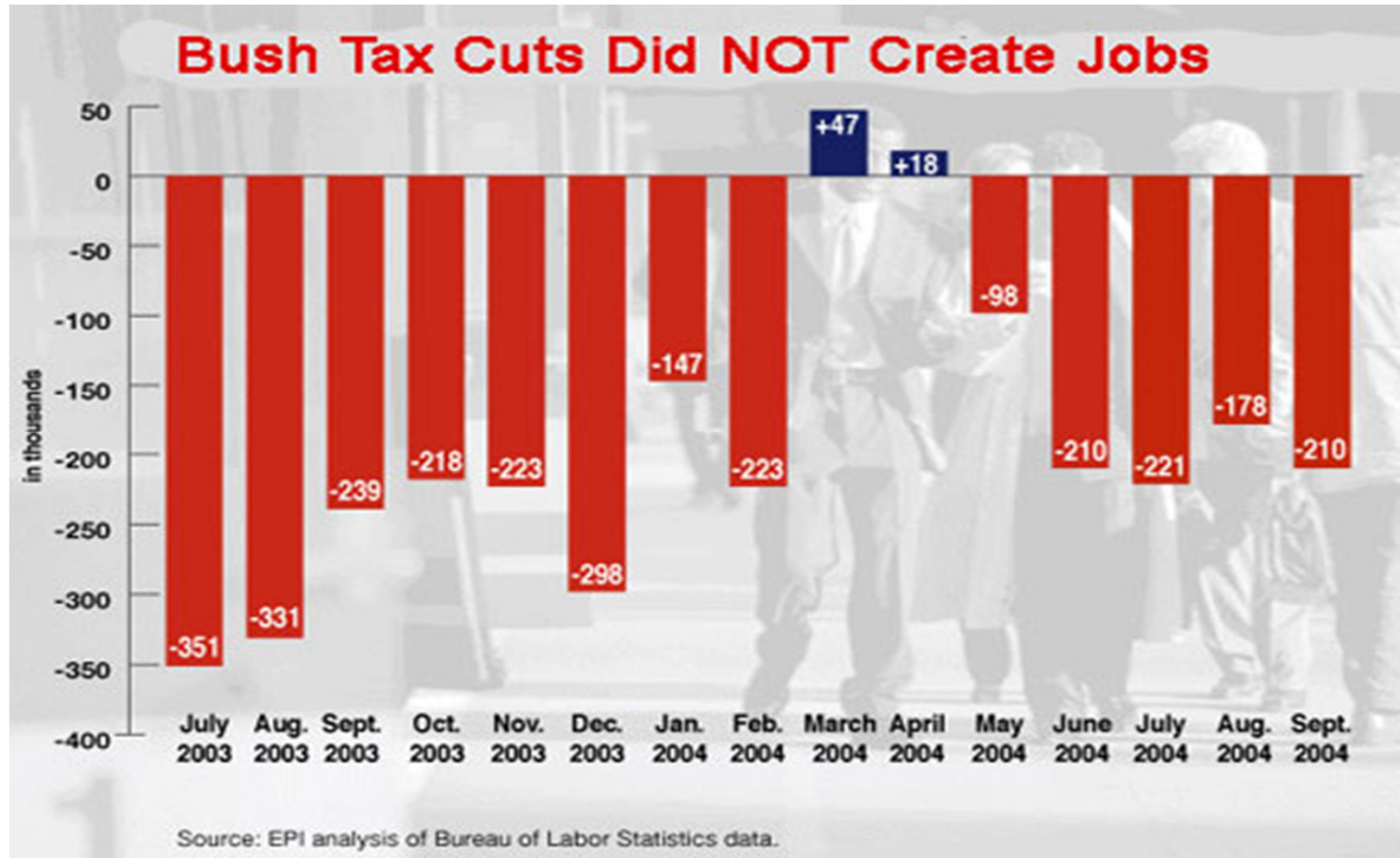
Job Declines Accelerated with 2000 Tax Cuts

JOB



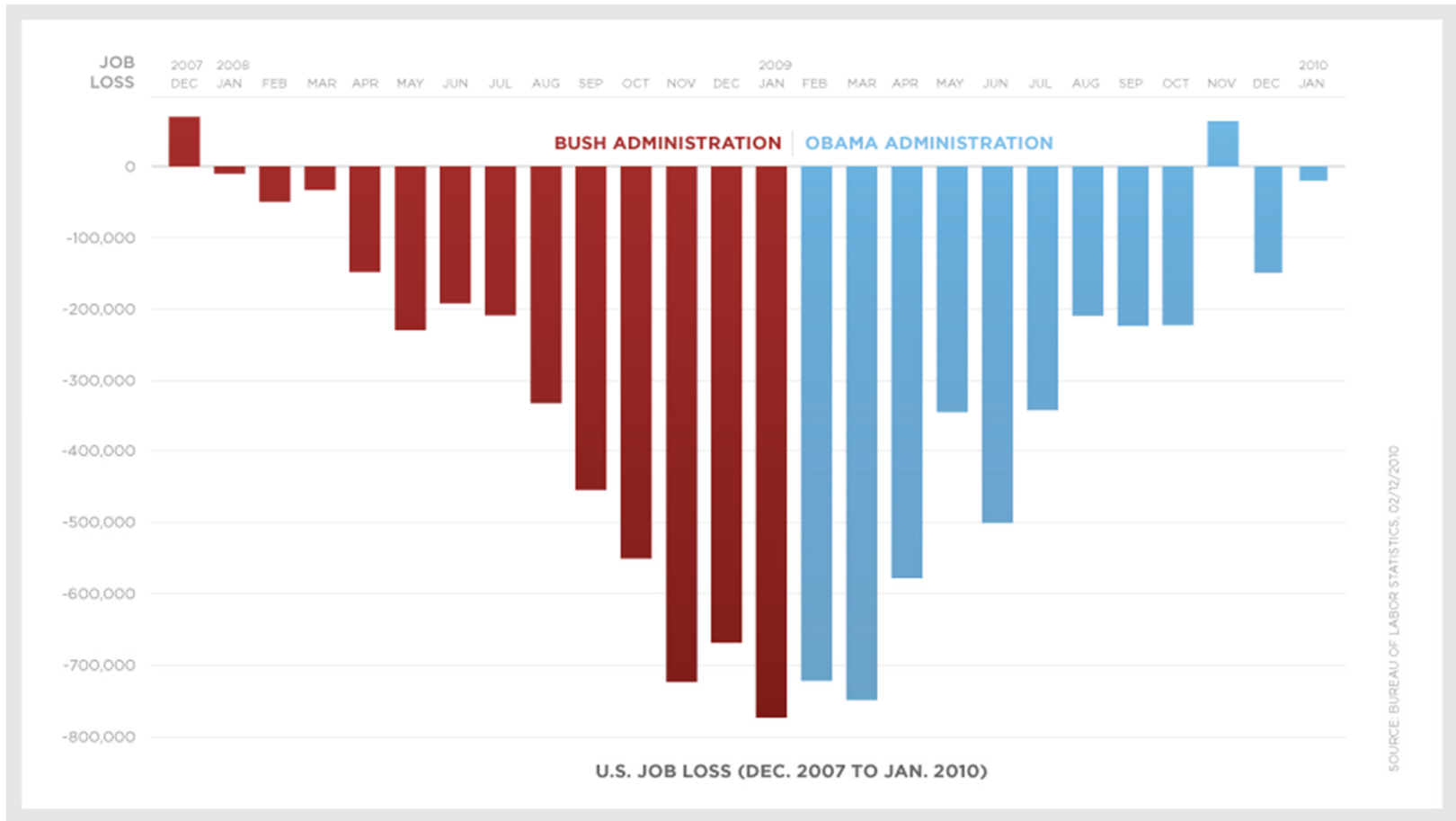
Job Declines Accelerated with 2000 Tax Cuts

JOB
S



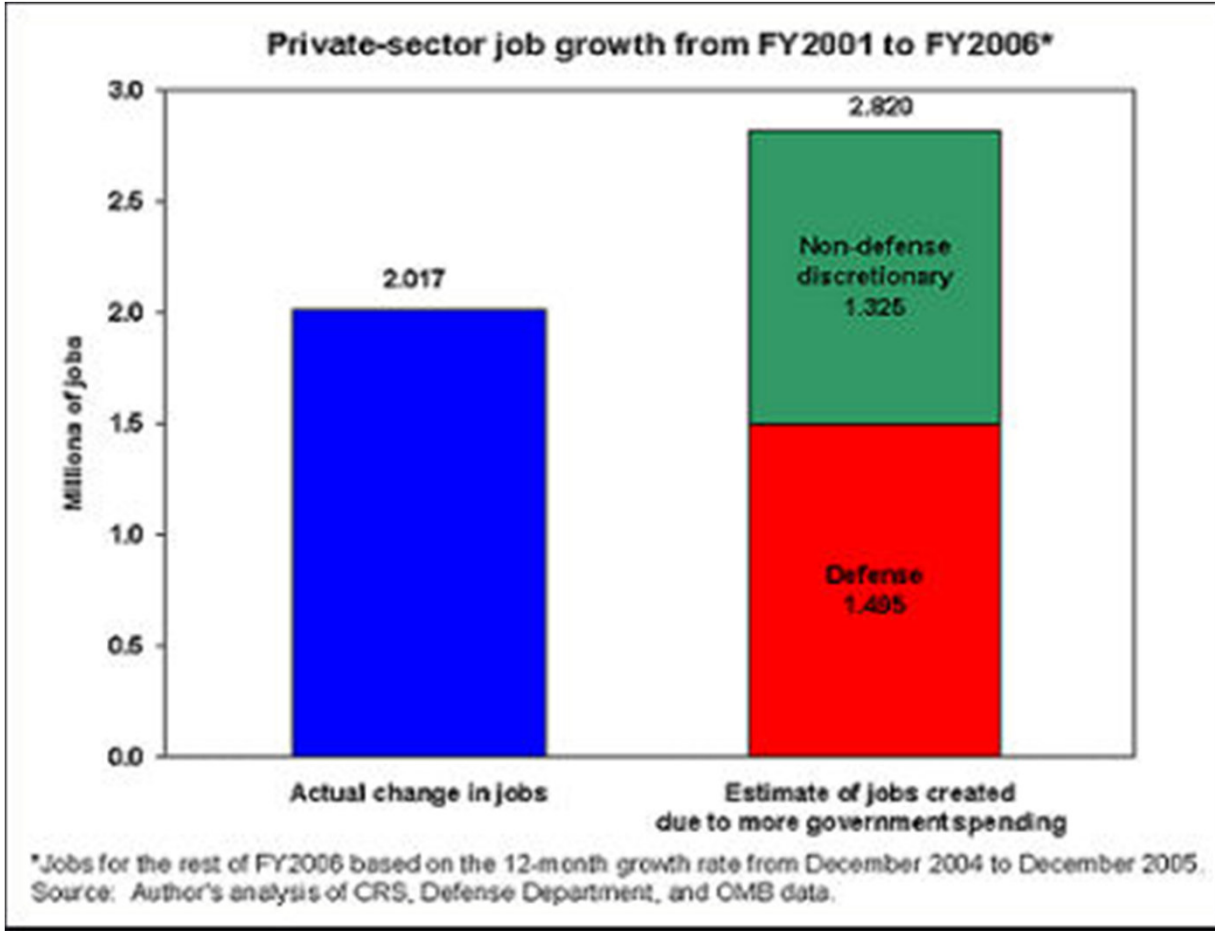
Growth Result of Massive Prior Economic Mismanagement

JOB
LOSS



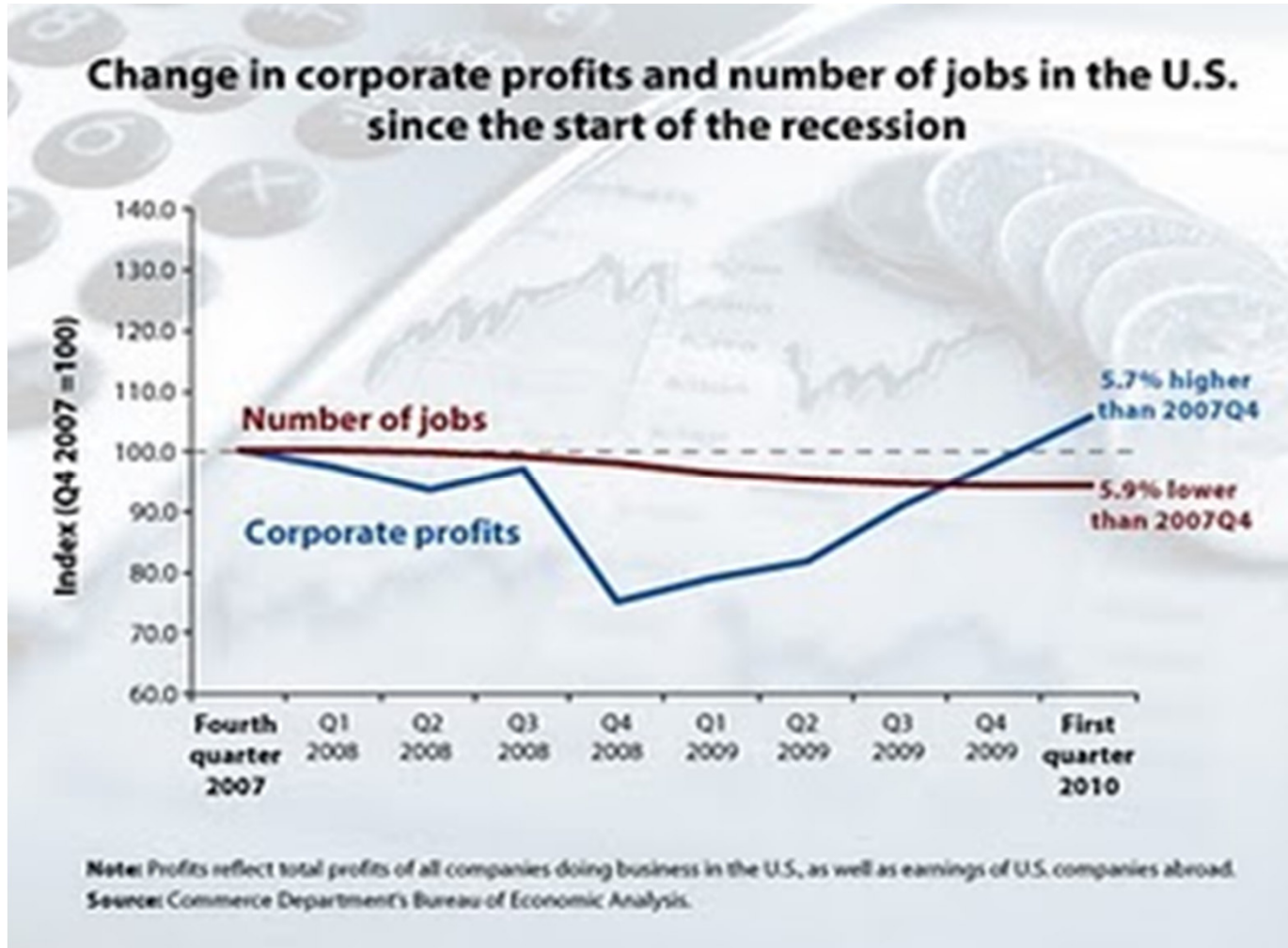
Bush Administration Jobs Due Primarily to Government Increase

JOB



Profits & Job Growth Diverging

JOB



Earnings Acceleration for the Top 1%

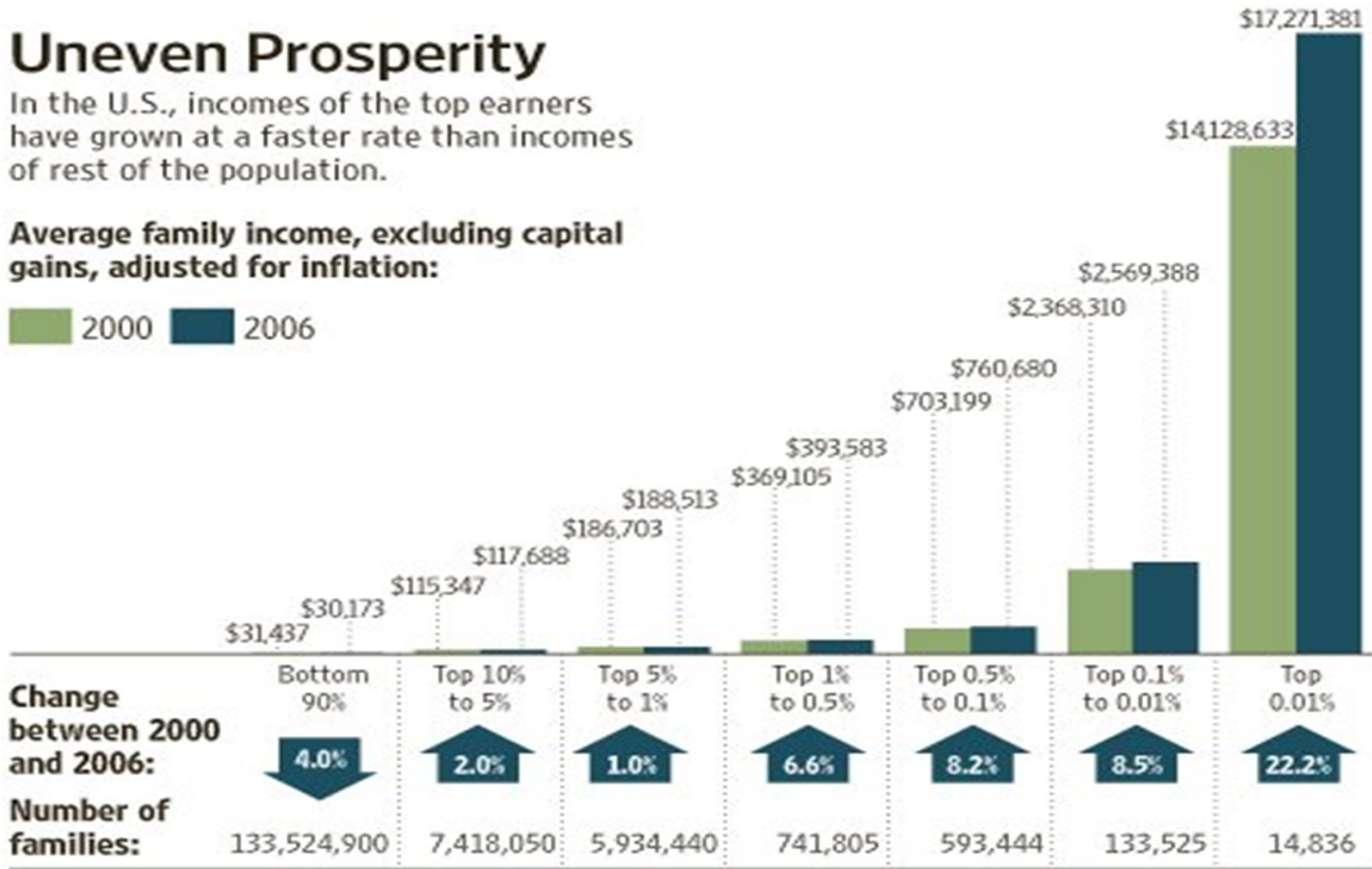
JOBS

Uneven Prosperity

In the U.S., incomes of the top earners have grown at a faster rate than incomes of rest of the population.

Average family income, excluding capital gains, adjusted for inflation:

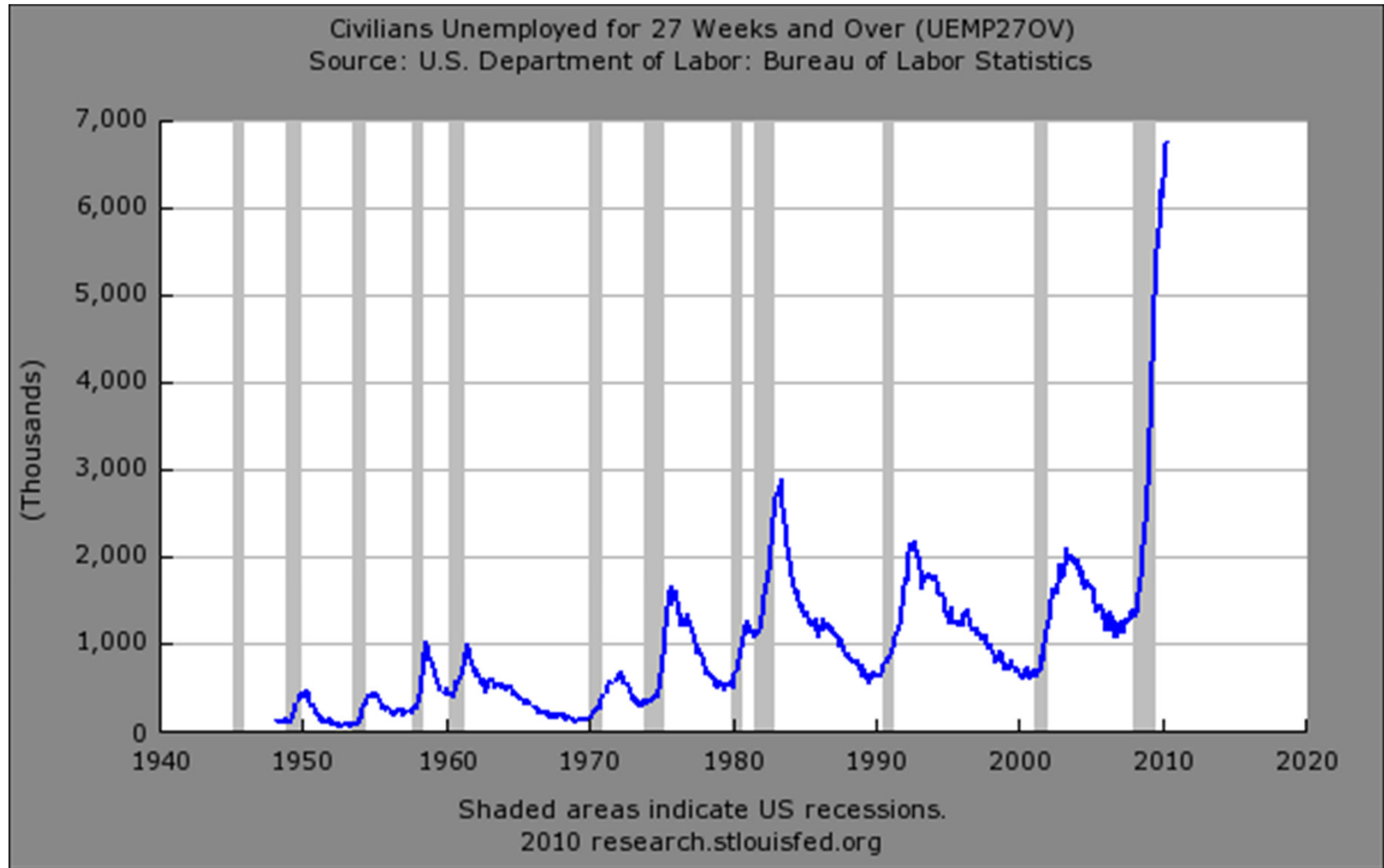
2000 2006



Source: Thomas Piketty and Emmanuel Saez

Unemployed Accelerating

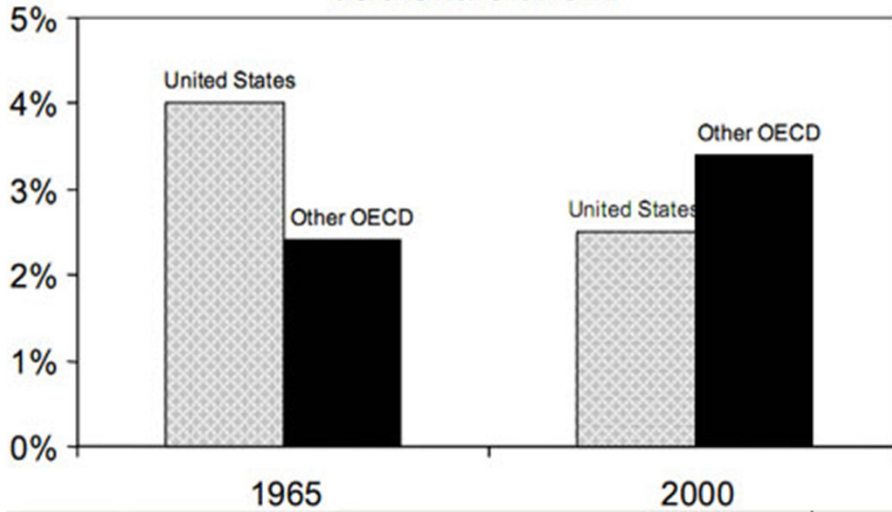
JOBS



Are US Corporate Taxes High?

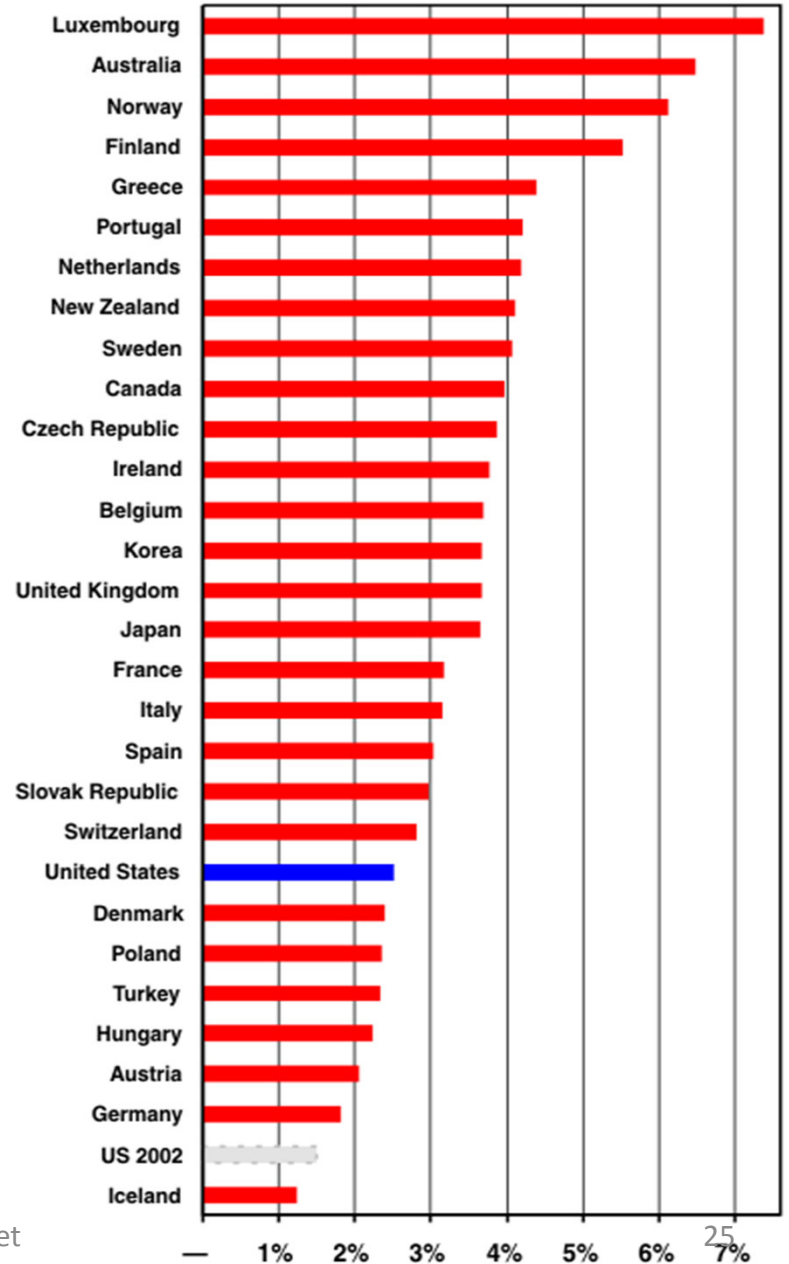


Total Corporate Income Tax Revenues as a Share of GDP



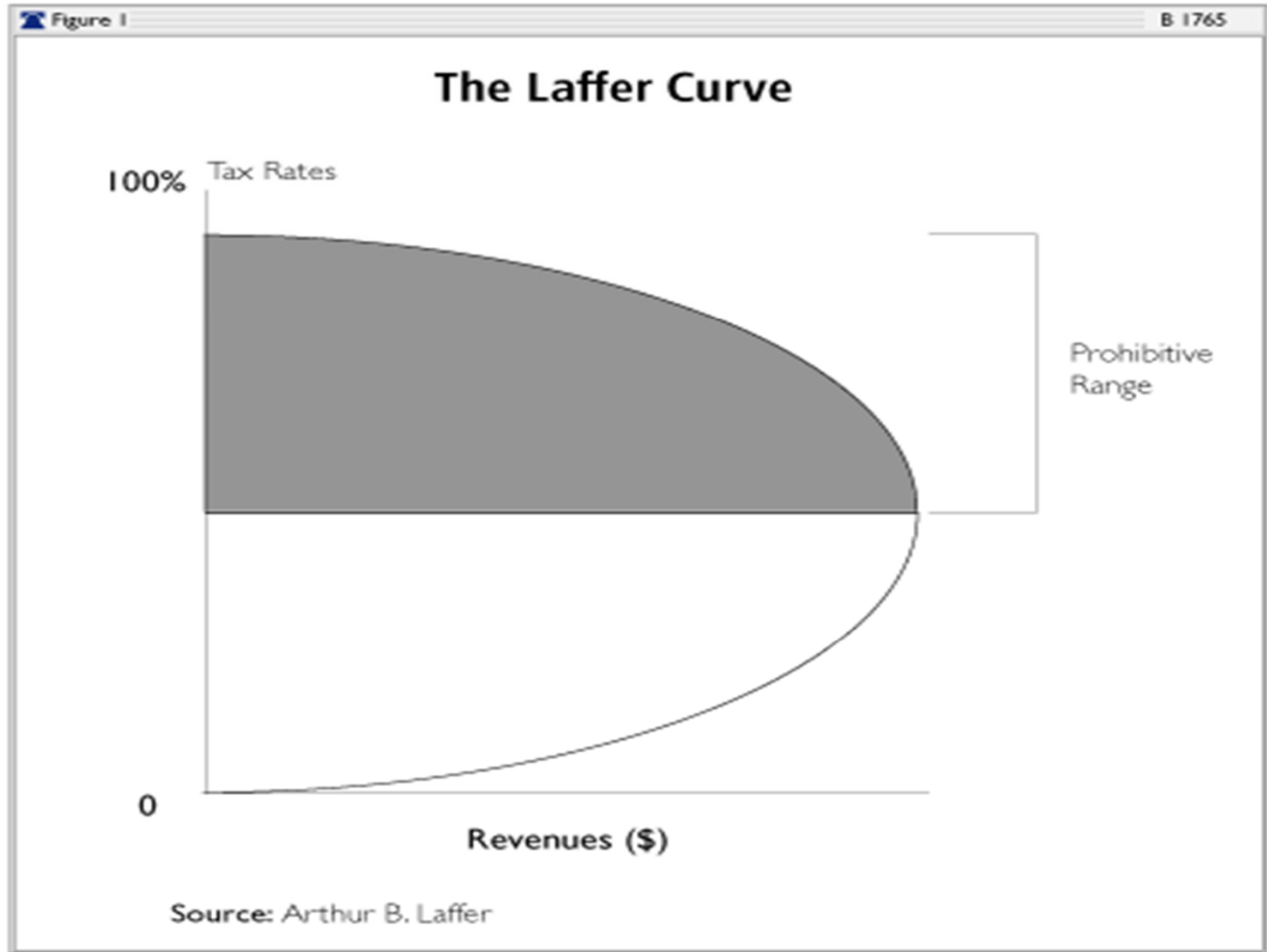
www.mimgroup.net

2000 Corporate Income Taxes as a % of GDP



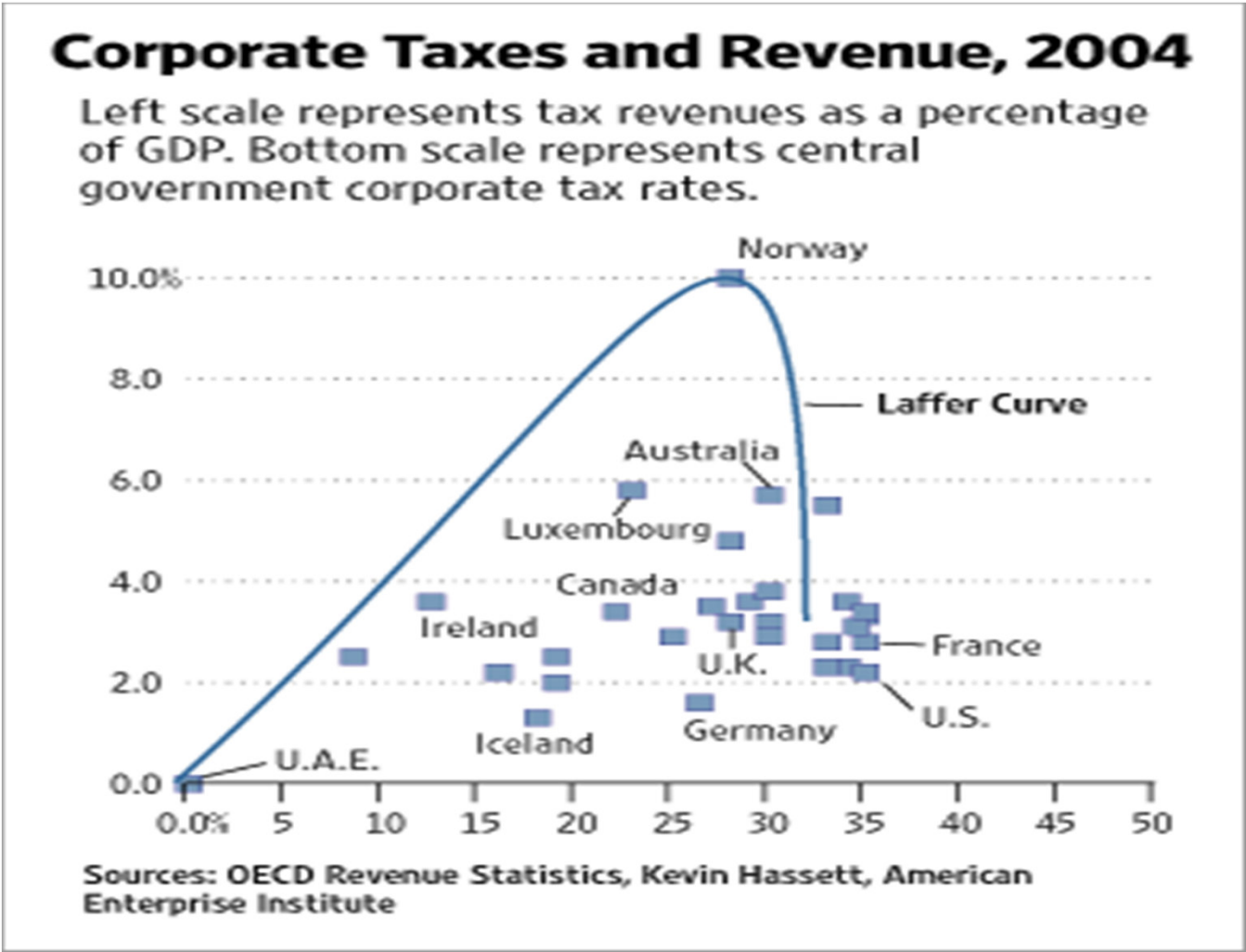
What is the Laffer Curve?

Taxes



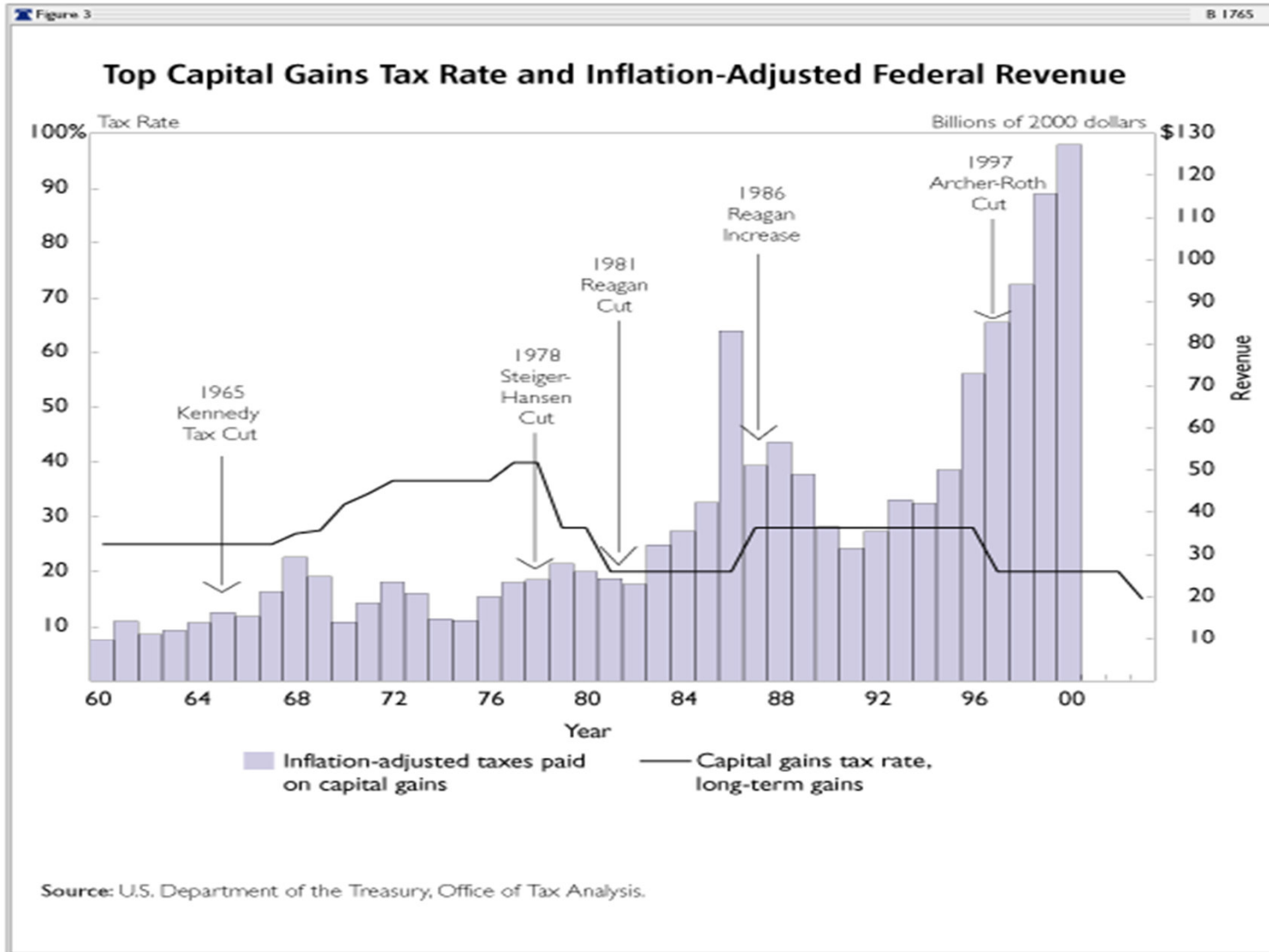
Laffer at Work

Taxes



Capital Gains Tax & Government Revenue

Taxes



Historical Highest Marginal Income Tax Rates

US Tax History



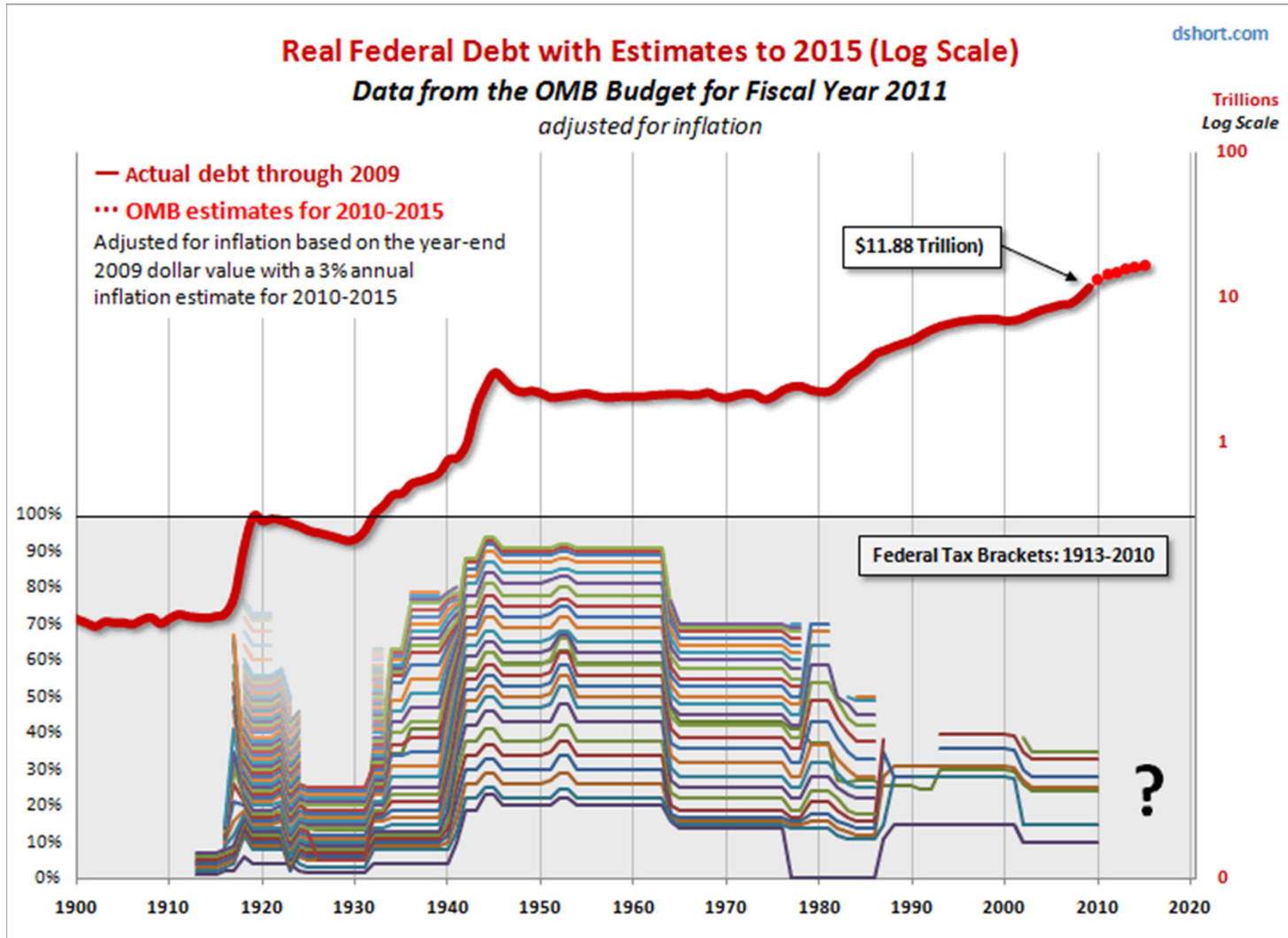
Year	Top Marginal Rate	Year	Top Marginal Rate	Year	Top Marginal Rate
1913	7.0%	1946	86.45%	1979	70.00%
1914	7.0%	1947	86.45%	1980	70.00%
1915	7.0%	1948	82.13%	1981	69.13%
1916	15.0%	1949	82.13%	1982	50.00%
1917	67.0%	1950	91.00%	1983	50.00%
1918	77.0%	1951	91.00%	1984	50.00%
1919	73.0%	1952	92.00%	1985	50.00%
1920	73.0%	1953	92.00%	1986	50.00%
1921	73.0%	1954	91.00%	1987	38.50%
1922	56.0%	1955	91.00%	1988	28.00%
1923	56.0%	1956	91.00%	1989	28.00%
1924	46.0%	1957	91.00%	1990	31.00%
1925	25.0%	1958	91.00%	1991	31.00%
1926	25.0%	1959	91.00%	1992	31.00%
1927	25.0%	1960	91.00%	1993	39.60%
1928	25.0%	1961	91.00%	1994	39.60%
1929	24.0%	1962	91.00%	1995	39.60%
1930	25.0%	1963	91.00%	1996	39.60%
1931	25.0%	1964	77.00%	1997	39.60%
1932	63.0%	1965	70.00%	1998	39.60%
1933	63.0%	1966	70.00%	1999	39.60%
1934	63.0%	1967	70.00%	2000	39.60%
1935	63.0%	1968	75.25%	2001	38.60%
1936	79.0%	1969	77.00%	2002	38.60%
1937	79.0%	1970	71.75%	2003	35.00%
1938	79.0%	1971	70.00%	2004	35.00%
1939	79.0%	1972	70.00%	2005	35.00%
1940	81.10%	1973	70.00%	2006	35.00%
1941	81.00%	1974	70.00%	2007	35.00%
1942	88.00%	1975	70.00%	2008	35.00%
1943	88.00%	1976	70.00%	2009	35.00%
1944	94.00%	1977	70.00%	2010	35.00%
1945	94.00%	1978	70.00%		

Note: This table contains a number of simplifications and ignores a number of factors, such as a maximum tax on earned income of 50 percent when the top rate was 70 percent and the current increase in rates due to income-related reductions in value of itemized deductions. Perhaps most importantly, it ignores the large increase in percentage of returns that were subject to this top rate.

Sources: Eugene Steuerle, The Urban Institute; Joseph Pechman, Federal Tax Policy; Joint Committee on Taxation, Summary of Conference Agreement on the Jobs and Growth Tax Relief Reconciliation Act of 2003, JCX-54-03, May 22, 2003; IRS Revised Tax Rate Schedules

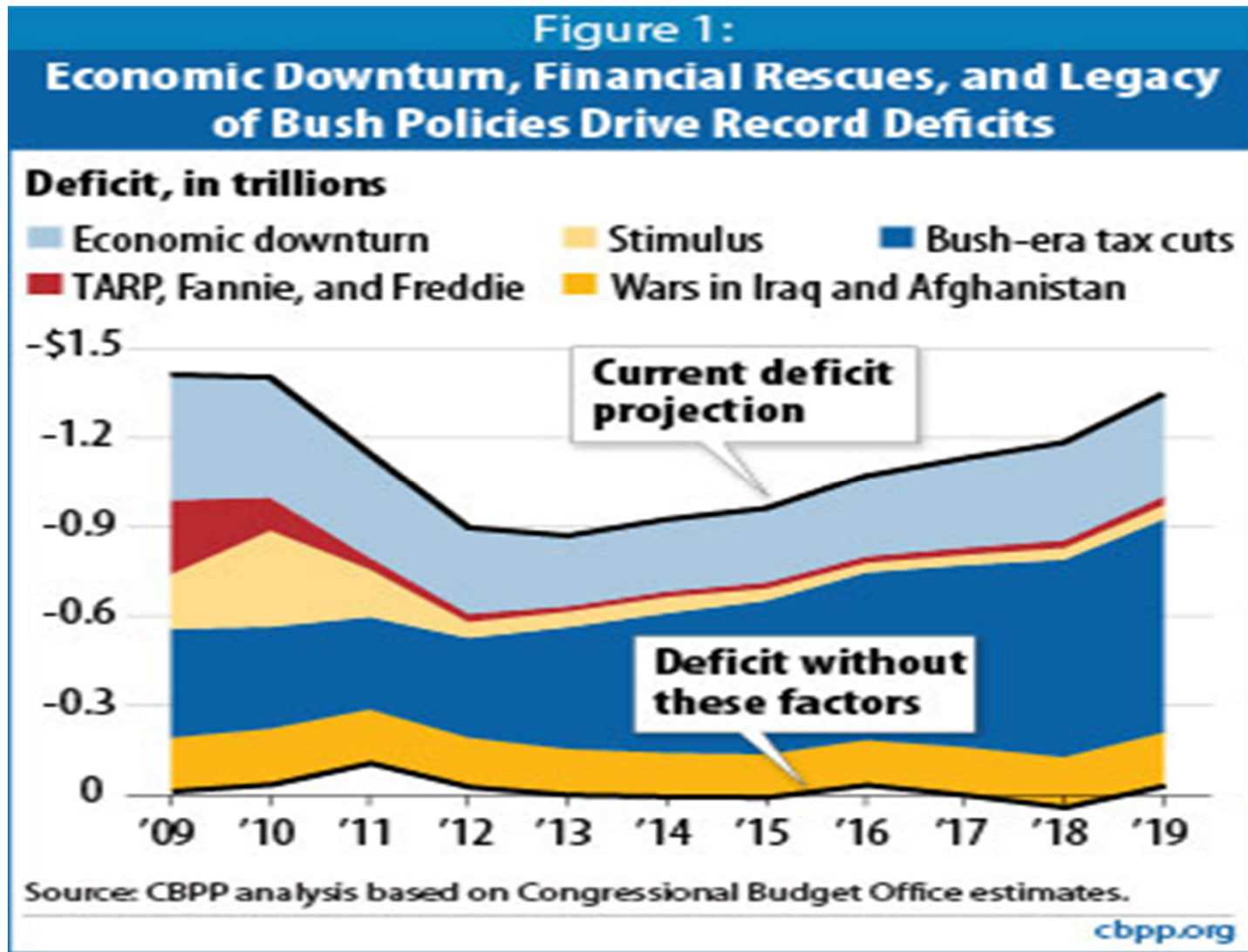
Indirect Correlation Taxes/Deficit

Taxes



Breakdown of the US Deficit

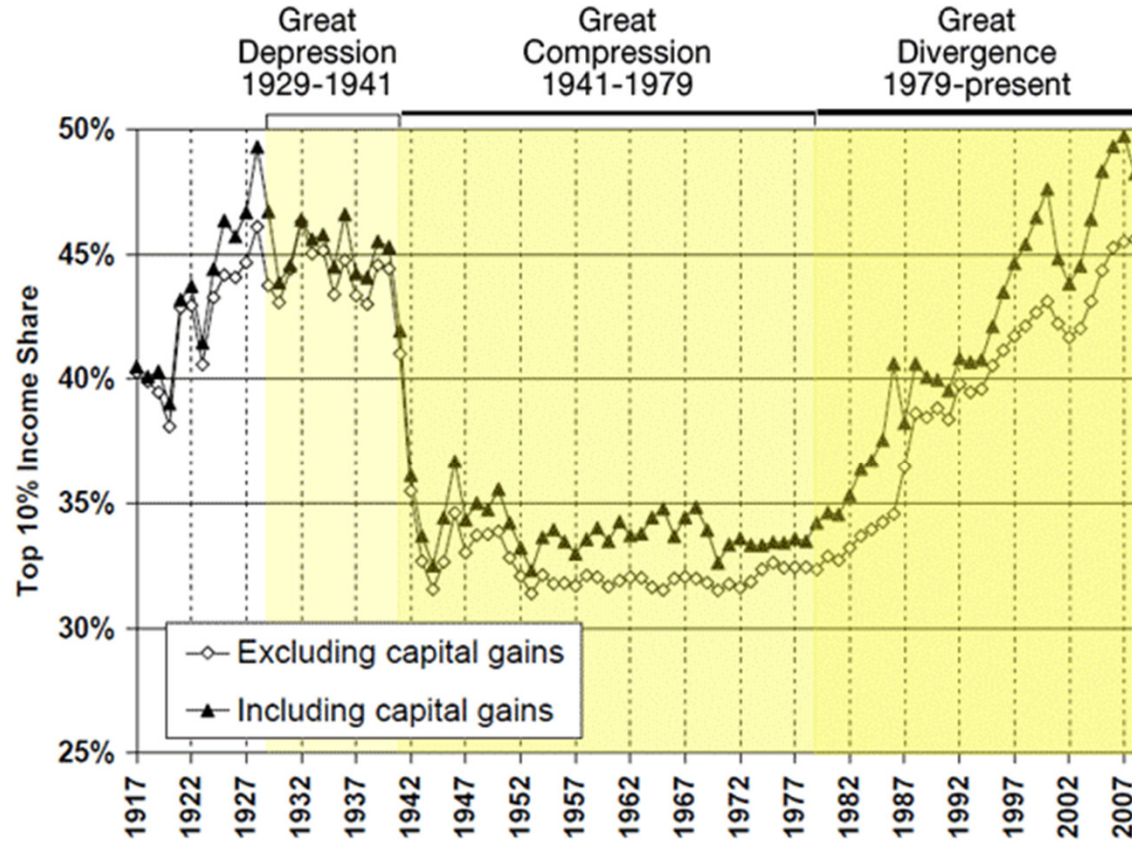
Taxes



Who Benefits?



The Top Ten Percent Income Share, 1917 - 2008

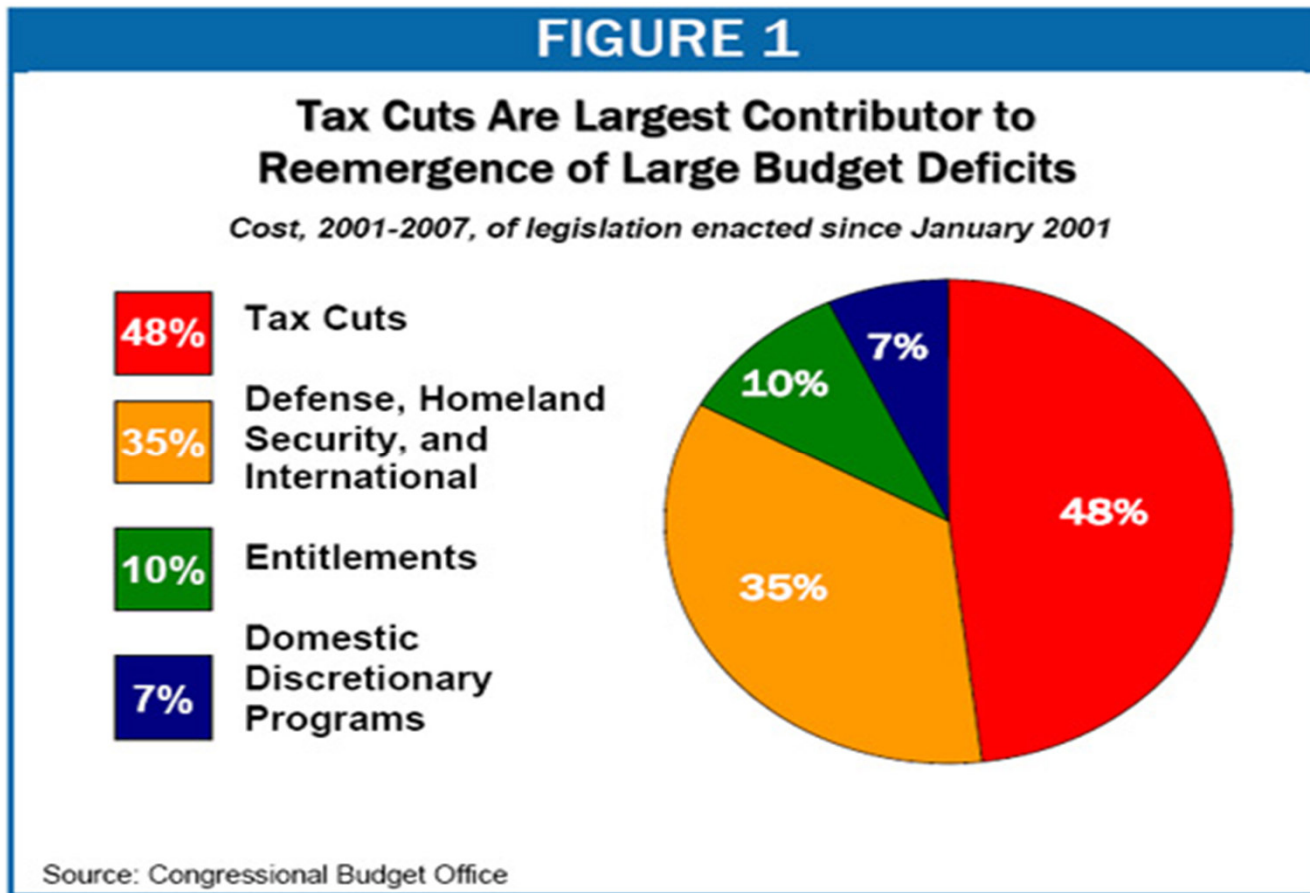


Income is defined as market income (and excludes government transfers).
 In 2008, top decile includes all families with annual income above \$109,000.

Source: Thomas Piketty and Emmanuel Saez.

Contribution to the Deficit

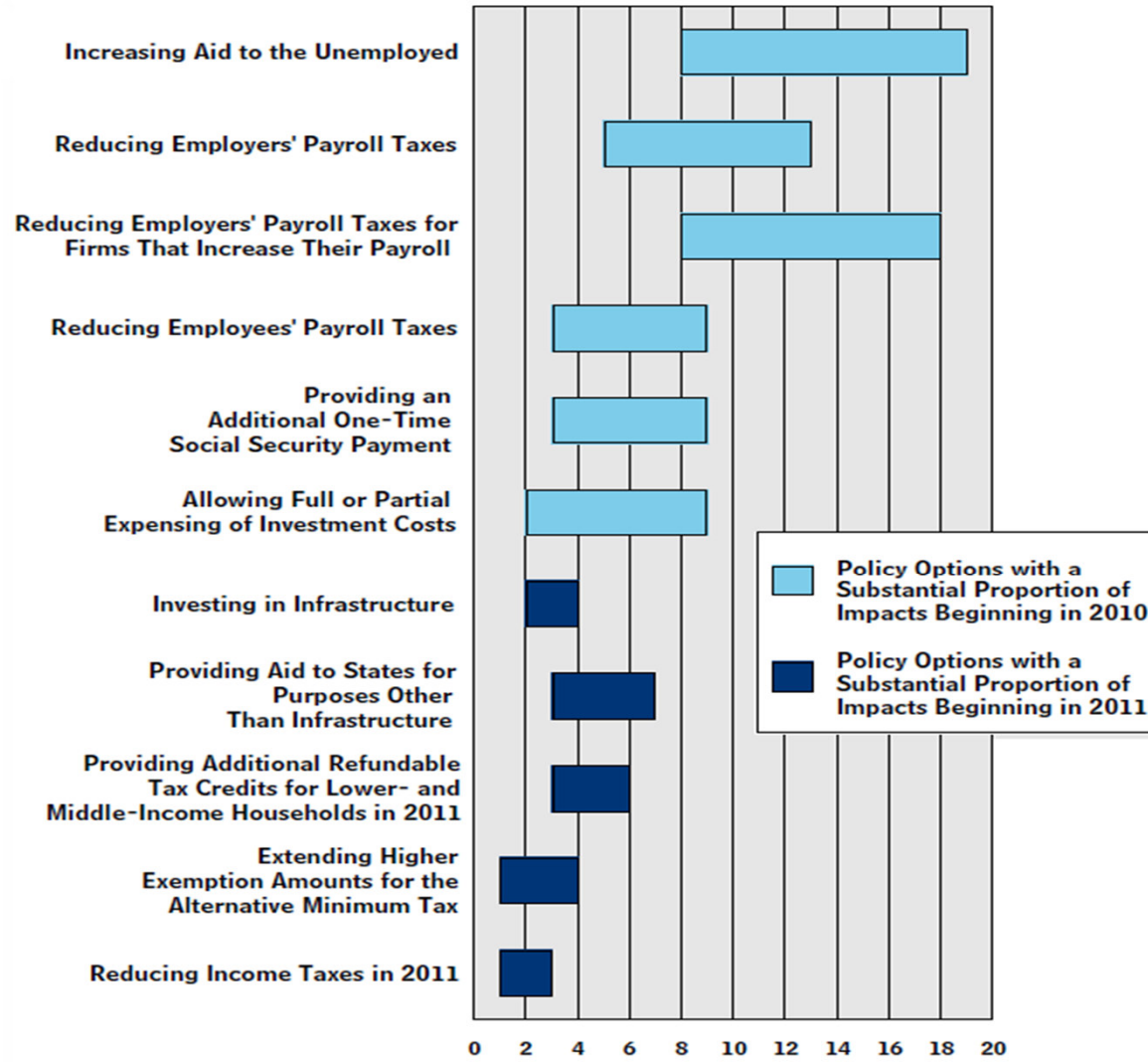
Taxes



Myth and Reality of Tax Cuts

<http://www.cbpp.org/files/9-27-06tax.pdf>

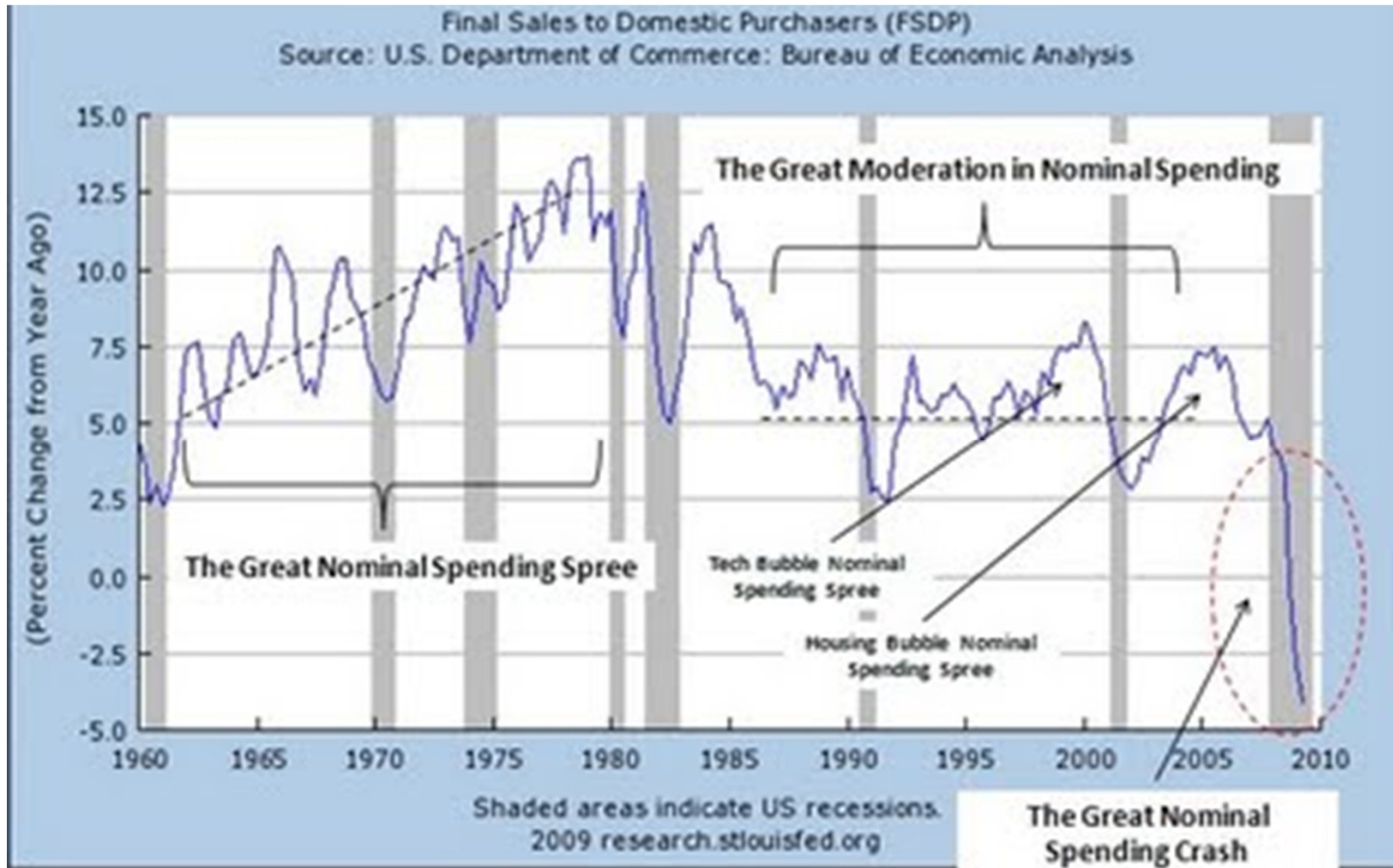
Benefits of Stimulus



Years of Full-Time-Equivalent Employment per Million Dollars of Total Budgetary Cost
www.mimgroup.net

Crash in Purchases

Taxes



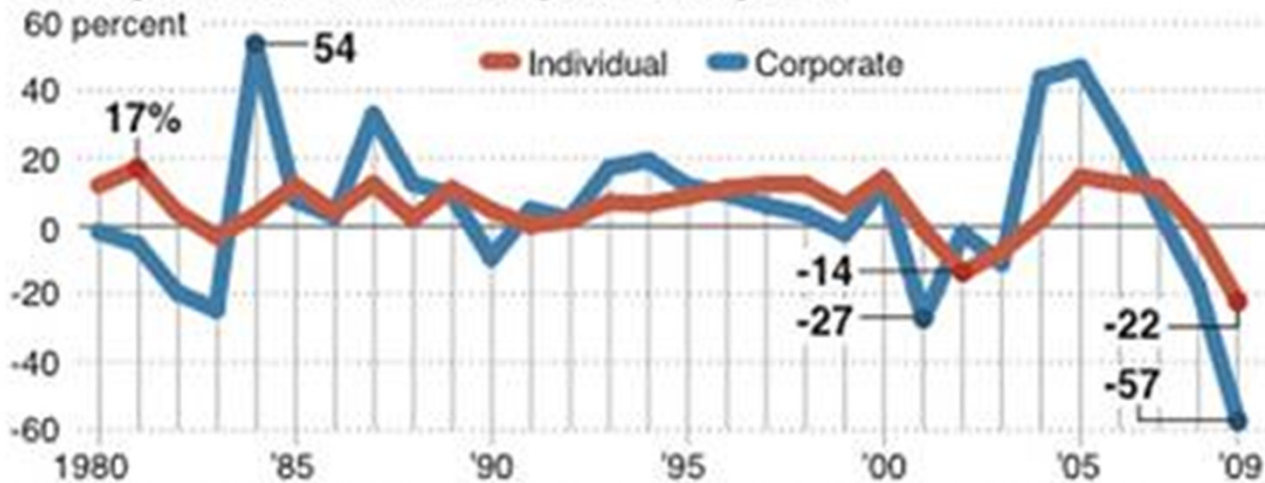
The Big Hit, Revenue Went Down

Taxes

Federal tax revenues take major hit

Tax receipts, driven by big drops in individual income and corporate taxes, are on pace to post their biggest single-year decline since the Great Depression.

Change in federal tax receipts, fiscal years

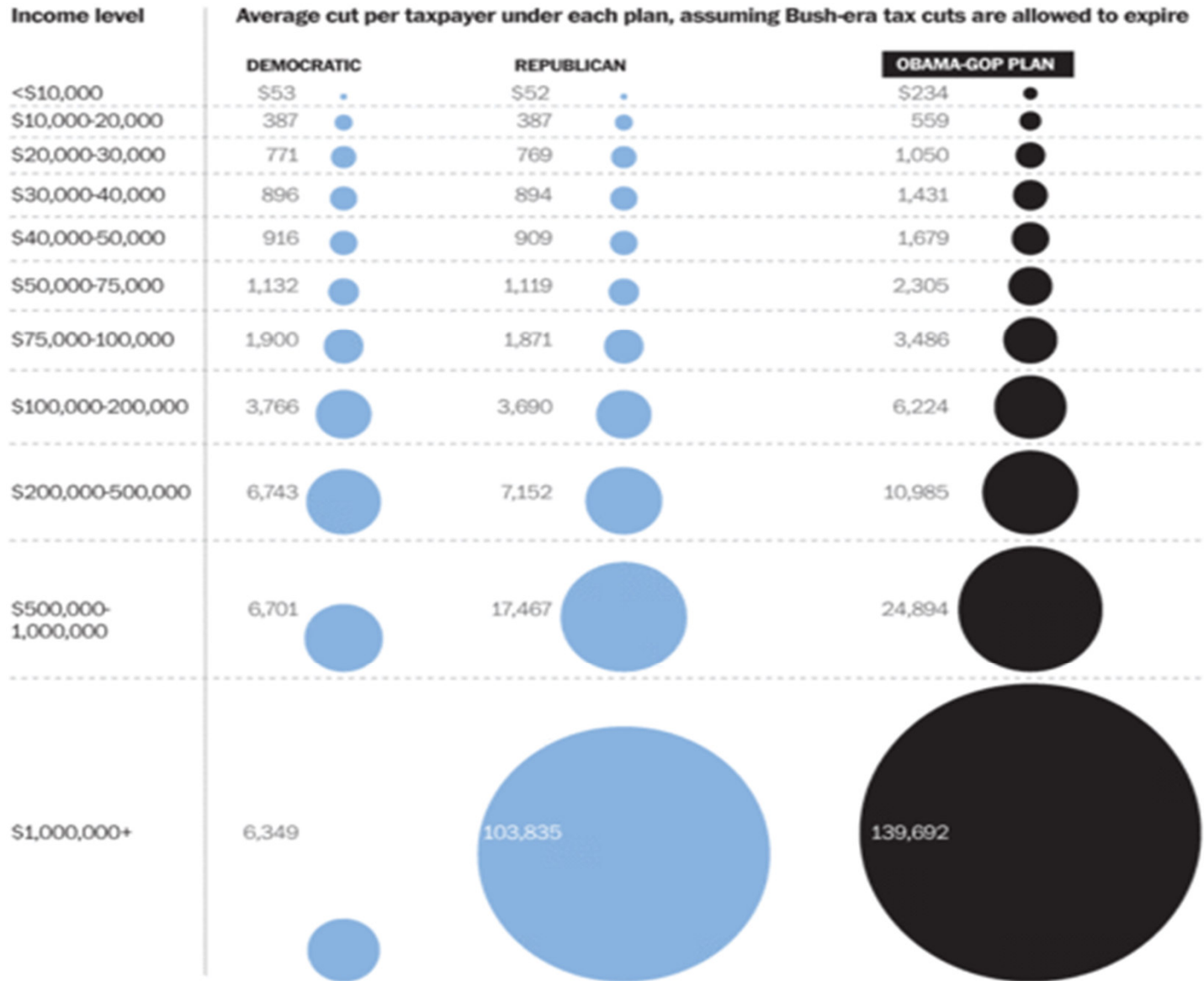


NOTE: Data from 2009 is through June; the fiscal year ends in September.

SOURCES: Office of Management and Budget; Treasury Department

AP

Tax Cut Beneficiaries

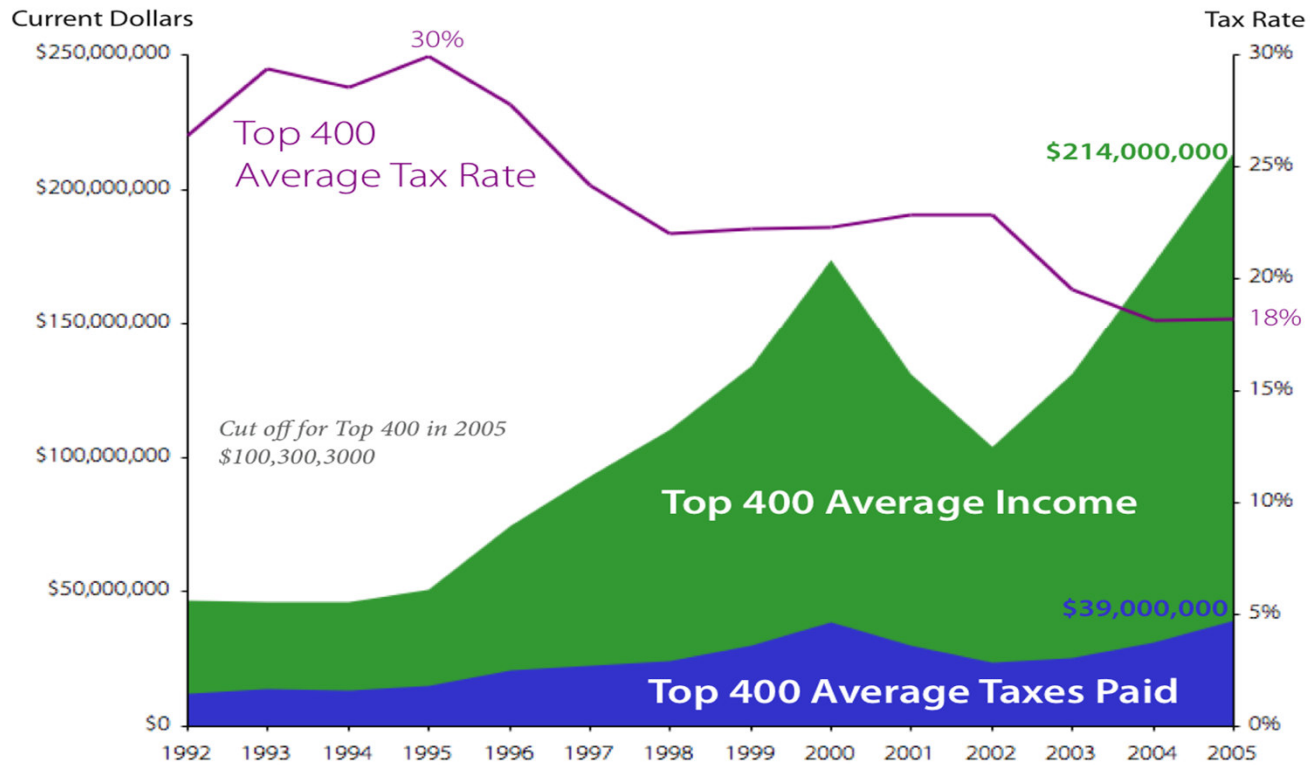


For Wealthy, Taxes Haven't Matched Income Growth

Visualizing Economics Visit www.visualizingeconomics.com
 Making the Invisible Hand Visible to view more examples

1992-2005 United States
Top 400 Taxpayers: Income and Taxes
 based on Adjusted Gross Income reported to IRS

Taxes



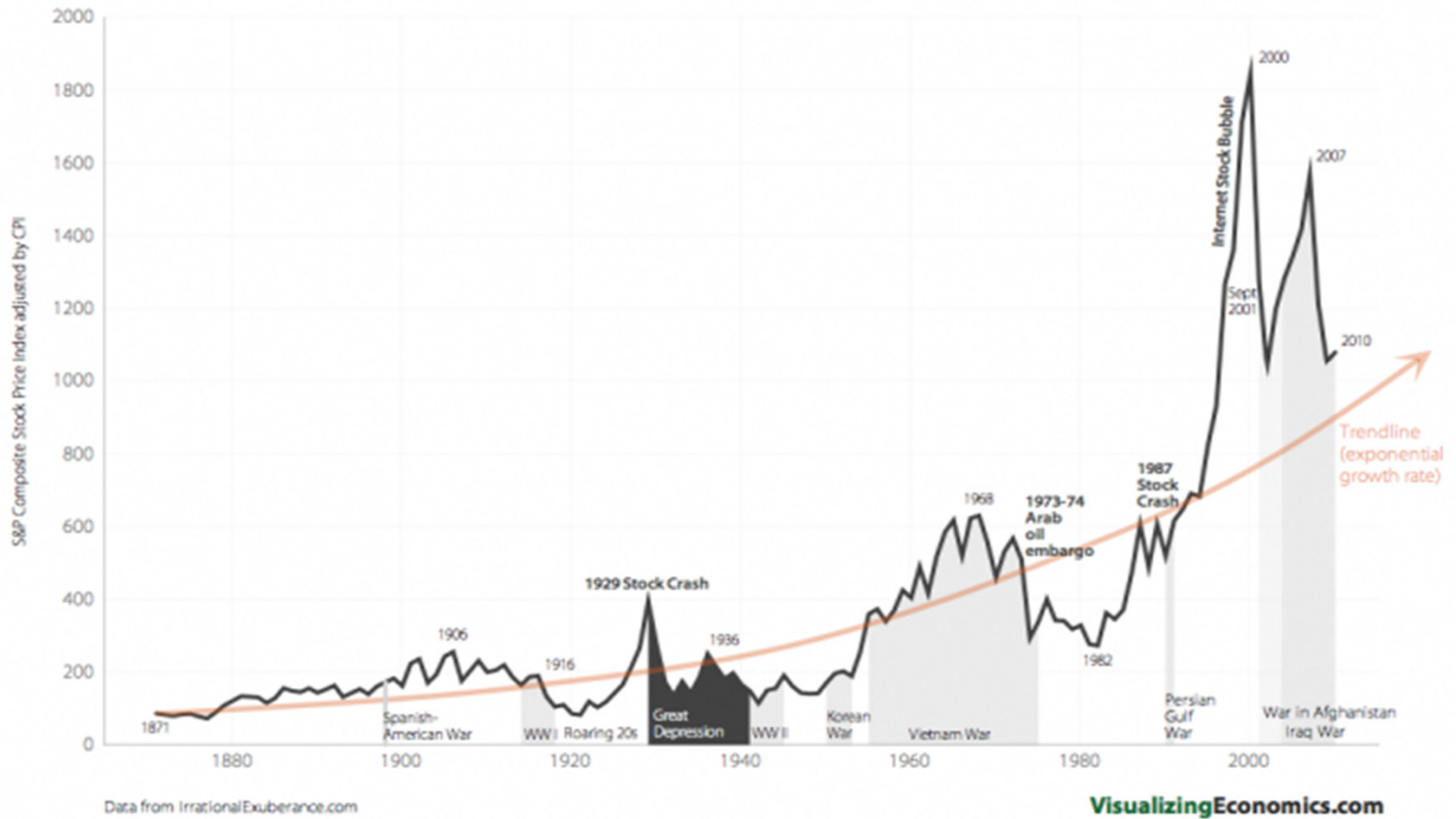
Source: Internal Revenue Service

Money Makes Money

JOBS

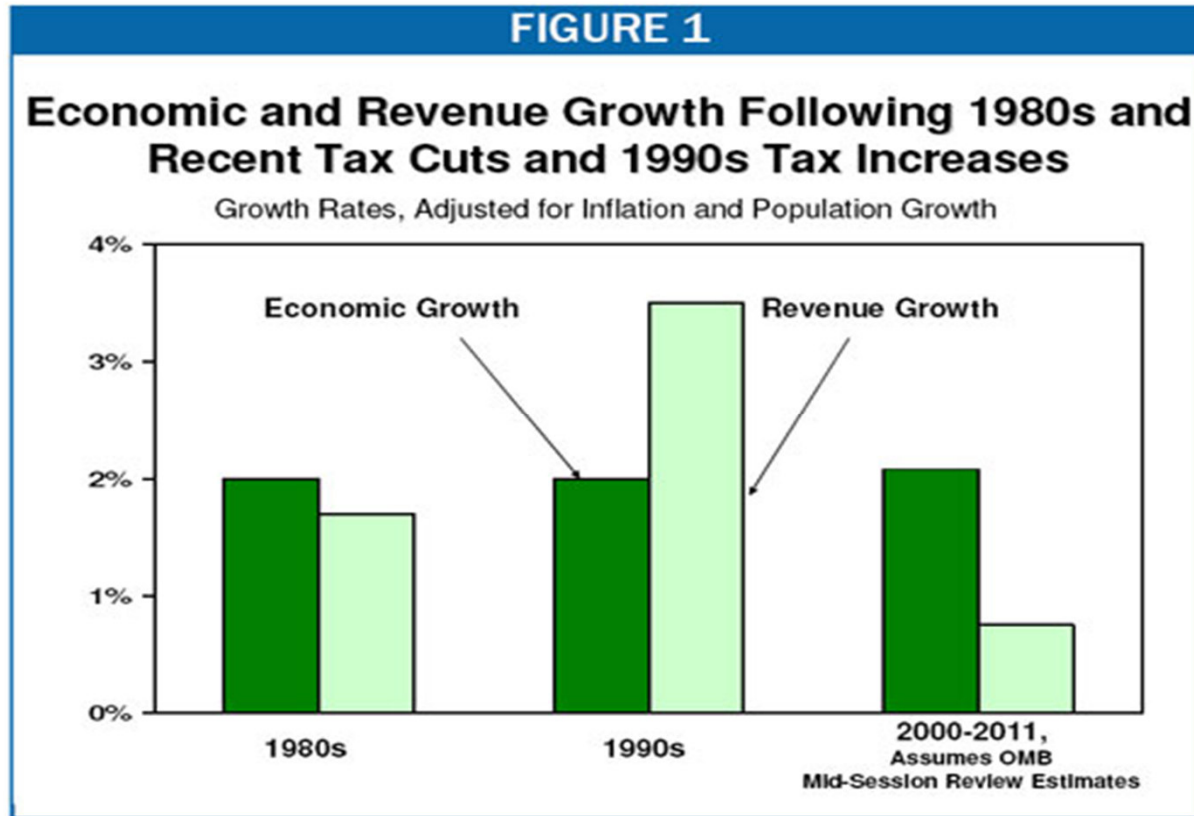
Long-term real growth in US Stocks

Annual price index adjusted for inflation 1871-2010



Tax Increases = Fed Revenue Growth

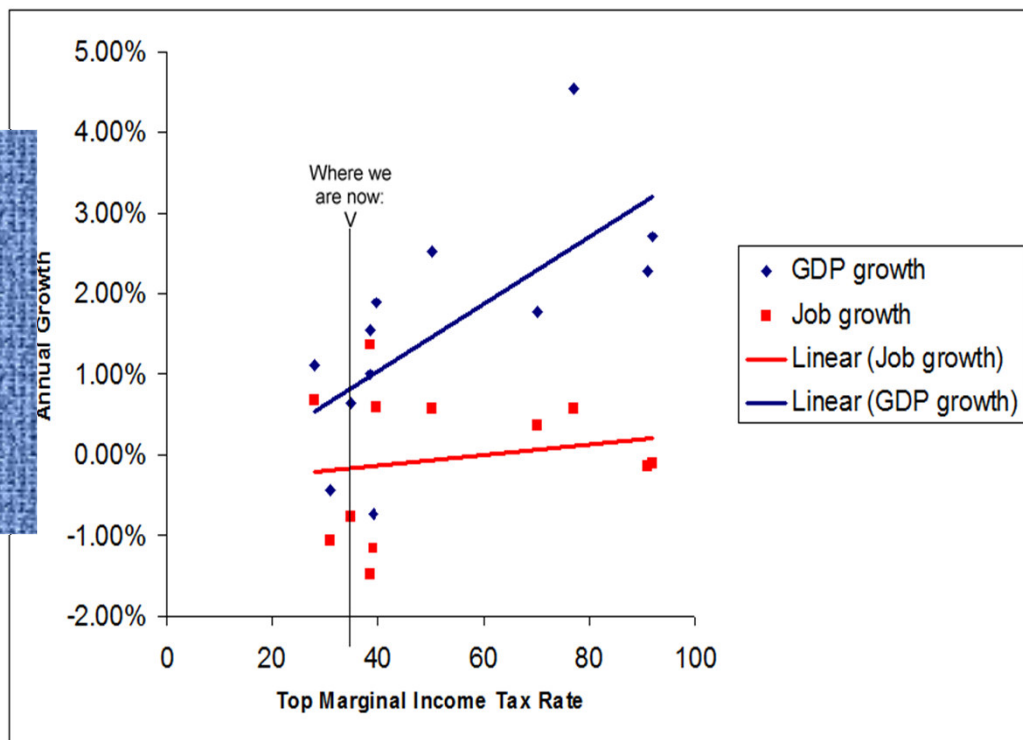
Taxes



Economists from across the political spectrum — including economists who have held top positions in the past Bush Administration — reject the argument that tax cuts pay for themselves. In tax policy, as in other aspects of policymaking, there is no “free lunch.”

High tax = High Economic Growth

Taxes



High top marginal income tax rates are linked with improved economic growth.

Tax rates overall have no significant effect on job growth – but the non-significant effect implies that high taxes improve job growth too

Job growth was taken from data supplied by the [Bureau of Labor Statistics](http://www.bls.gov). Since there are many conflicting measures of unemployment, I went with a straight nonfarm payroll as a percentage of the total US population. Obviously there are problems with this (the large move of women to the workforce during 1970-1990 for example), but all employment indices have problems of one sort or another, and I thought this was the least susceptible to manipulation. Data for the latter begins in 1948, which means that the first year job growth can be computed is 1949. All data were therefore restricted to the sixty-one years 1949-2009.

METHODOLOGY

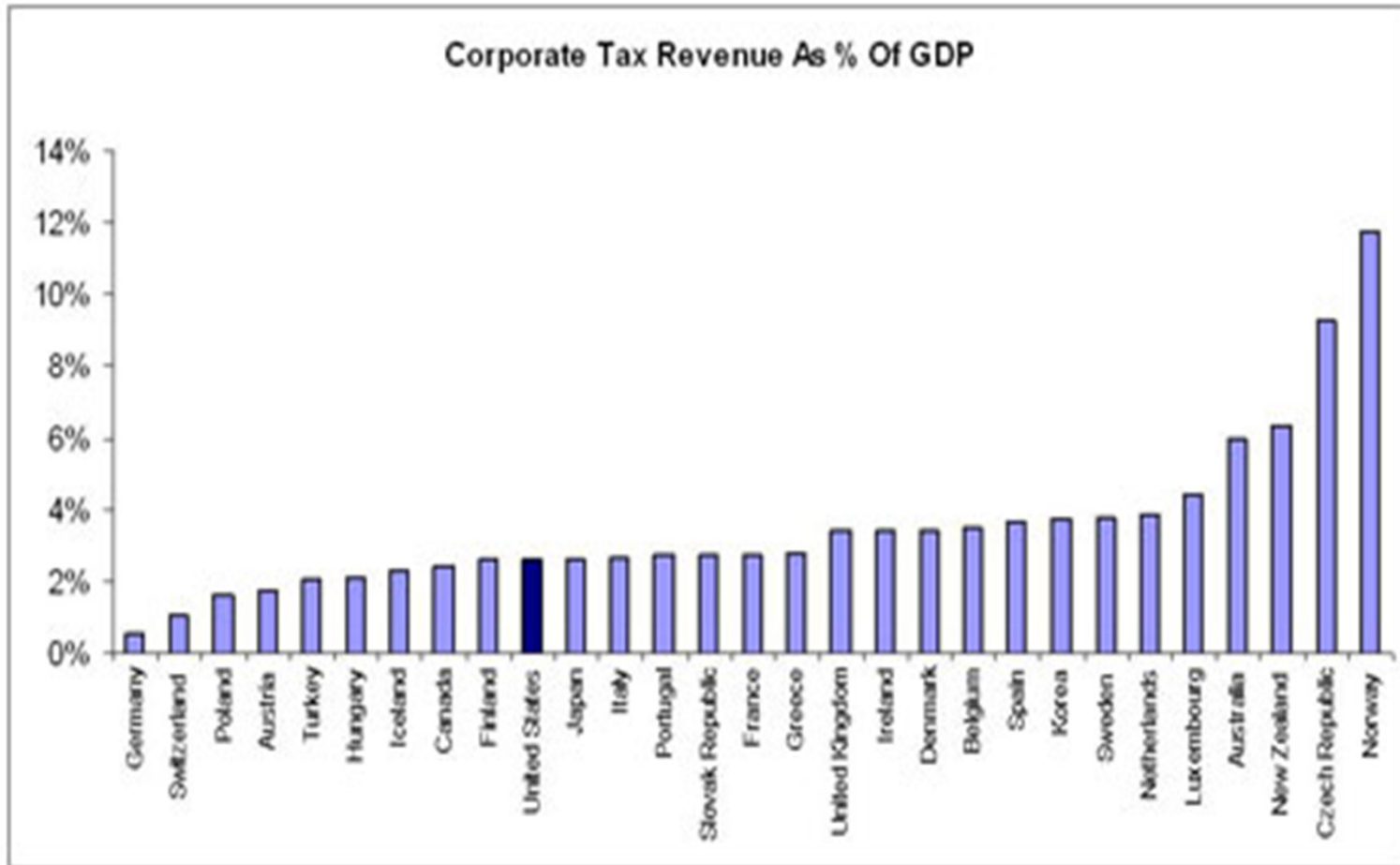
There have been twelve top marginal tax rates in the 61 years covered:

- 92% (1952-53)
- 91% (1949-51, 1954-63)
- 77% (1964)
- 70% (1965-81)
- 50% (1992-86)
- 39.6% (1993-2000)
- 39.1% (2001)
- 38.6% (2002)
- 38.5% (1987)
- 35% (2003-09)
- 31% (1991-92)
- 28% (1988-90)

Per-capita job growth and real GDP growth were computed for each year, and the average for each of the twelve marginal tax rates were computed, and are displayed on this graph. Colored lines are standard linear regressions.

Taxes

Corporate Tax a % of GDP



Approximately two-thirds of [U.S.](#) companies and foreign firms doing business in this country paid no federal income taxes from 1998 to 2005, according to a study by the [Government Accountability Office](#)

Tax Revenue as % of GDP

Taxes

Increasing Cost of Government

The share of gross domestic product going to taxes has increased since 1975 in most countries.

Tax revenue as a percentage of G.D.P.

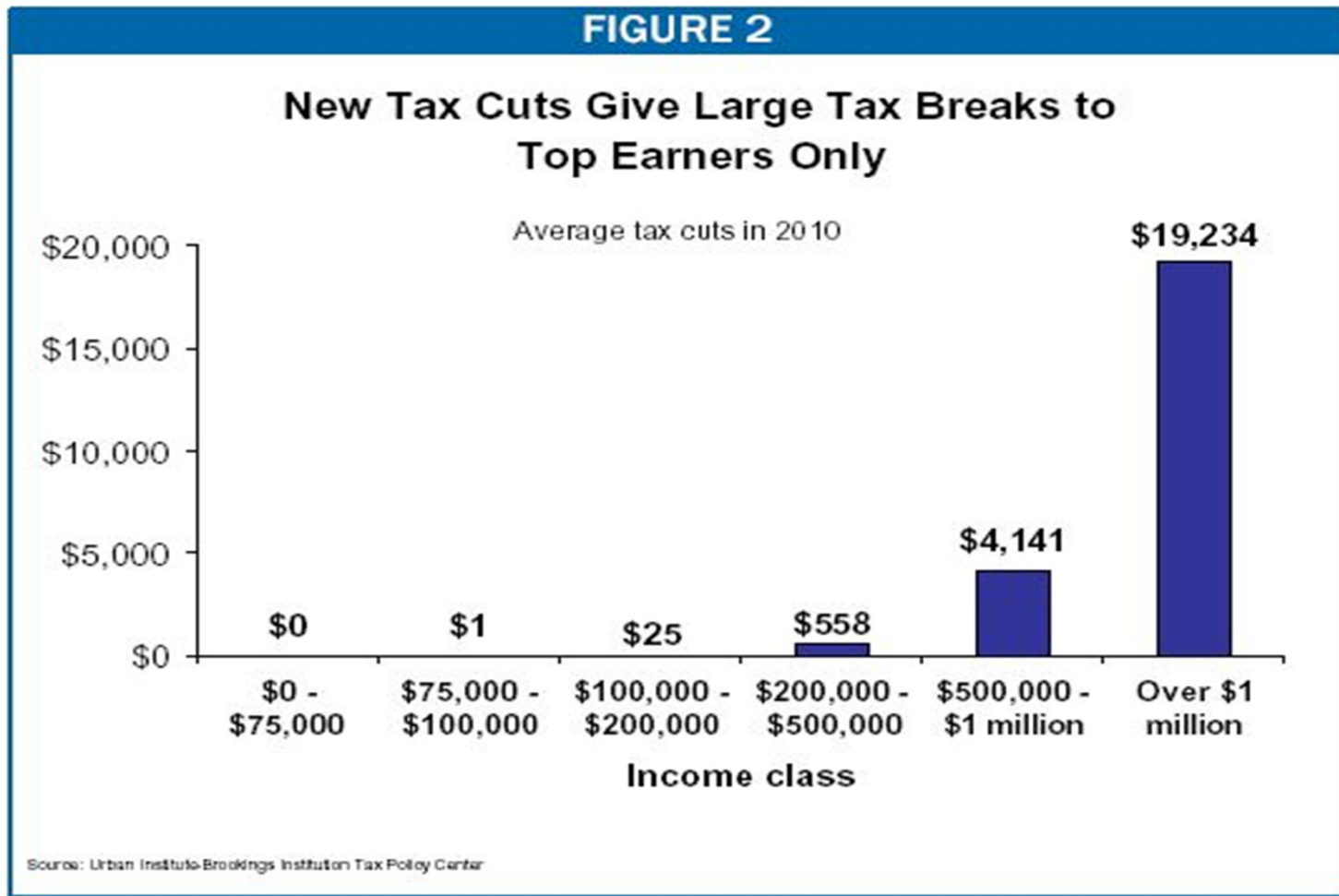
	1975	2006 PRELIMINARY	PERCENTAGE-POINT CHANGE
1. Sweden	41.6%	50.1%	+ 8.5
2. Denmark	38.4	49.0	+10.6
3. France	35.4	44.5	+ 9.1
4. Norway	39.2	43.6	+ 4.4
5. Finland	36.5	43.5	+ 7.0
6. Italy	25.4	42.7	+17.3
7. Austria	36.7	41.9	+ 5.2
8. Netherlands	41.2	39.5	-1.7
9. Britain	35.3	37.4	+ 2.1
10. Spain	18.4	36.7	+18.3
11. Germany	34.3	35.7	+ 1.4
12. Portugal	19.7	35.4	+15.7
13. Canada	32.0	33.4	+ 1.4
14. Turkey	16.0	32.5	+16.5
15. Ireland	28.7	31.7	+ 3.0
16. Switzerland	24.5	30.1	+ 5.6
17. United States	25.6	28.2	+ 2.6
18. Greece	16.9	27.4	+10.5
19. Japan	20.9	27.4 (2005)	+ 6.5
20. South Korea	15.1	26.8	+11.7

Source: Organization for Economic Cooperation and Development

THE NEW YORK TIMES

Recent Tax Cuts

Taxes

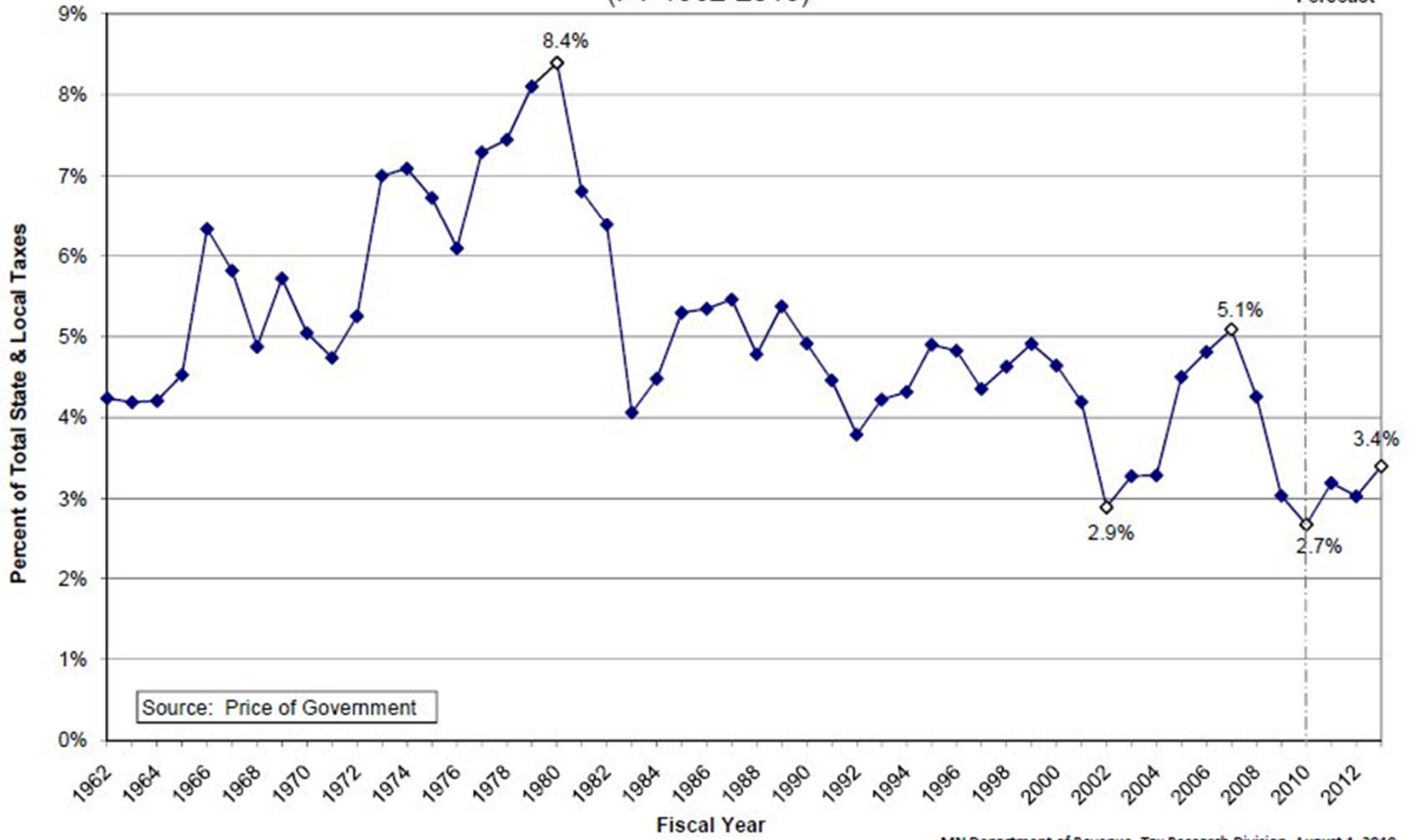


States Get Less Corporate Tax



Chart 4
Corporate tax as Percent of *Total State & Local Tax Revenue*
(FY 1962-2013)

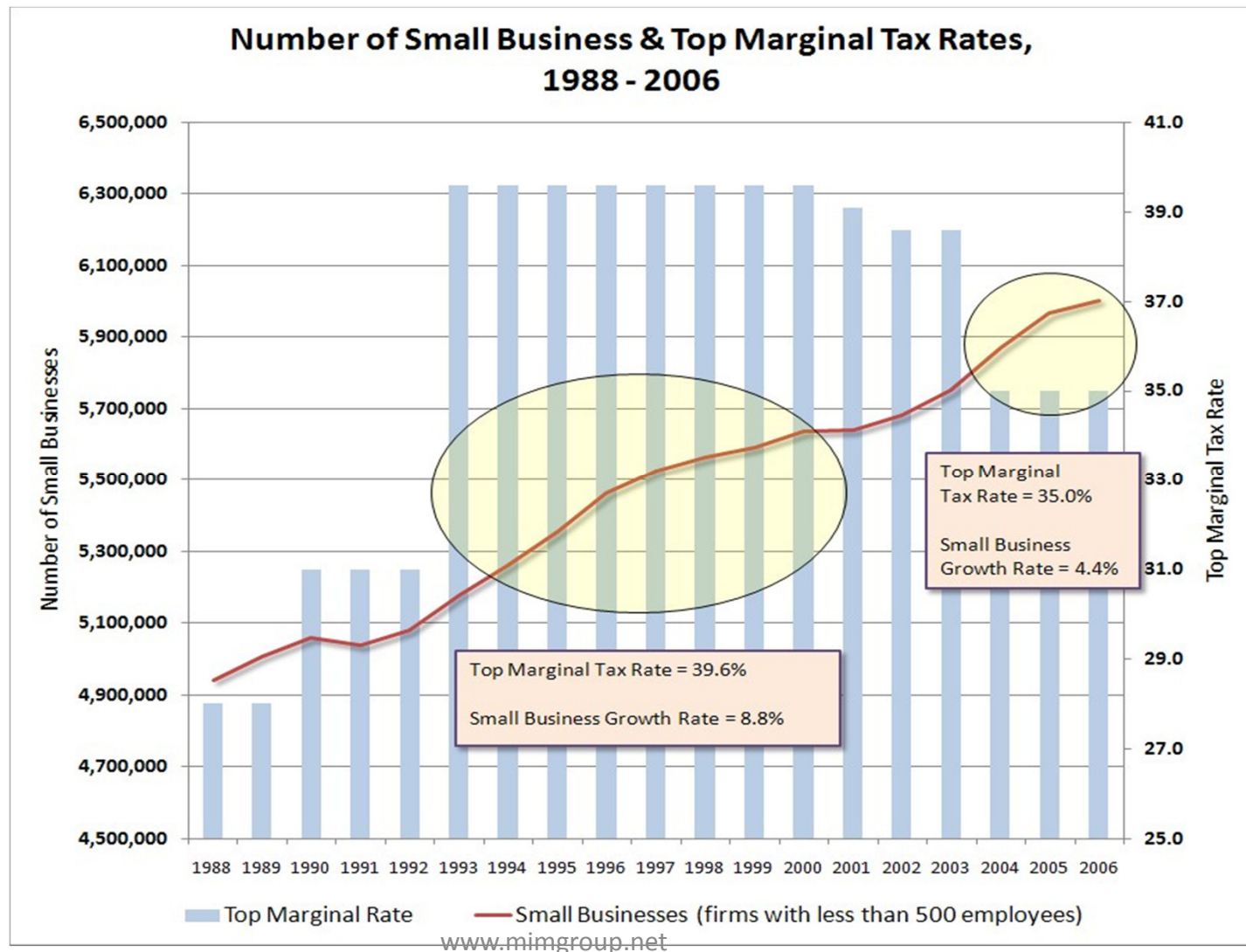
End of
Session 2010
Forecast



Source: Price of Government

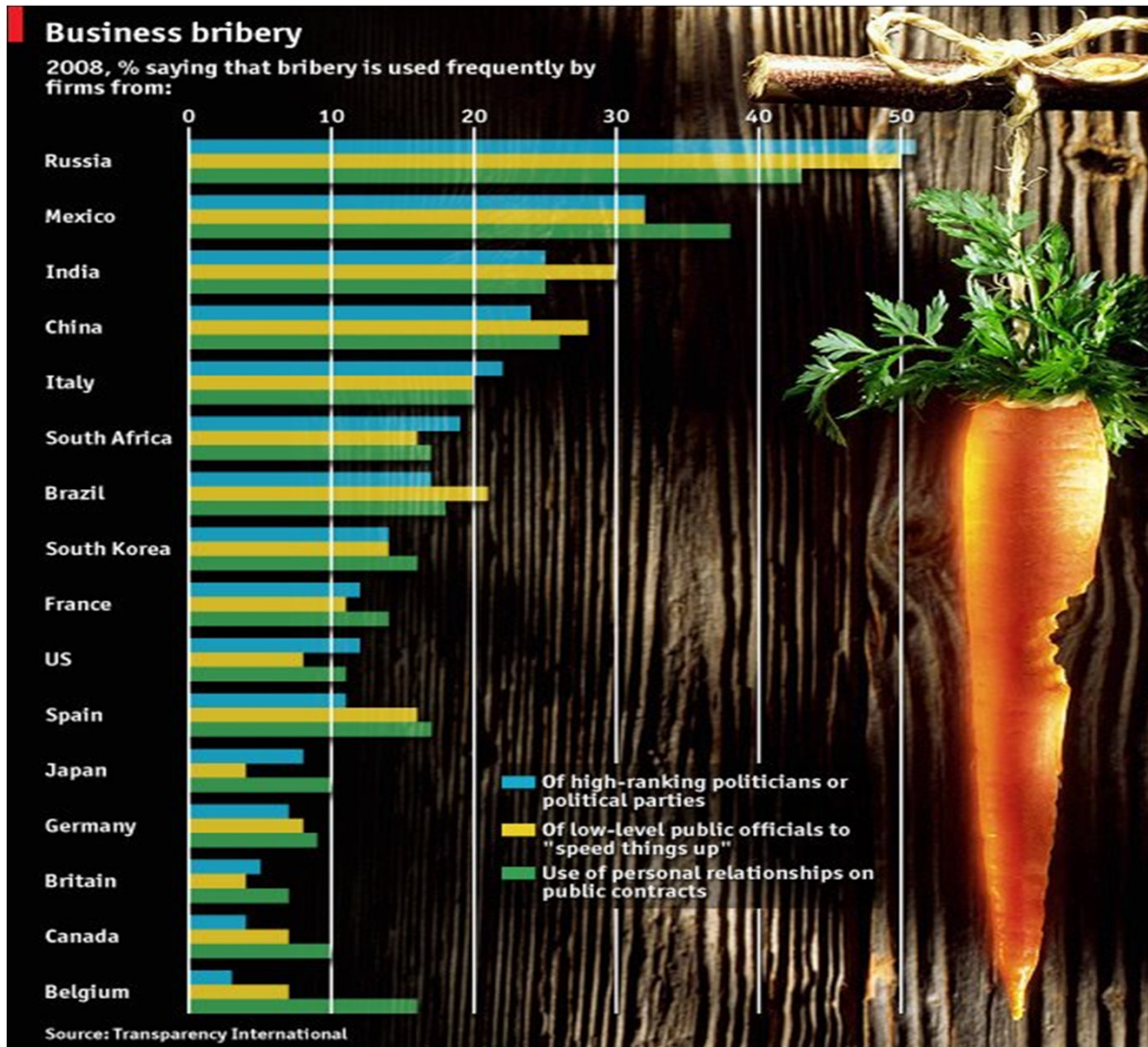
Tax Cuts did not Assist Small Business

You'll notice that under the crushing weight of a top marginal tax bracket of 39.6%, the number of small businesses -- businesses with fewer than 500 employees -- grew at an economy-stifling pace of 8.8 percent. And then when President Bush unbound those small businesses and pumped the life-saving blood of a 35% top marginal tax bracket in their veins, their numbers increased 4.4%.



The Cost of Bribery

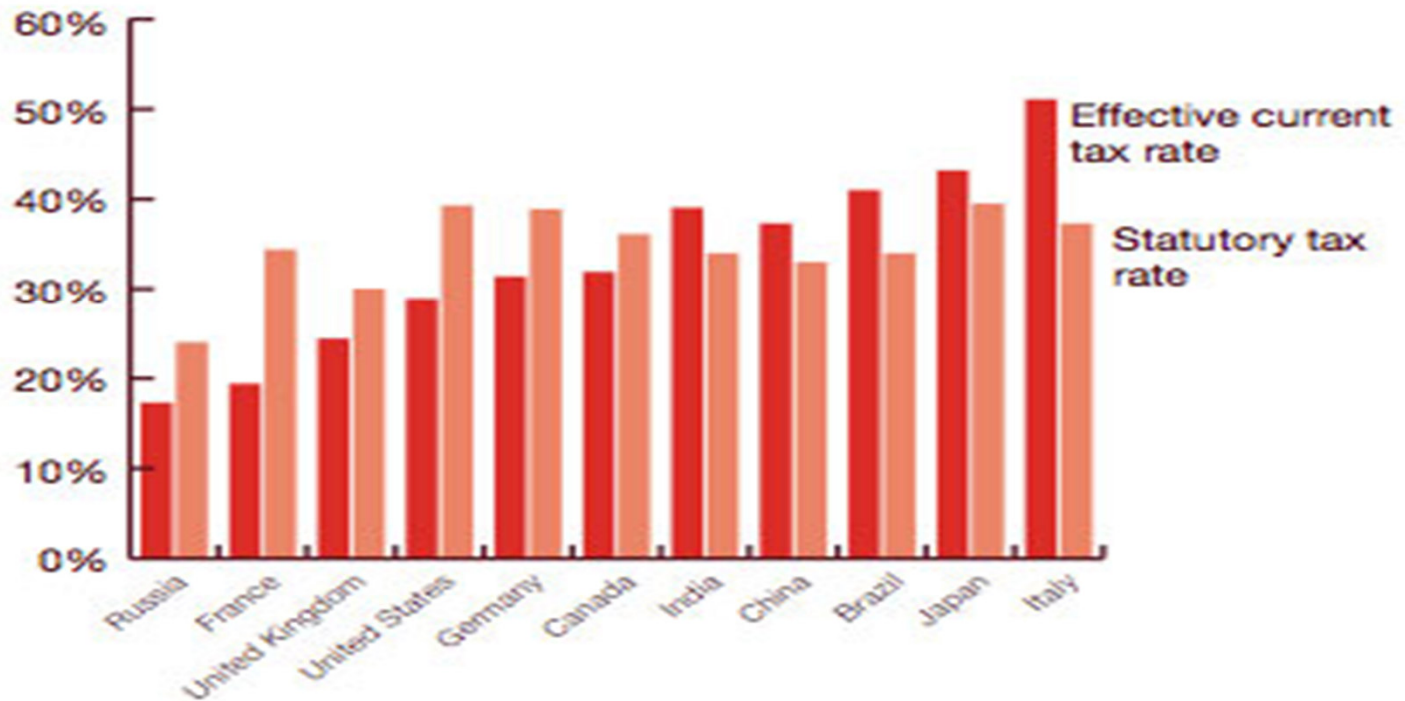
Taxes



Statutory vs Effective Rates

Taxes

Figure 2.7
Effective rate of current corporation tax vs statutory rate for G8 and BRIC countries

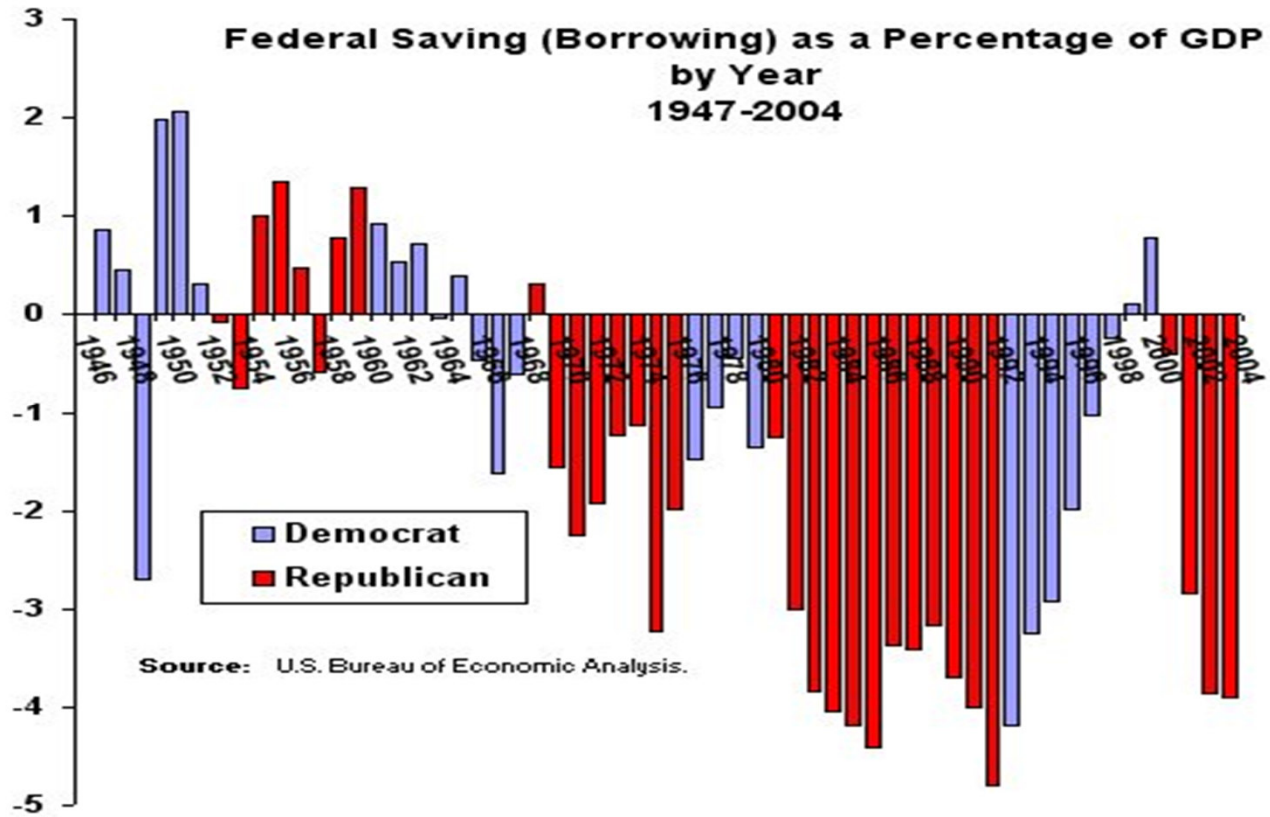


Source: *Doing Business* database

the effective corporate tax rate in the United States is actually fairly low and certainly competitive when compared to other industrialized nations, as the graphic from the World Bank’s “Doing Business” report demonstrates. (Note that the effective corporate rate in China, where many industrial jobs are migrating, is considerably higher than in the U.S.)

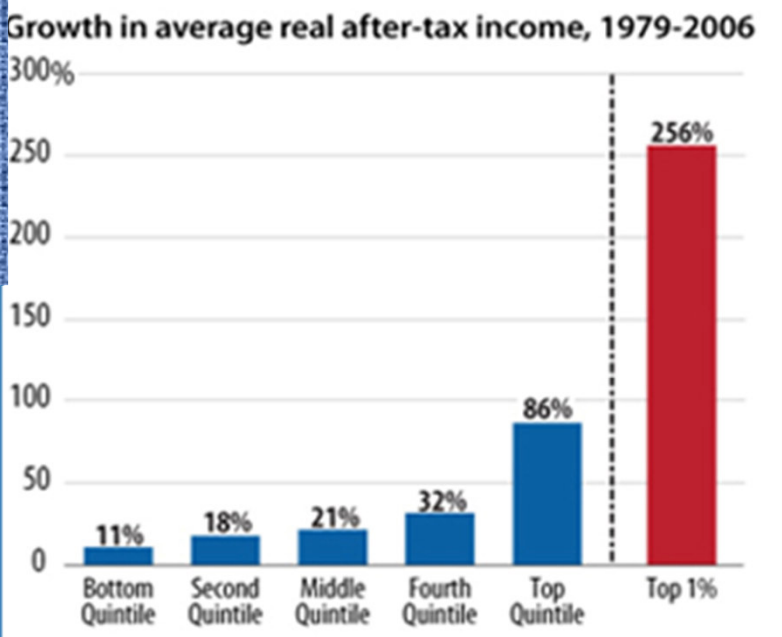


Income



Income

**FIGURE 2:
Income Growth Concentrated at the Top**



Source: Congressional Budget Office

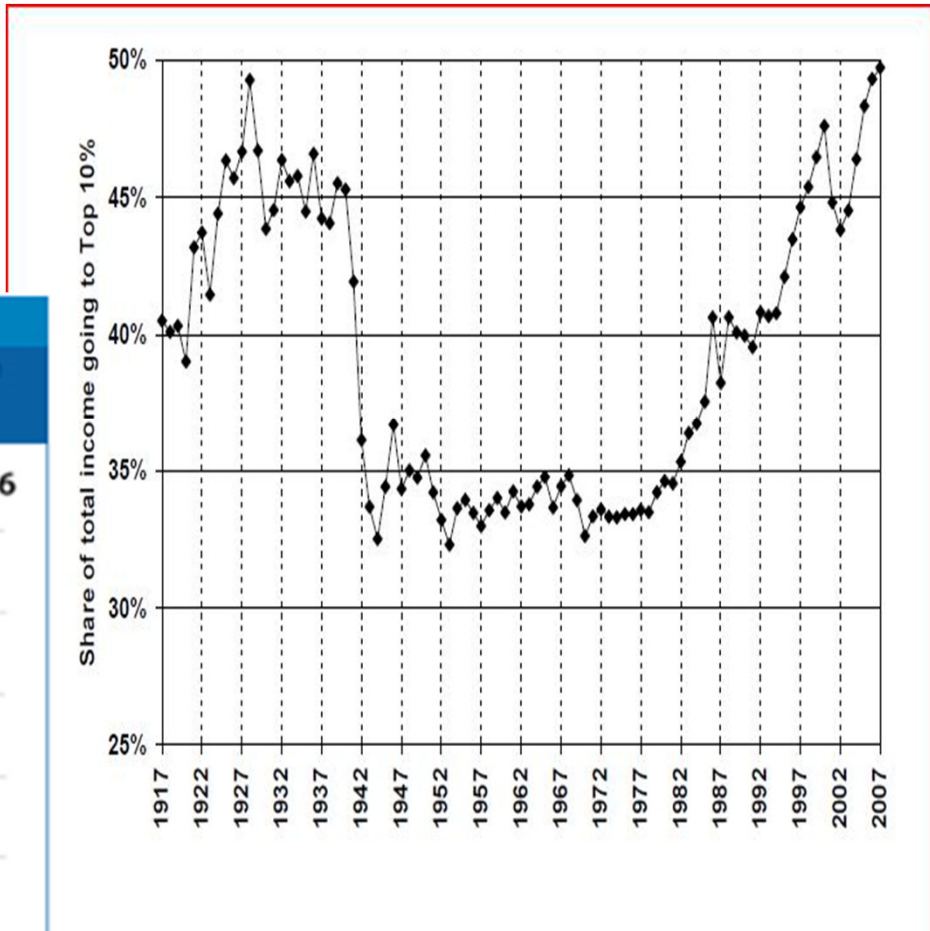
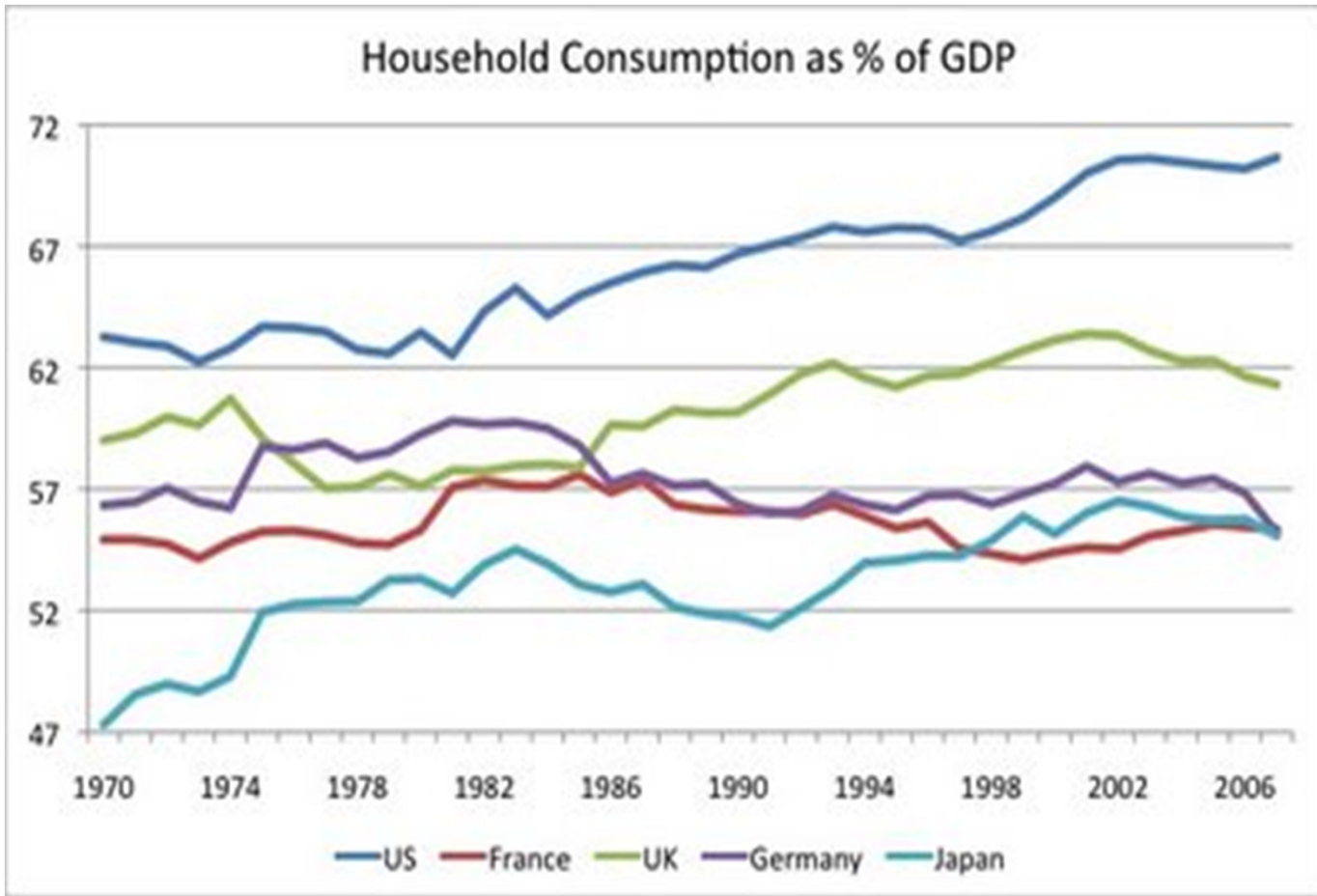


FIGURE 1
The Top Decile Income Share in the United States, 1917-2007

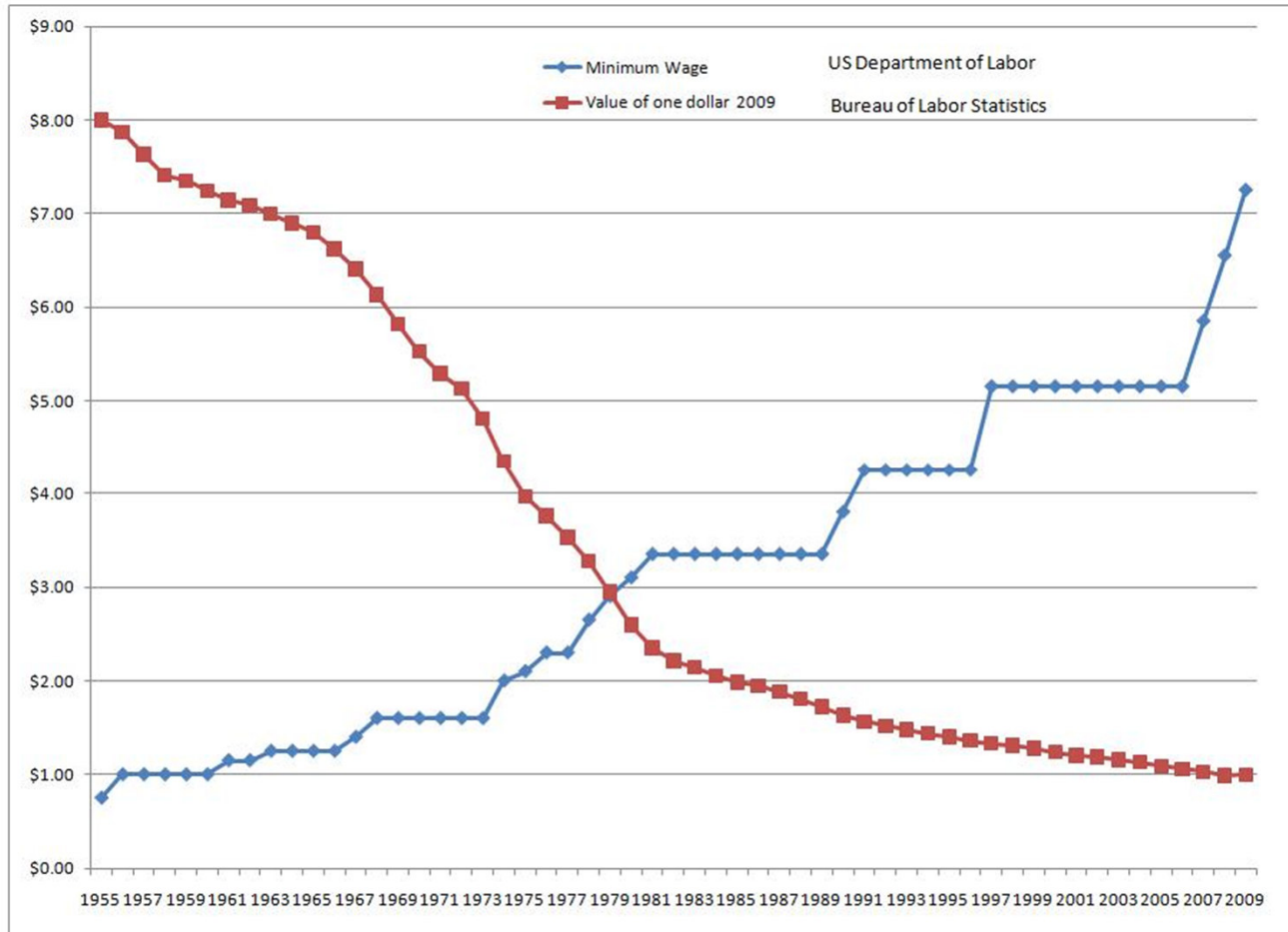
Source: Piketty and Saez (2003), series updated to 2007.
Income is defined as market income including capital gains.
In 2007, top decile includes all families with annual income above \$109,630.

Income

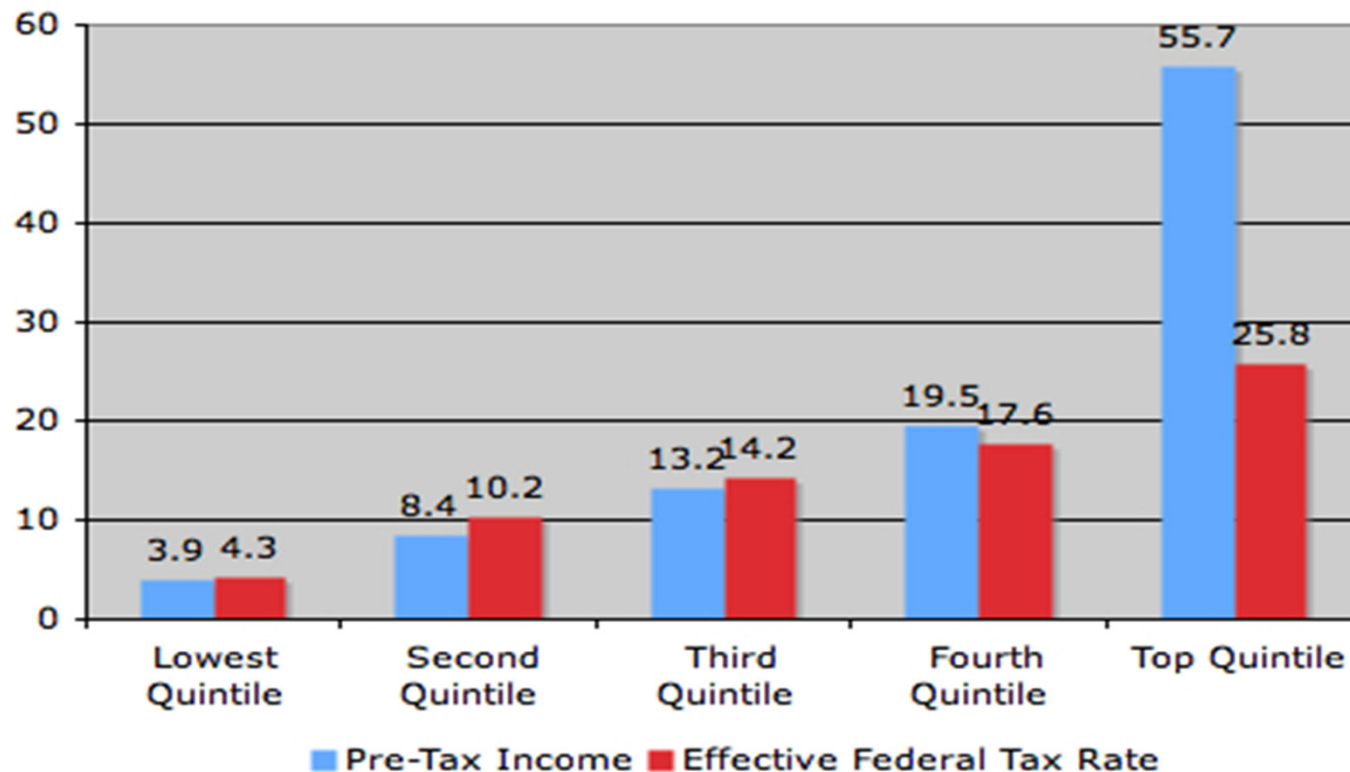


Since 1955 in Constant \$'s, Minimum Wage is Down

Income

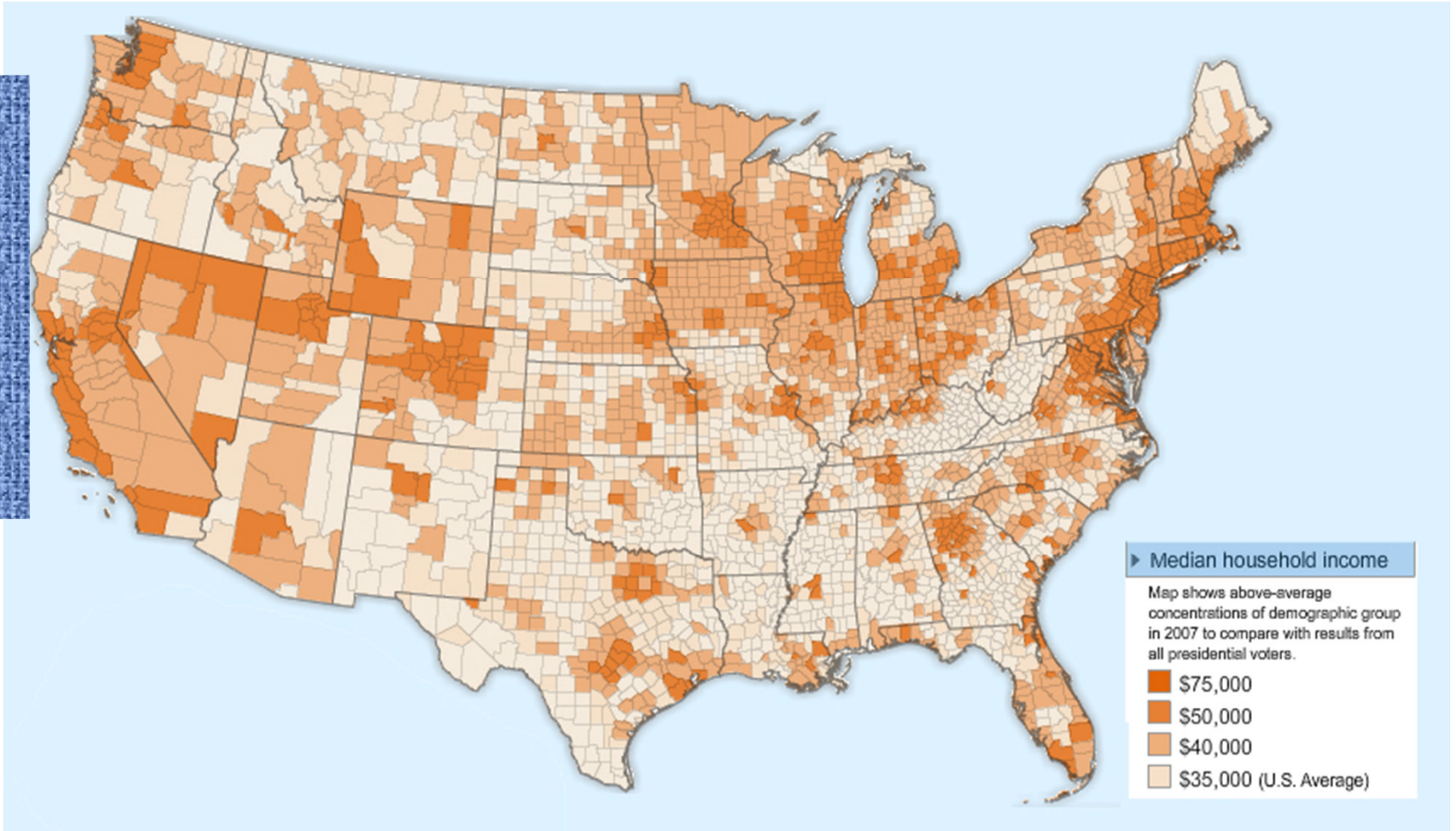


Income

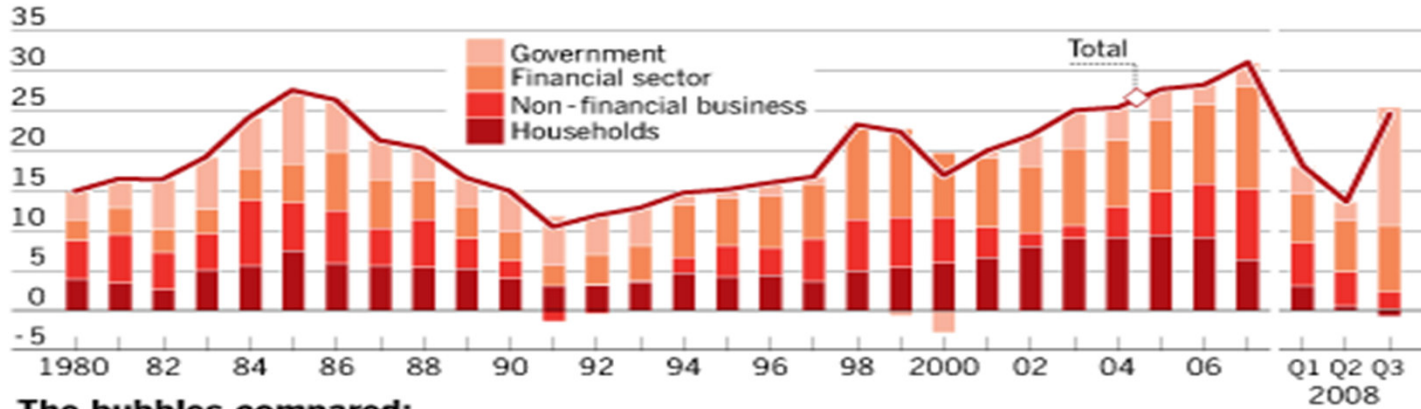


When you look at percentage of total tax liabilities, the rich bear a heavier burden. *But it's because they have so much more money.* **They do not bearing a heavier burden as a percentage of their incomes.** They're bearing it in relation to *everyone else's* incomes. Indeed, it's only because the sheer levels of income inequality in this country. People hear that the top 20 percent pay almost 70 percent of the country's income taxes and nod their head. That's unfair! But it mainly seems unfair because **people don't know the top 20 percent accounts for almost 60 percent of the national income.**

Income



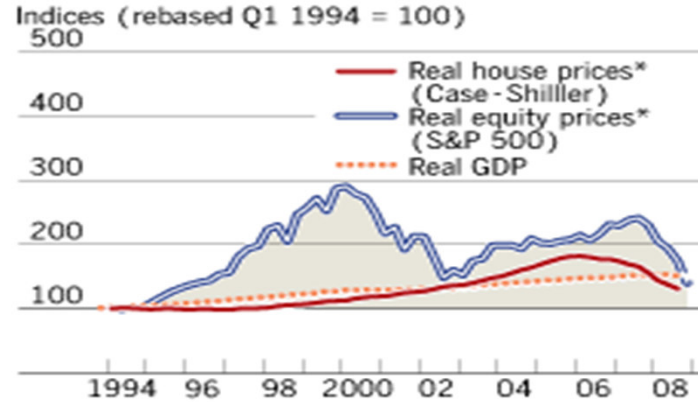
US domestic borrowing As a % of GDP



The bubbles compared: Japan in the 80s...



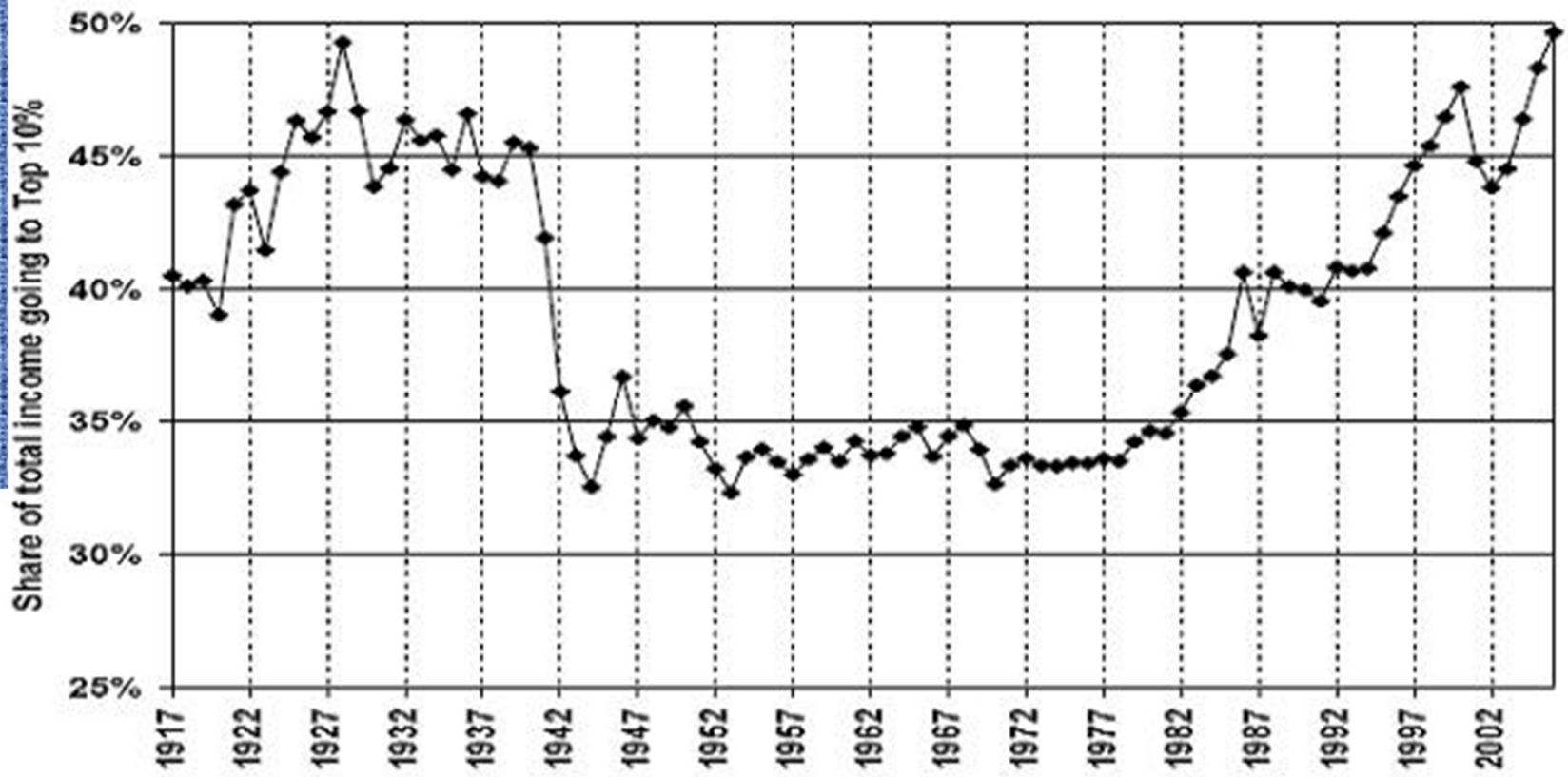
...and the US since the 90s



Sources: Federal Reserve; Thomson Datastream

* Deflated by CPI

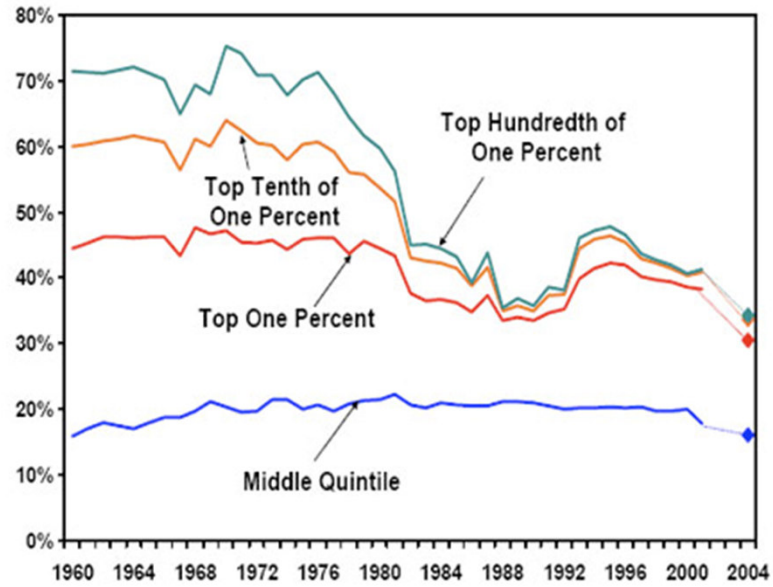
Income



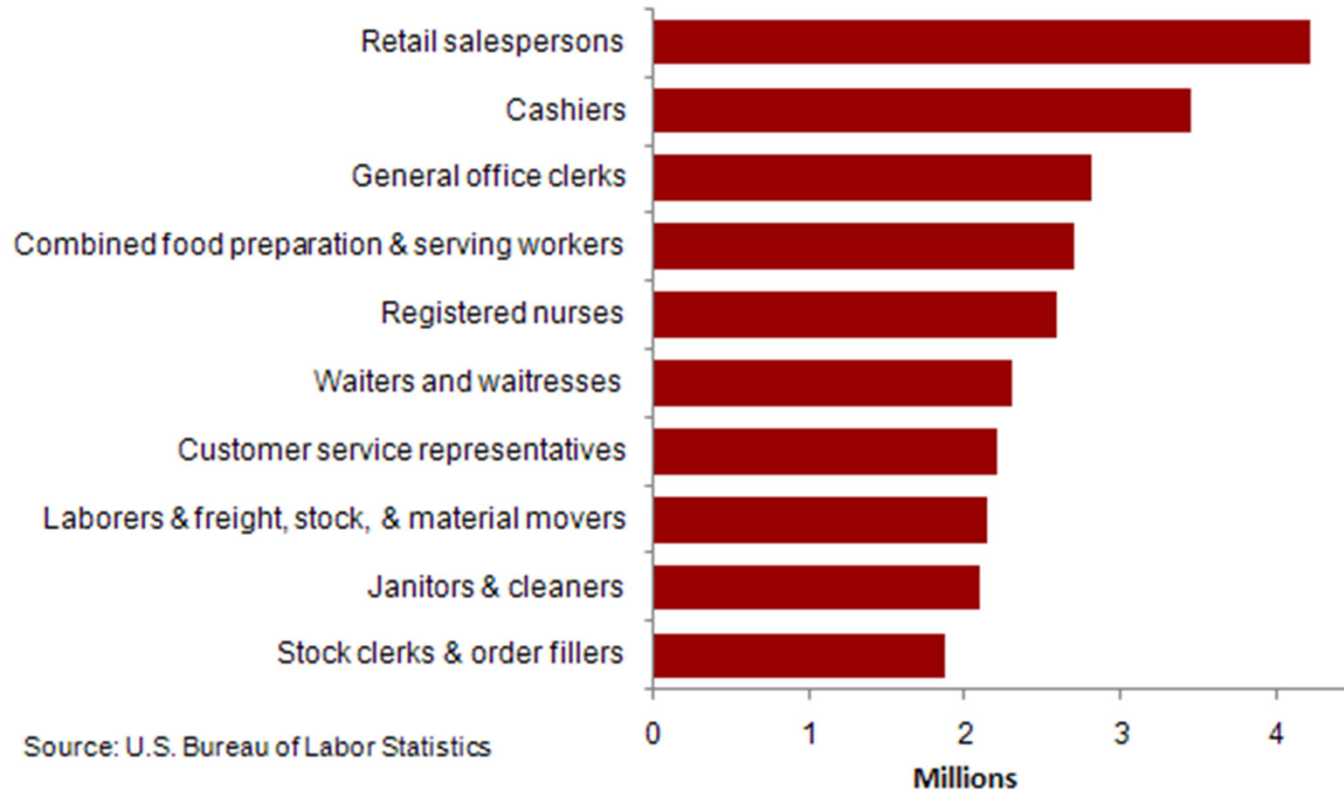
Income

Highest-Income Households Have Seen Sharp Drops in Tax Rates

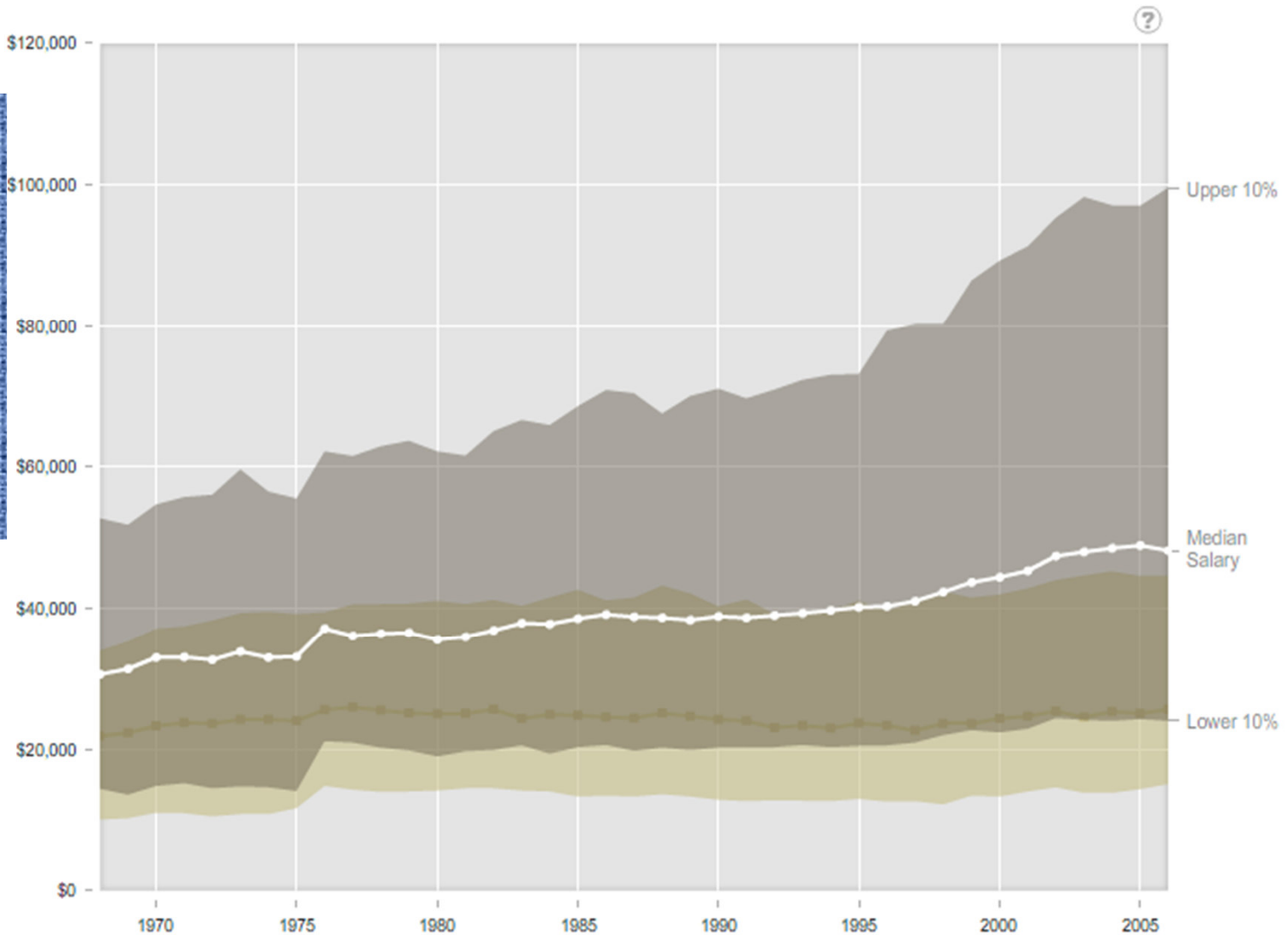
Effective Federal Tax Rates, 1960-2001, and Projected Tax Rates for 2004*



Employment in 10 largest occupations, May 2009

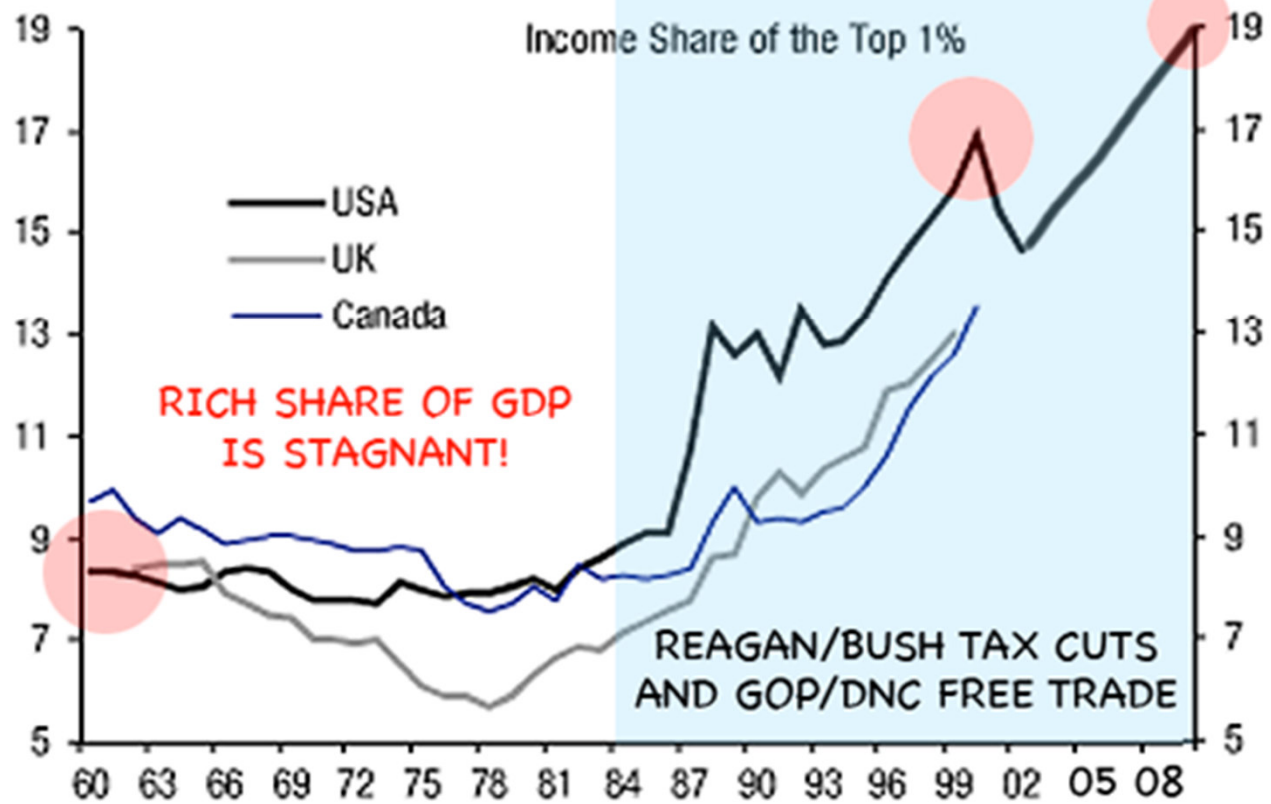


Income



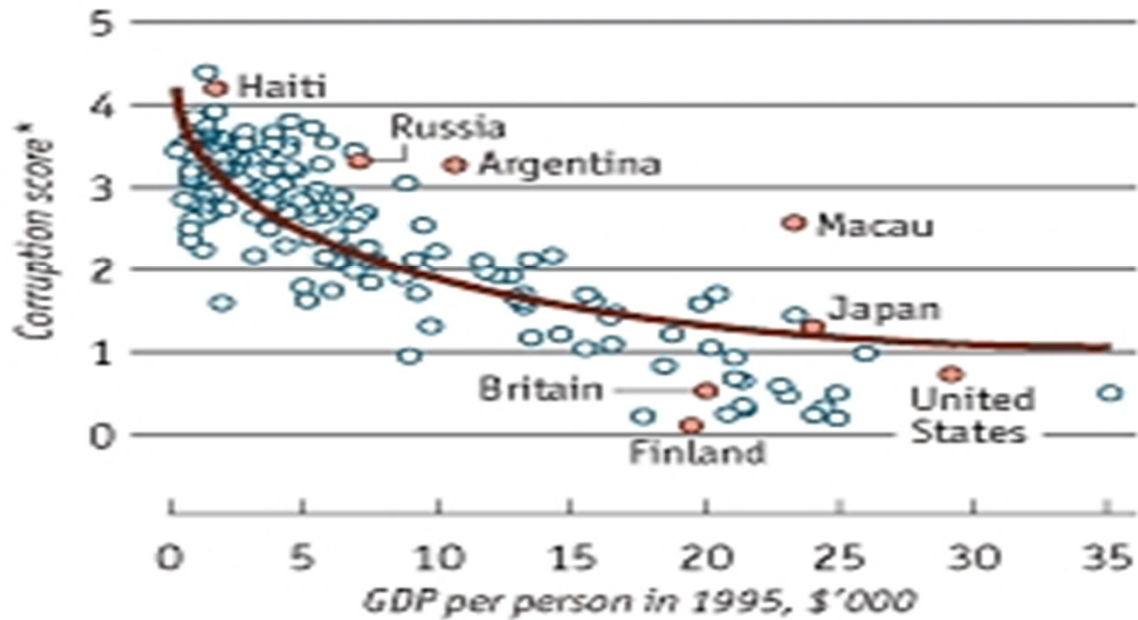
Income

Figure 4. Plutonomy At Work: The Income Share of the Top 1% Has in the U.S., the U.K., and Canada



The virtue of being rich

Corruption versus income
Logarithmic regression line



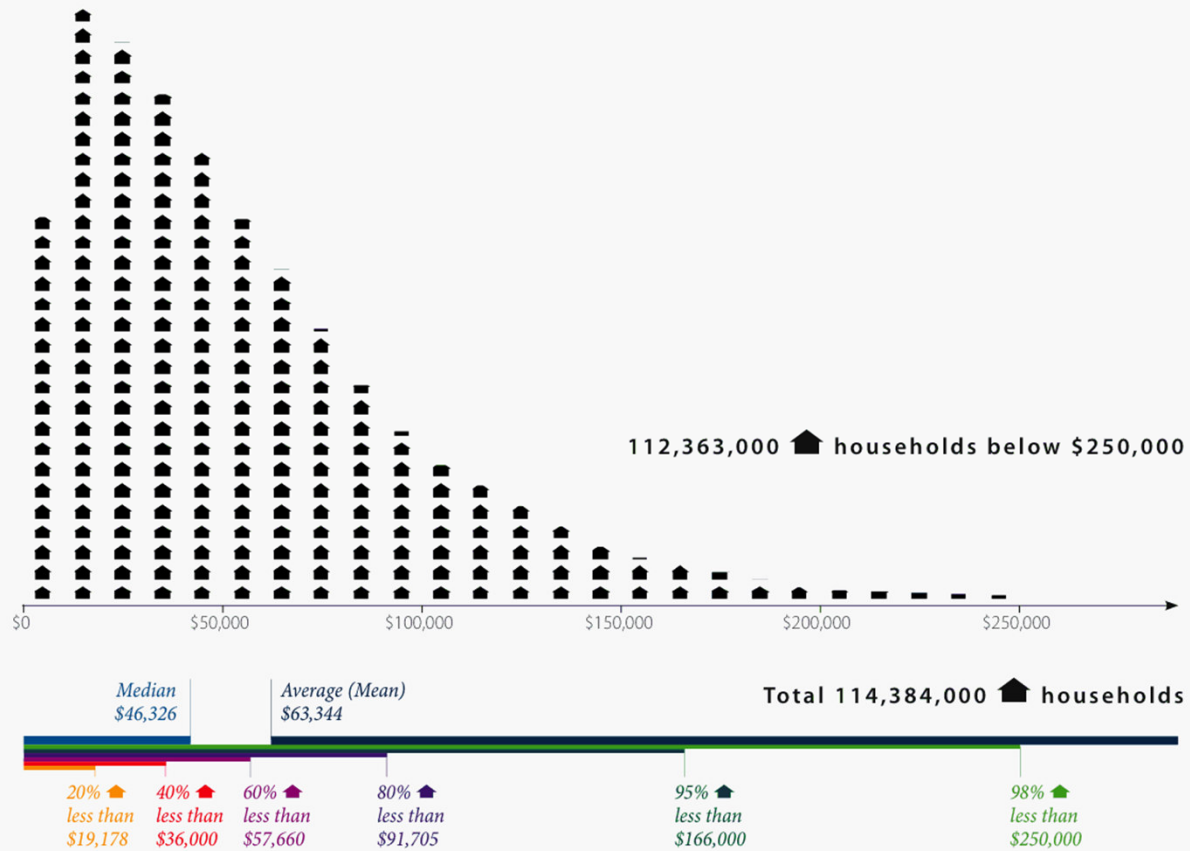
Sources: Jakob Svensson,
Institute for International
Economic Studies; World Bank

*Control-of-corruption
index for 2002 (a higher score
indicates more corruption)

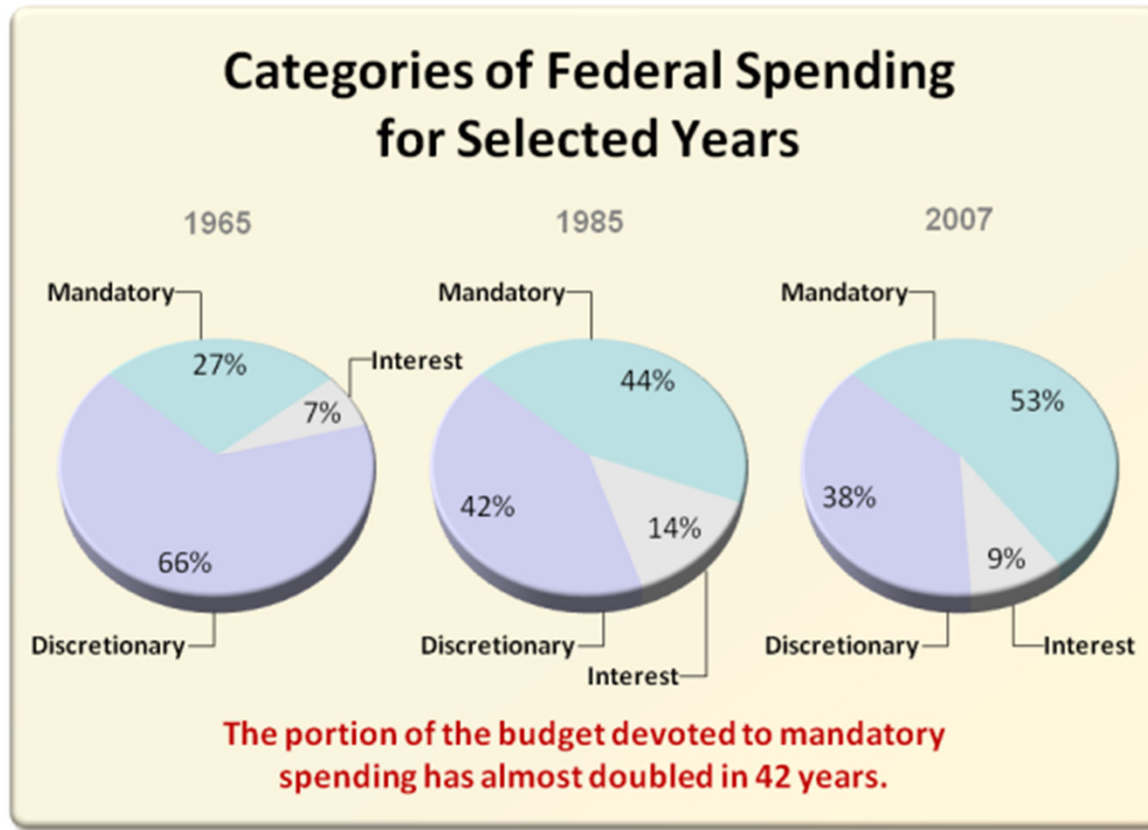
Income

2005 United States Income Distribution (Bottom 98%)

Each 🏠 equals 500,000 households



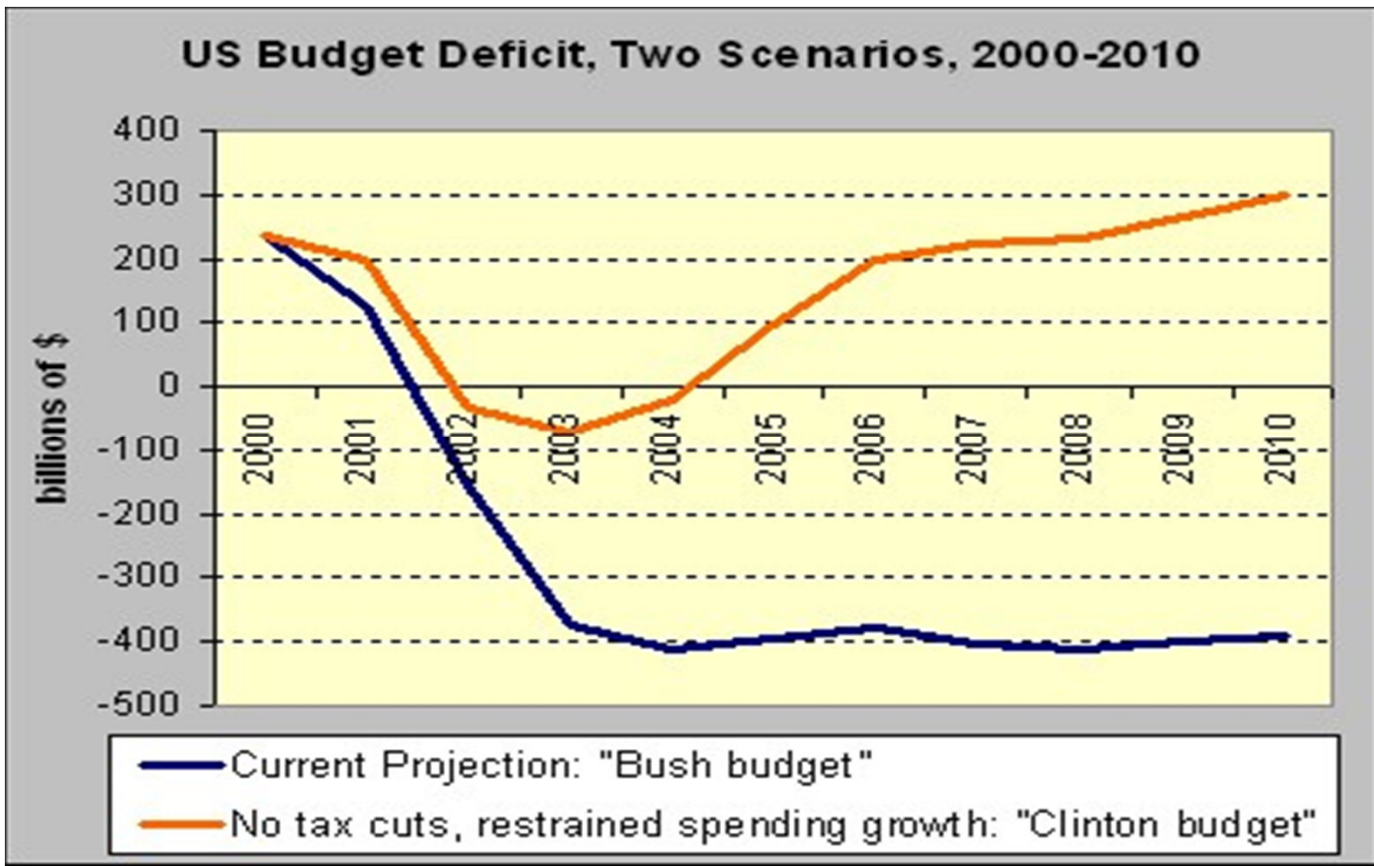
Deficits



Source: Congressional Budget Office
August 2007

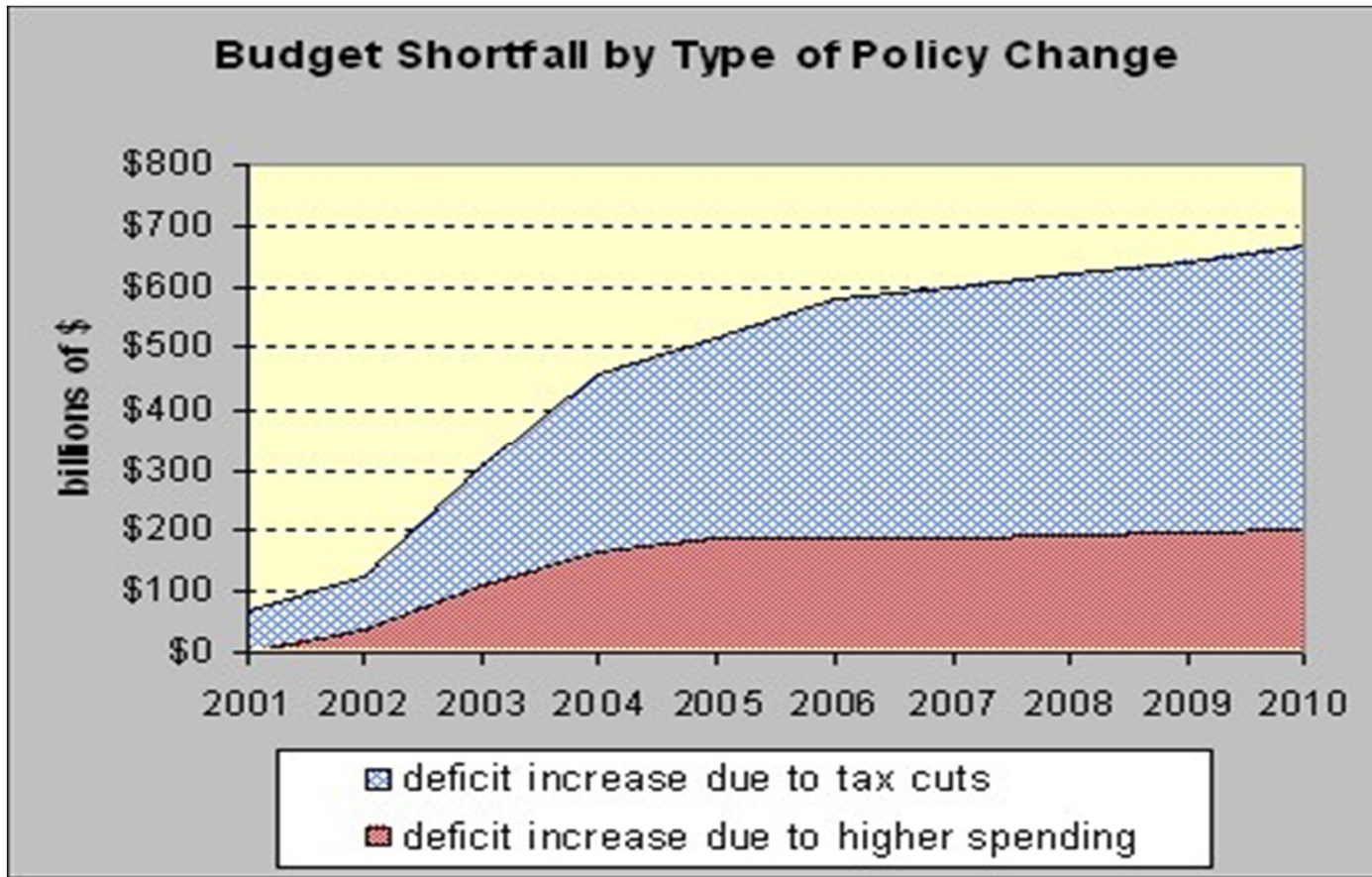
Budgets Projected Out

Deficits



Tax Cuts vs Spending

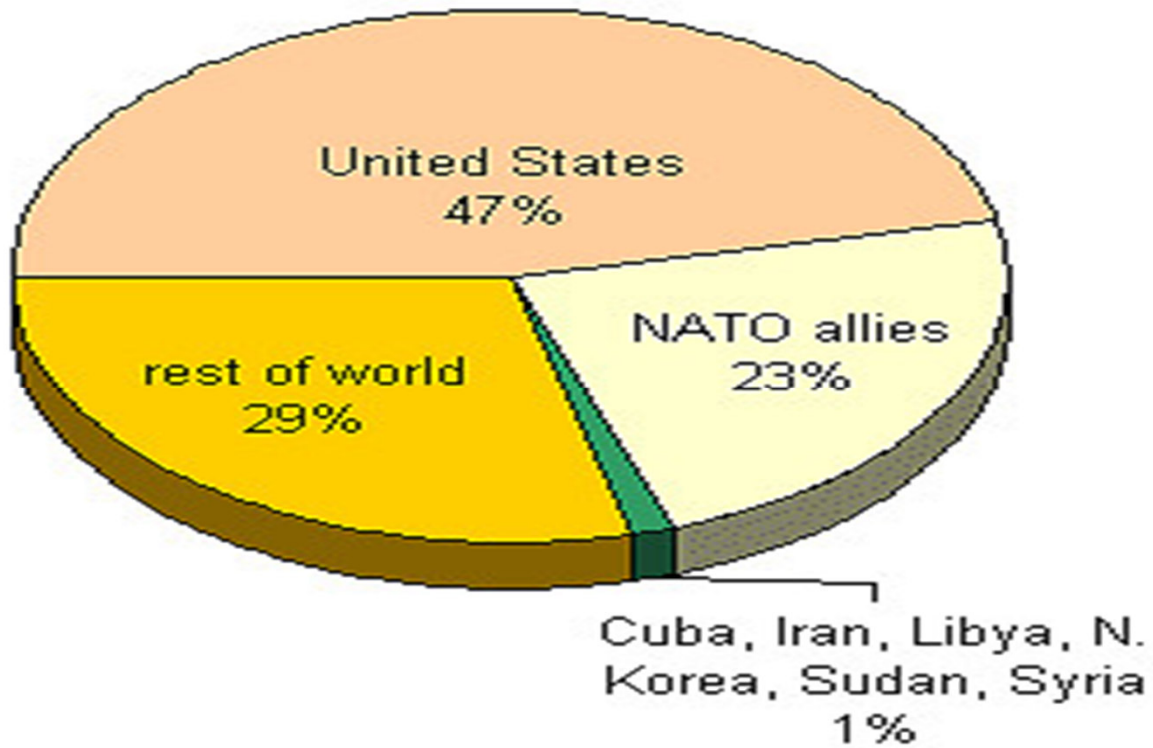
Deficits



The Cost of Empire

Deficits

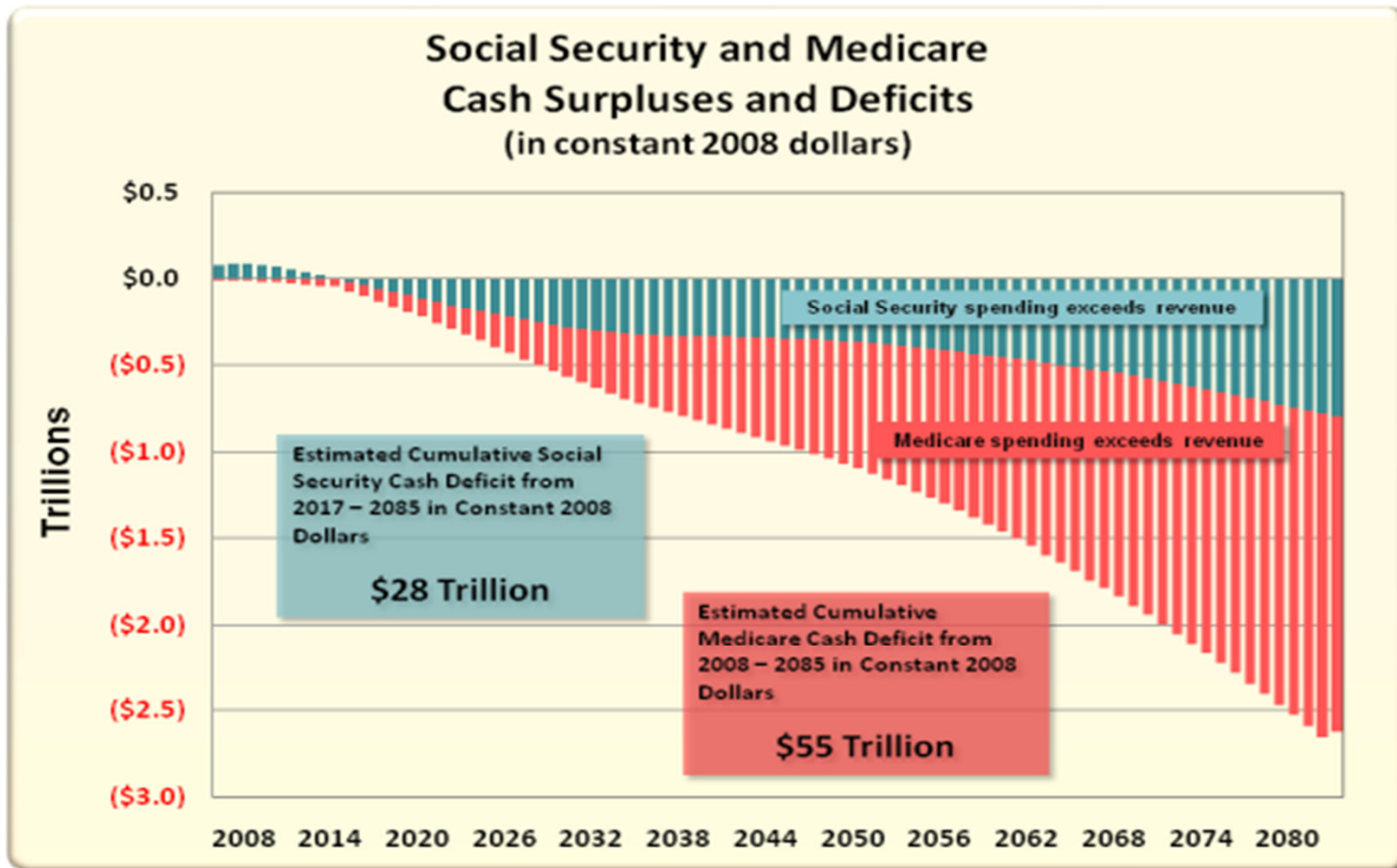
World Military Spending, 2004



© 2005 National Priorities Project, Inc.

Where US Government Costs Are

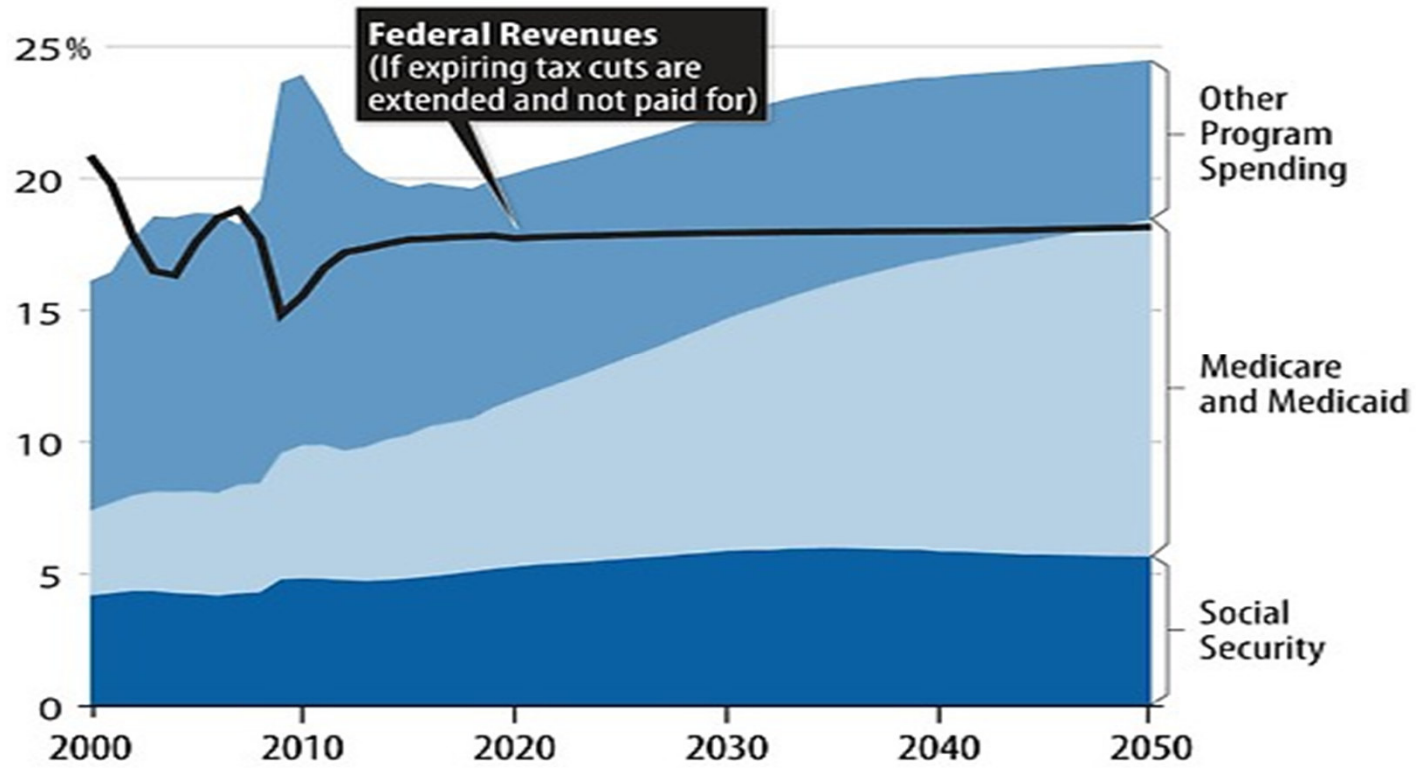
Deficits



Source: Government Accountability Office analysis of data from the Office of the Chief Actuary, Social Security Administration and Office of the Actuary, Centers for Medicare and Medicaid Services.*

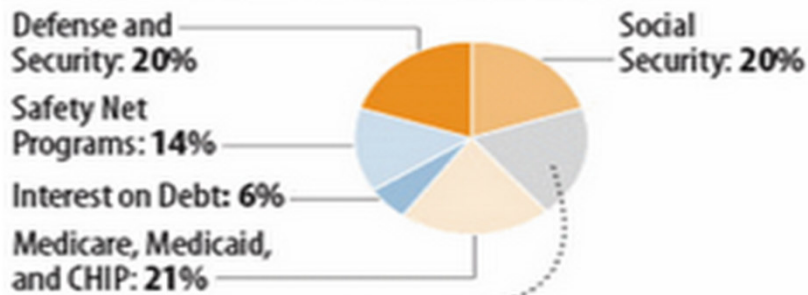
Deficits

Program Spending and Revenues as a Share of GDP

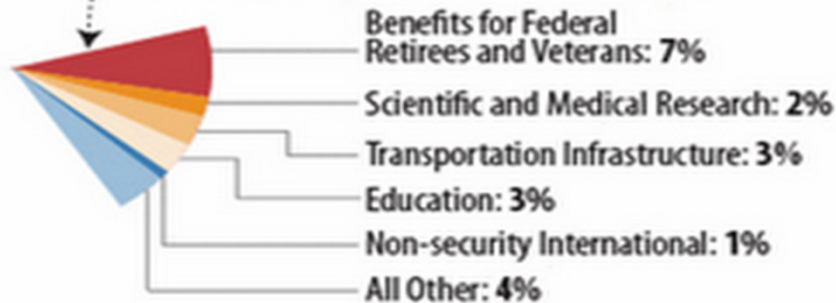


Deficits

Federal Spending Fiscal Year 2010



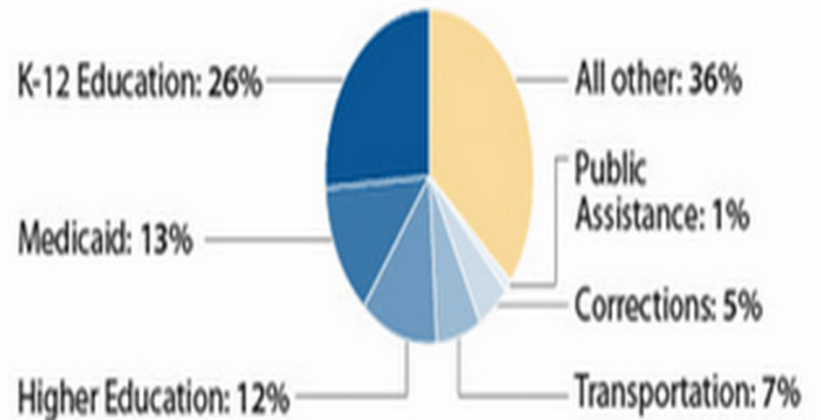
Program Areas in the Remaining Fifth of the Budget



Source: Congressional Budget Office, 2010.
Note: Percentages may not total 100 due to rounding.

cbpp.org

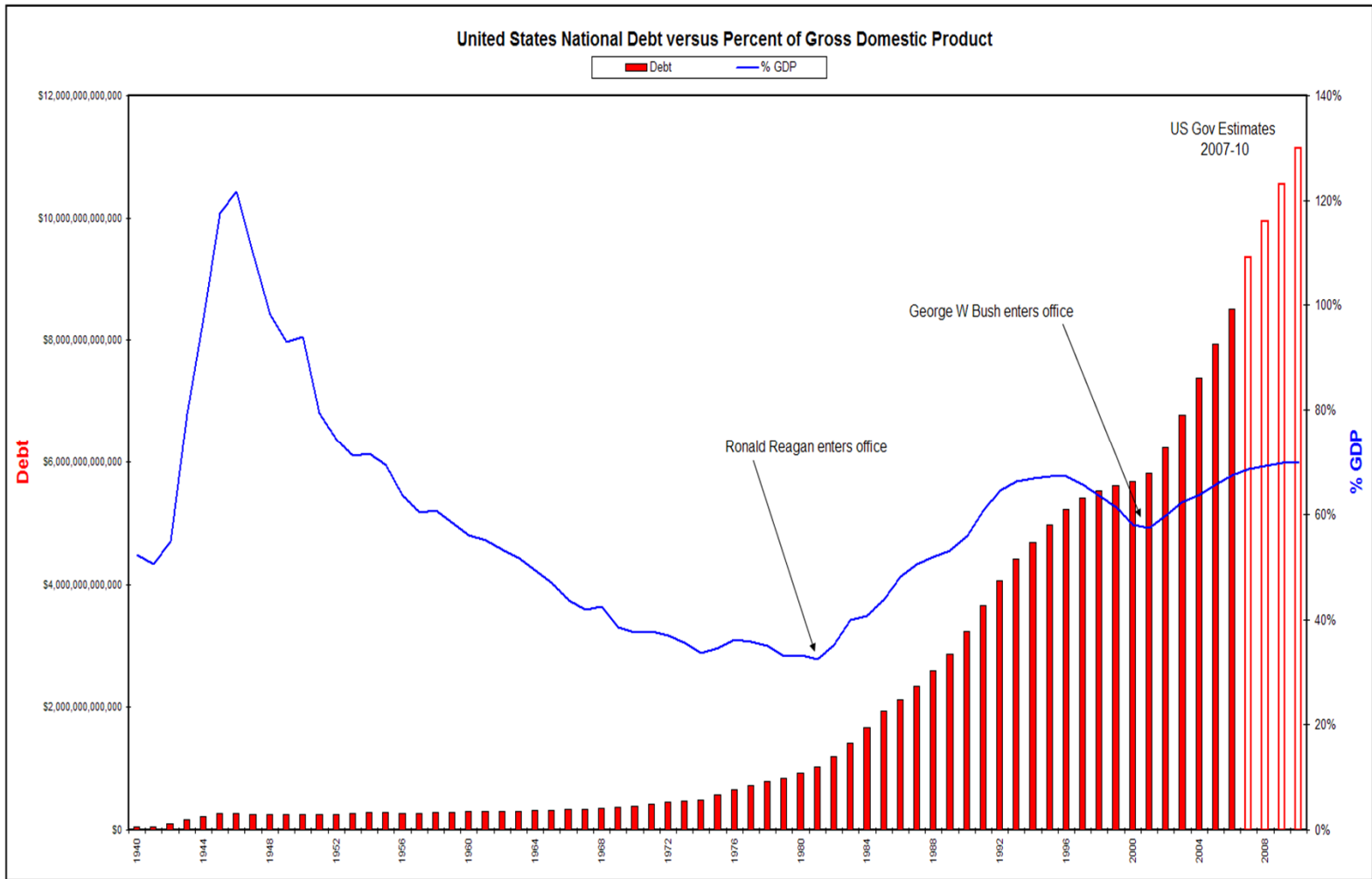
State Spending Fiscal Year 2008



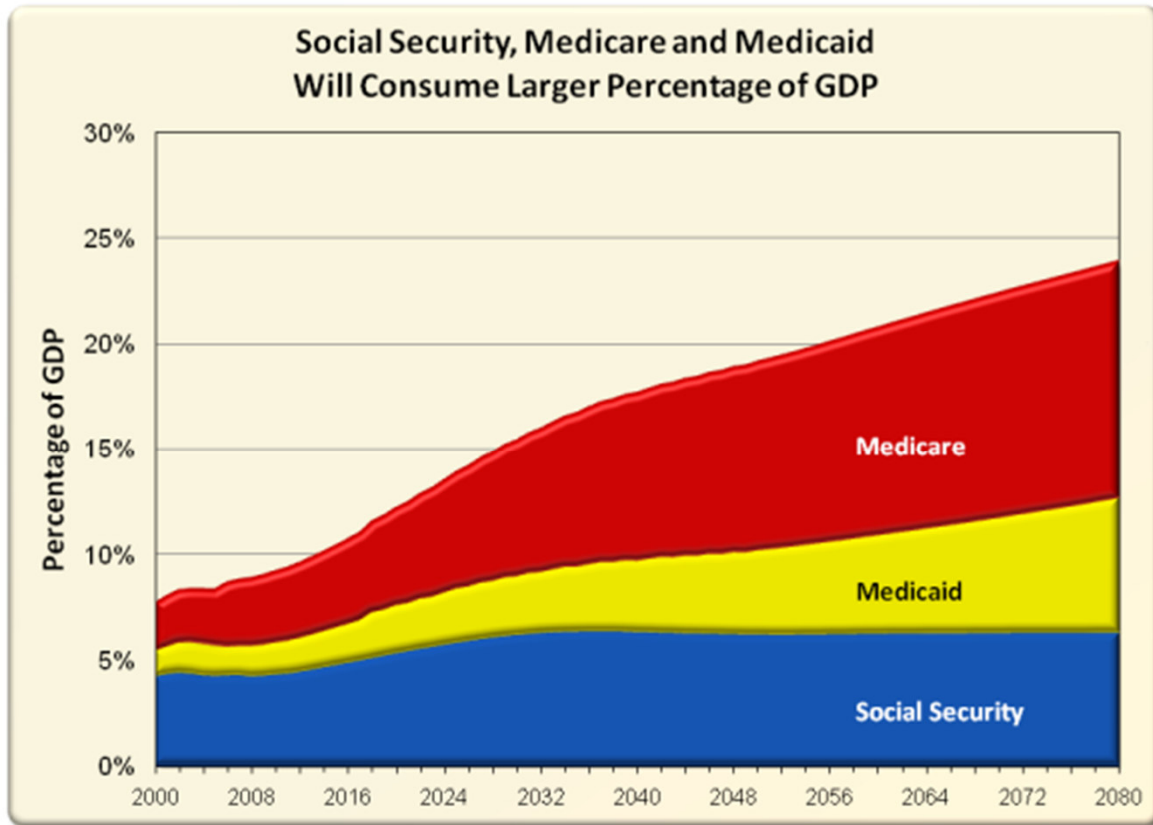
Note: "All Other" includes care for residents with disabilities, pensions, and health benefits for public employees, economic development, environmental projects, state police, parks and recreation, and general aid to local governments. Totals may not sum due to rounding.

Source: NASBO State Expenditure Report FY 2008, December 2009.

Deficits

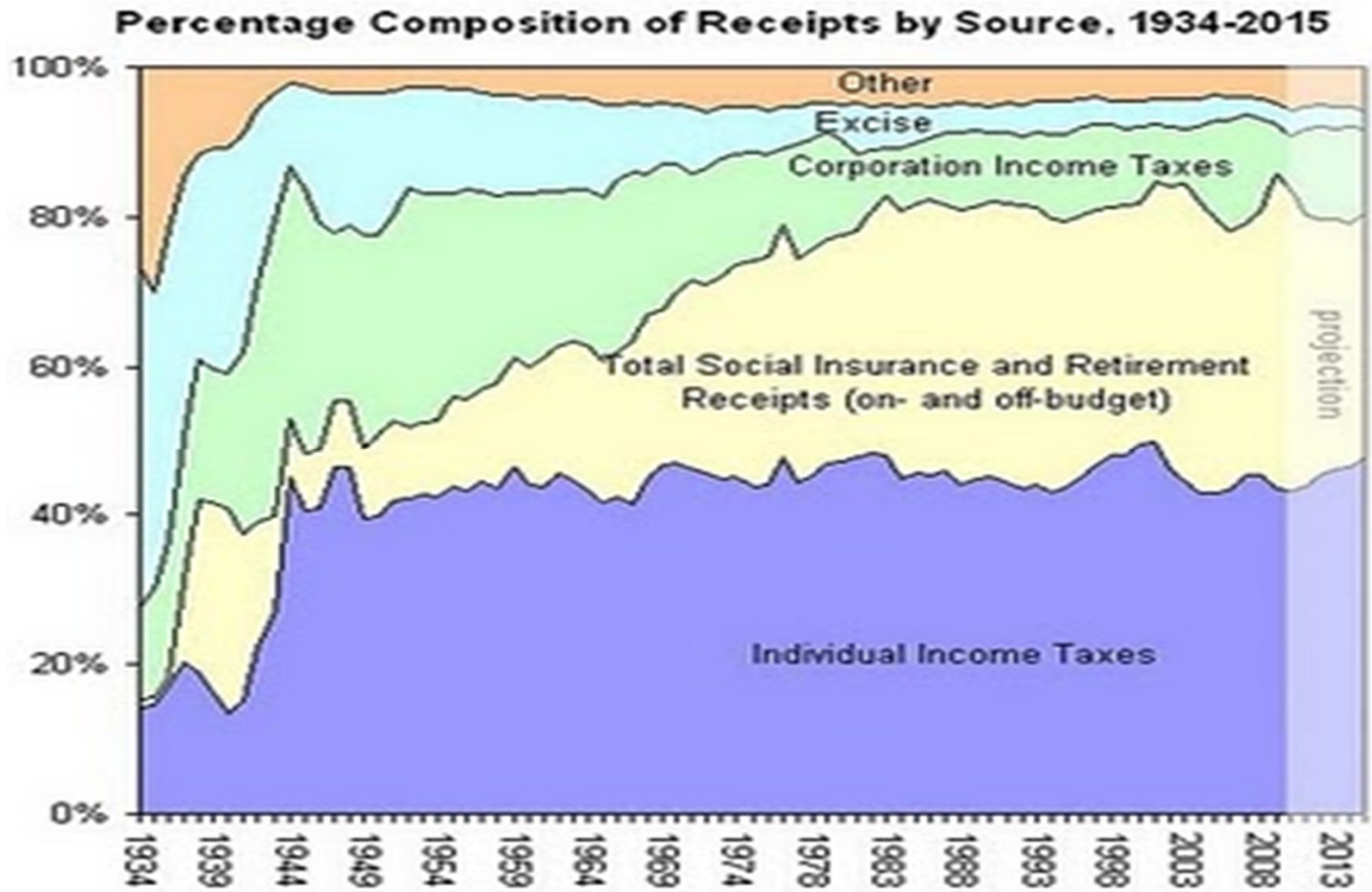


Deficits

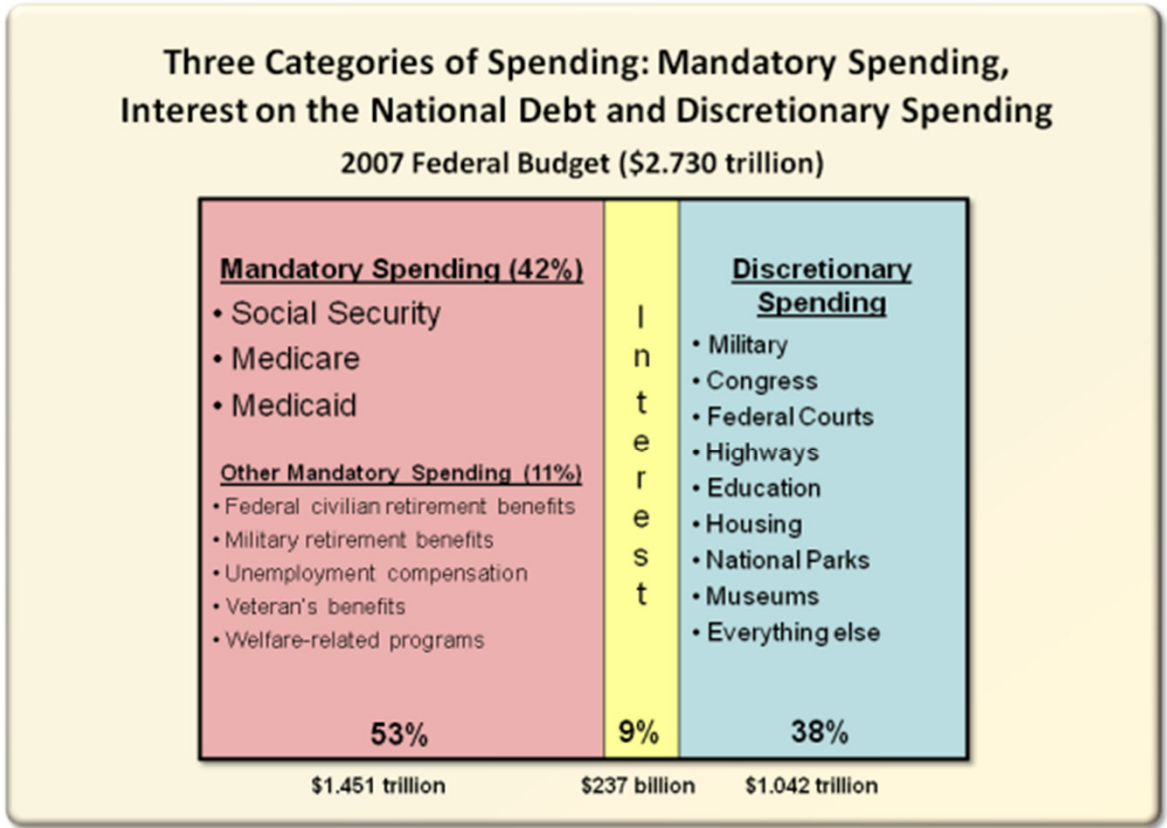


Source: Government Accountability Office
U.S. Financial Condition and Fiscal Future Briefing, January 2008

Deficits

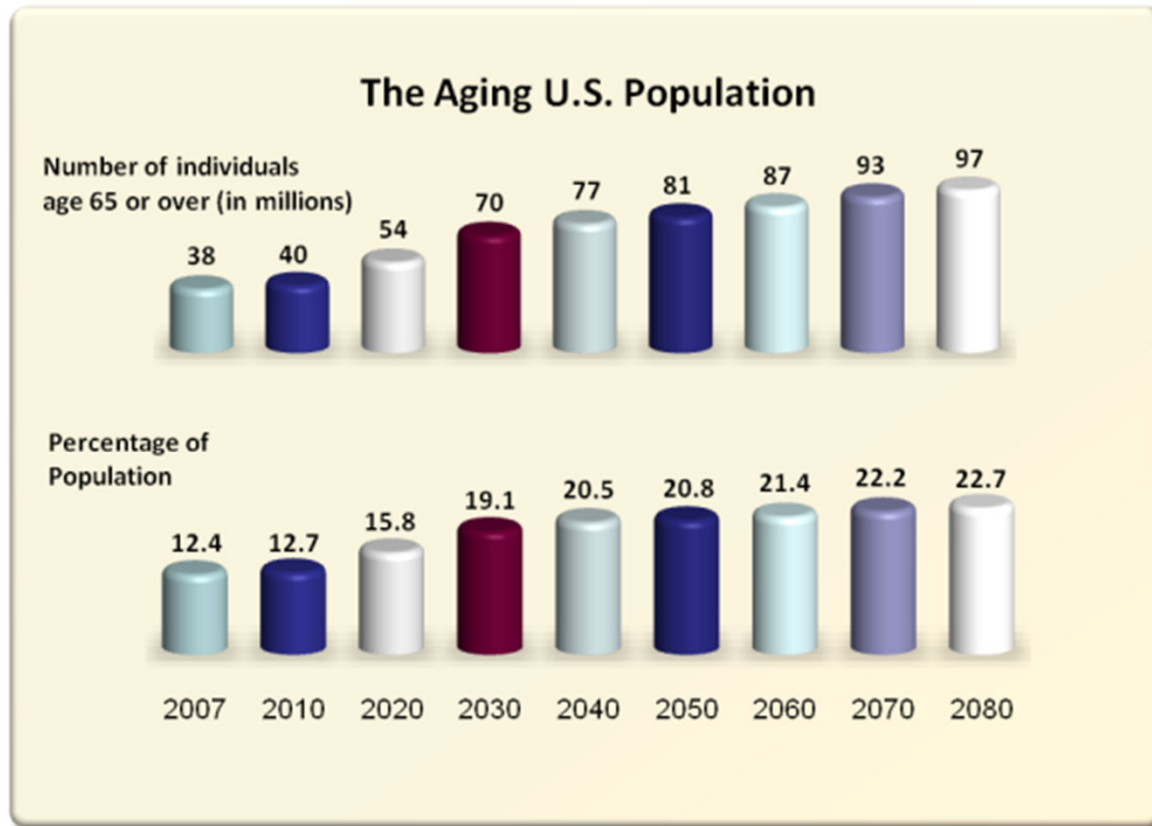


Deficits



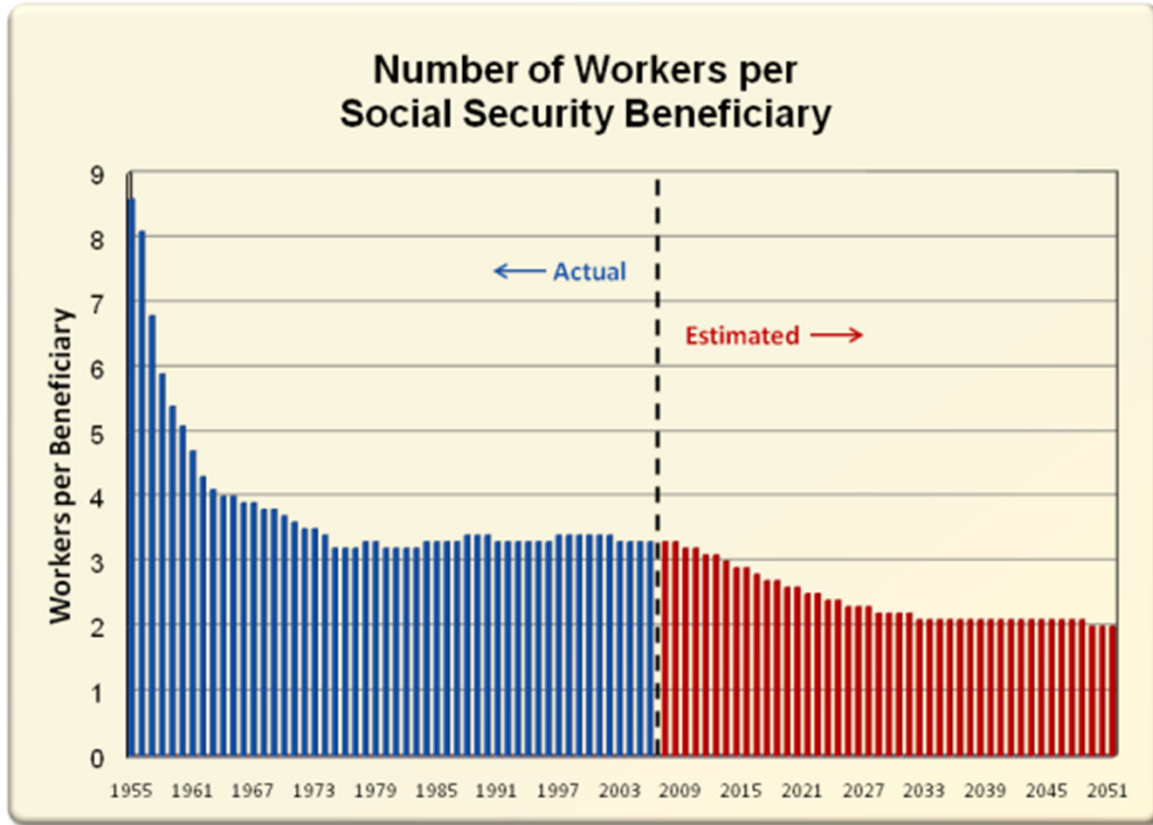
Source: Office of Management and Budget
 The Budget for Fiscal Year 2009, Historical Tables, Table 8-5

Deficits



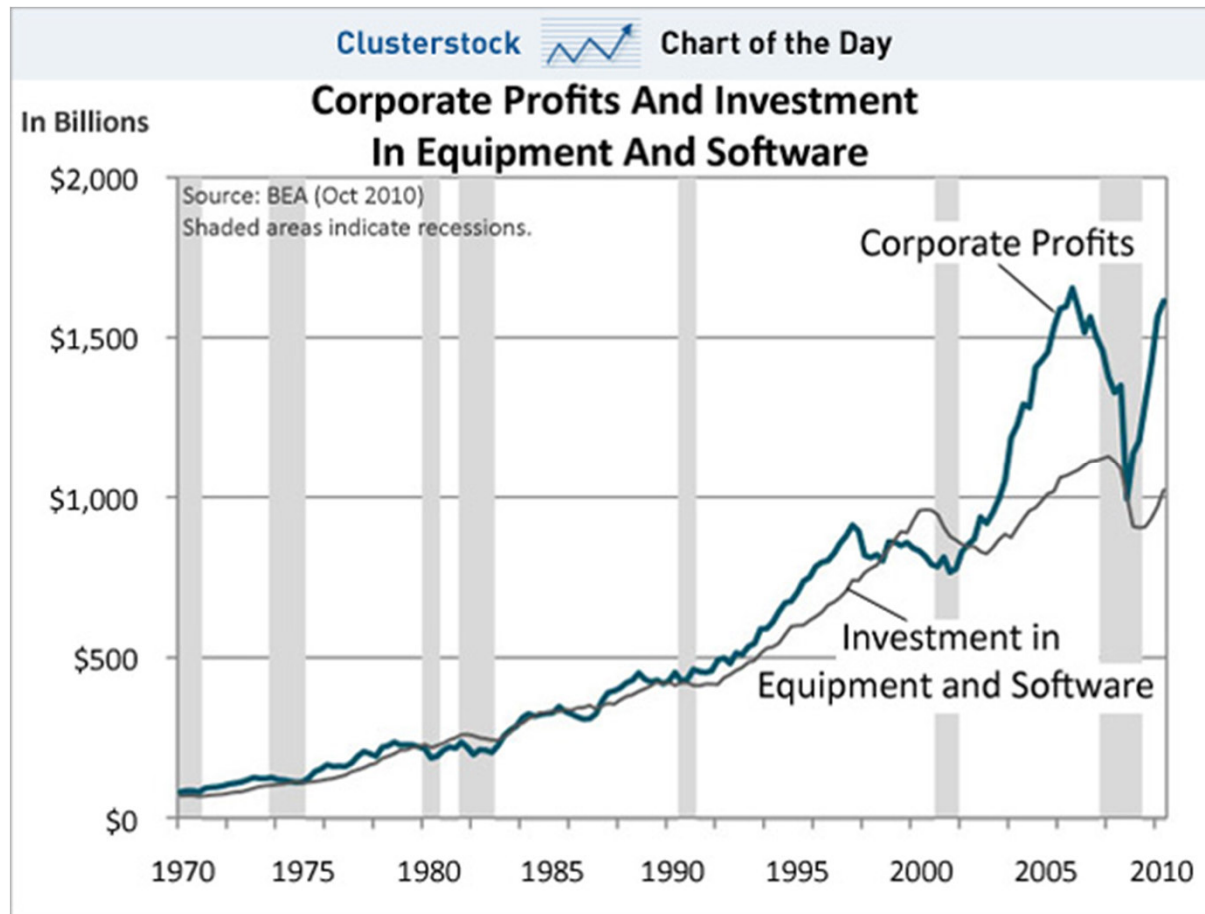
Source: U.S. Social Security Administration
2007 OASDI Trustees Report (April 2007), Table V.A.2

Deficits

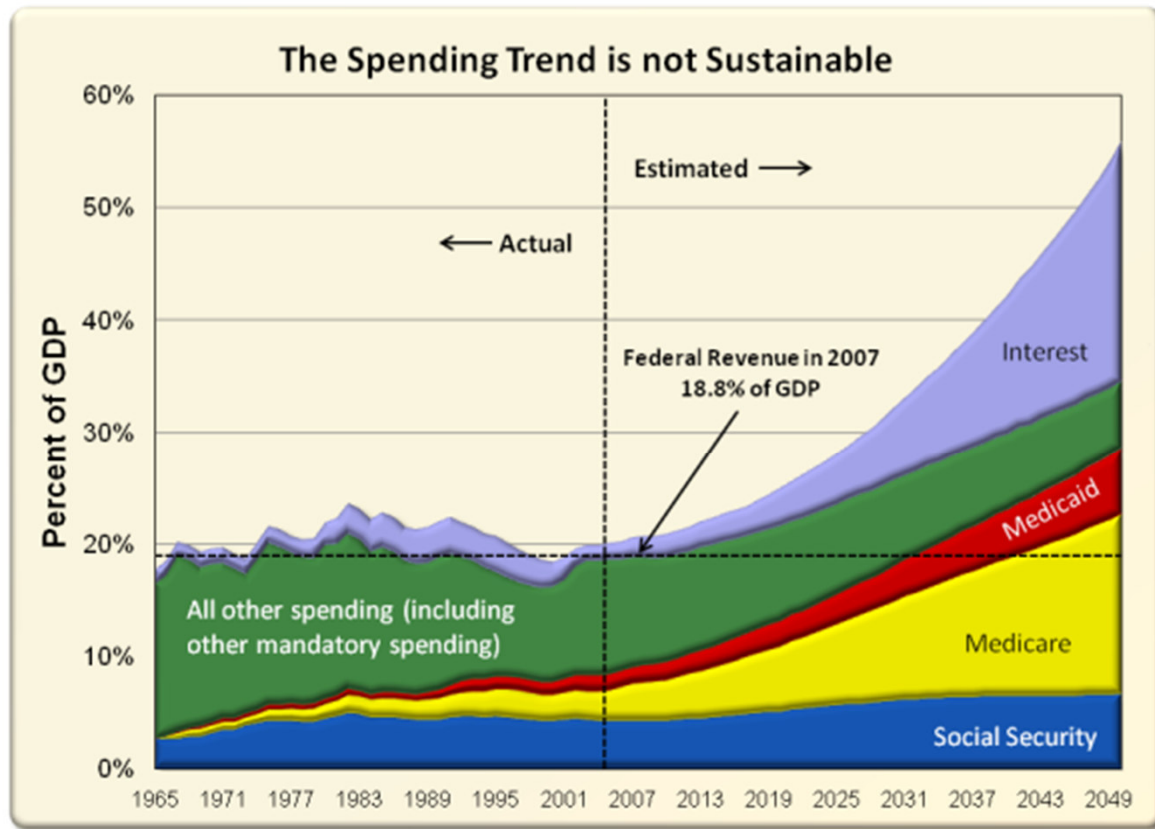


Source: Social Security Administration, 2007 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds, Table IV.B2

Deficits

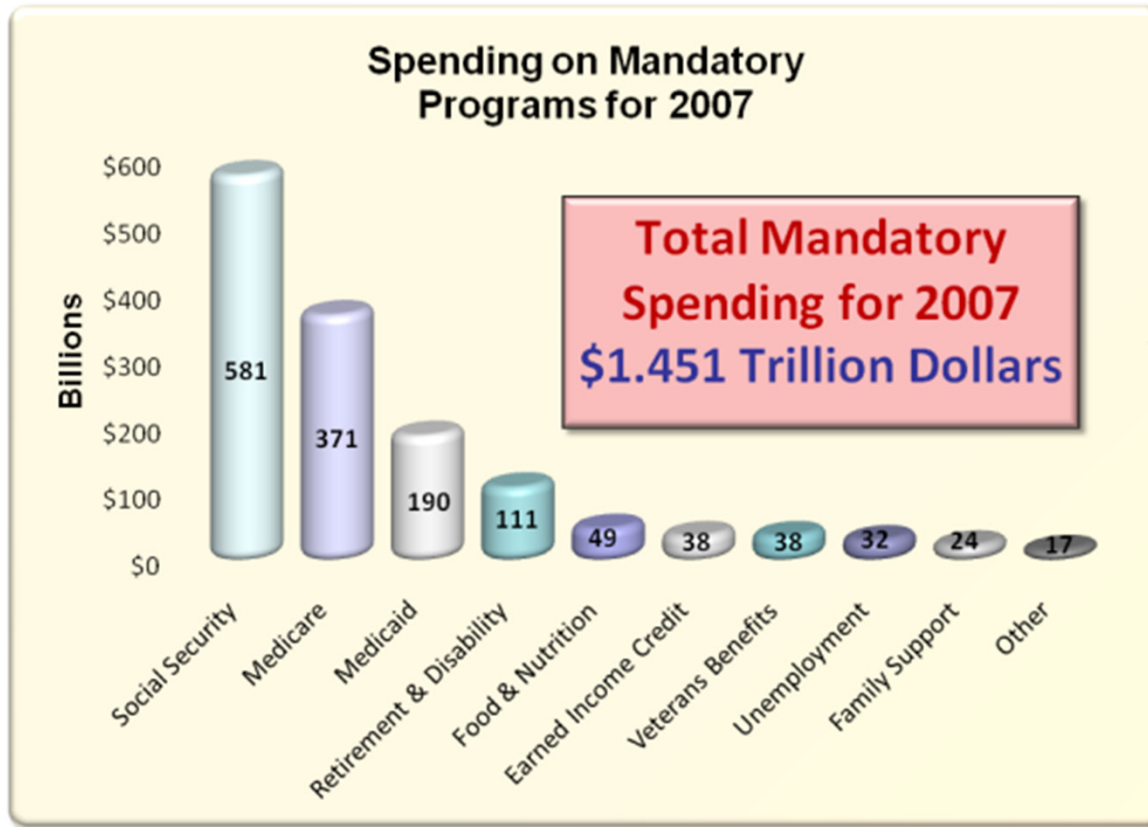


Deficits



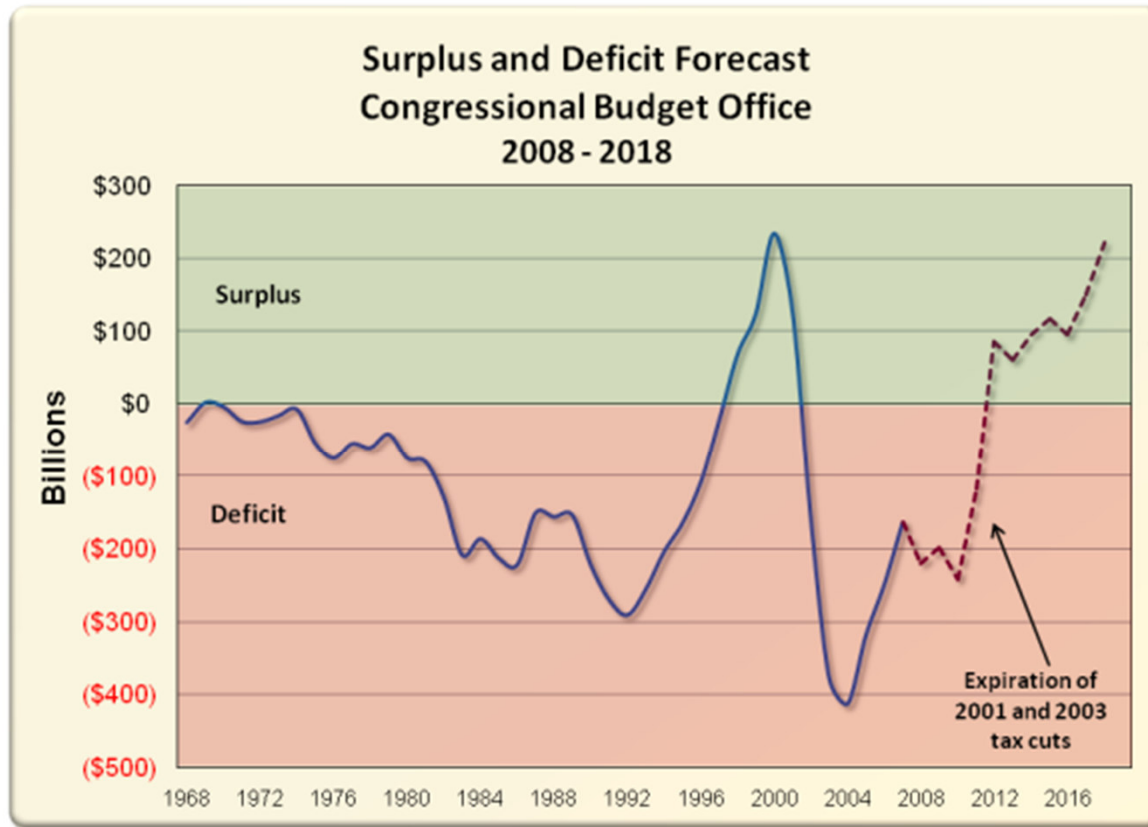
Source: Congressional Budget Office
December 2005, High spending outlook

Deficits



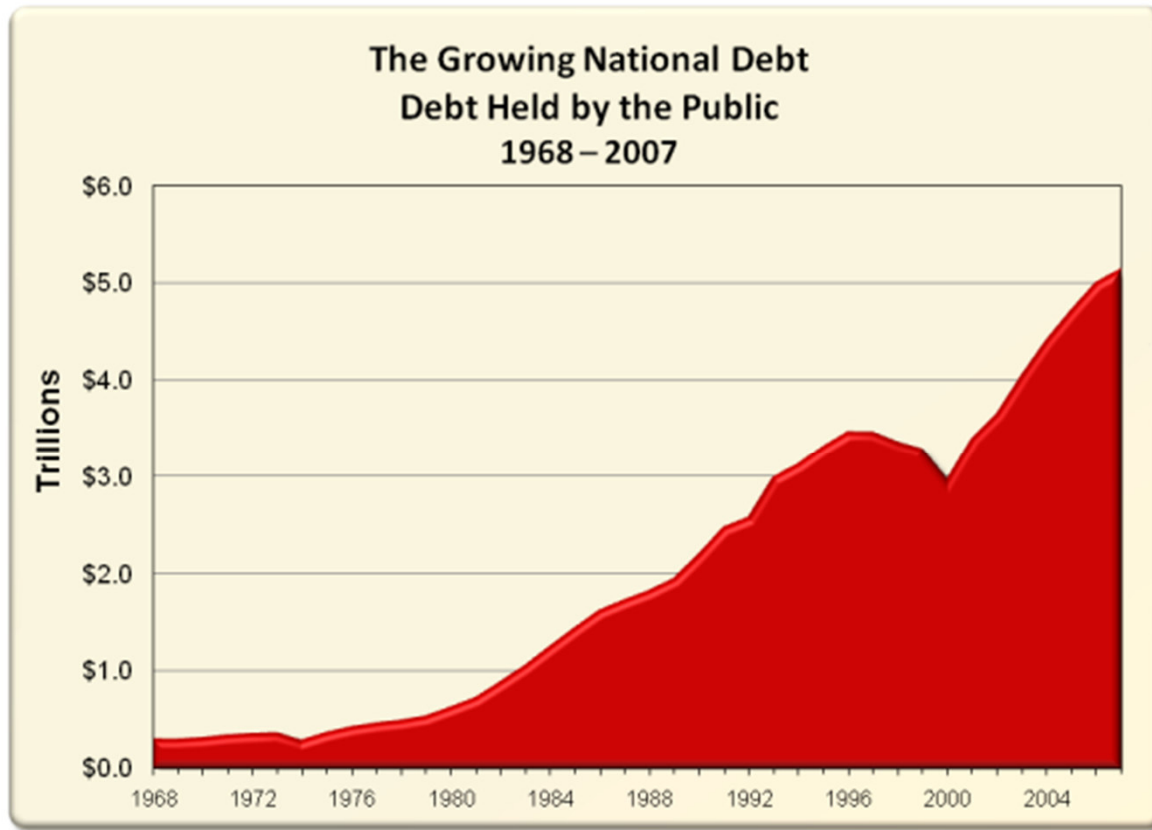
Source: Office of Management and Budget
The Budget for Fiscal Year 2009, Historical Tables, Table 8-5

Deficits



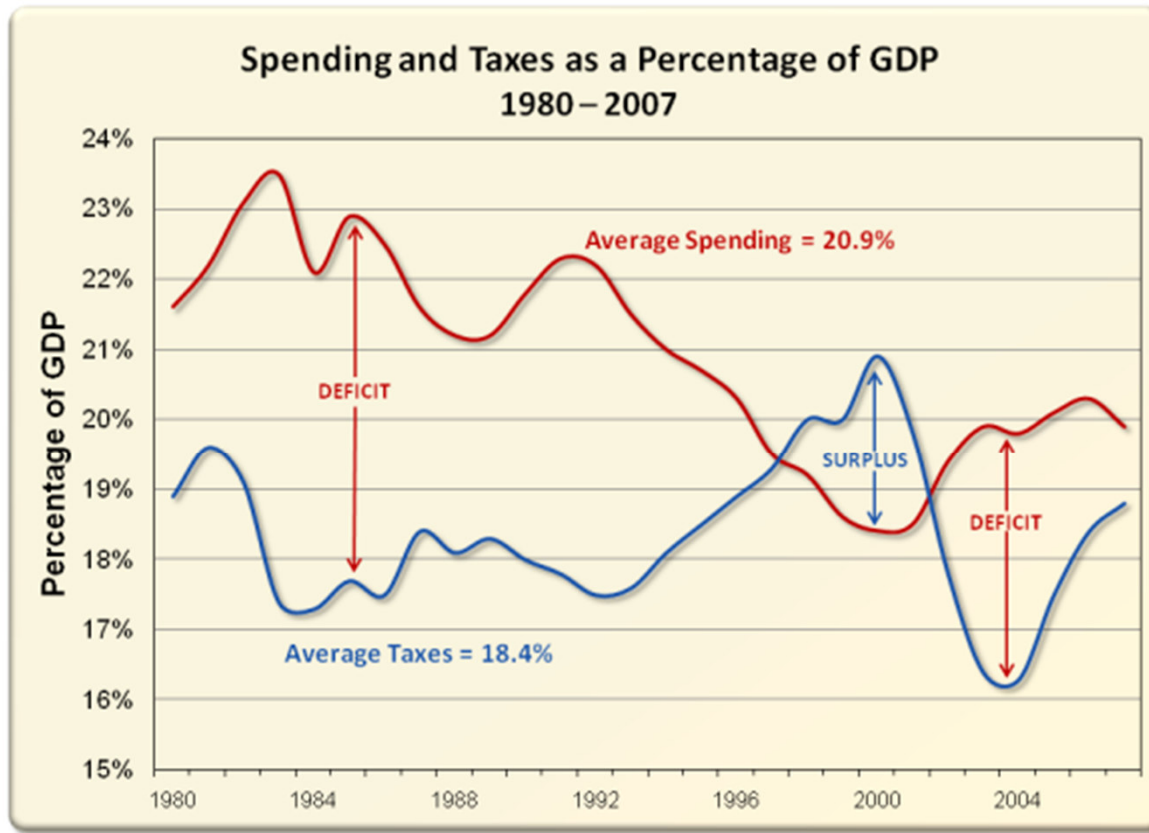
Source: Source: Congressional Budget Office
The Budget and Economic Outlook, January 2008, Table 1-3

Deficits



Source: U.S. Department of the Treasury
TreasuryDirect. www.treasurydirect.gov

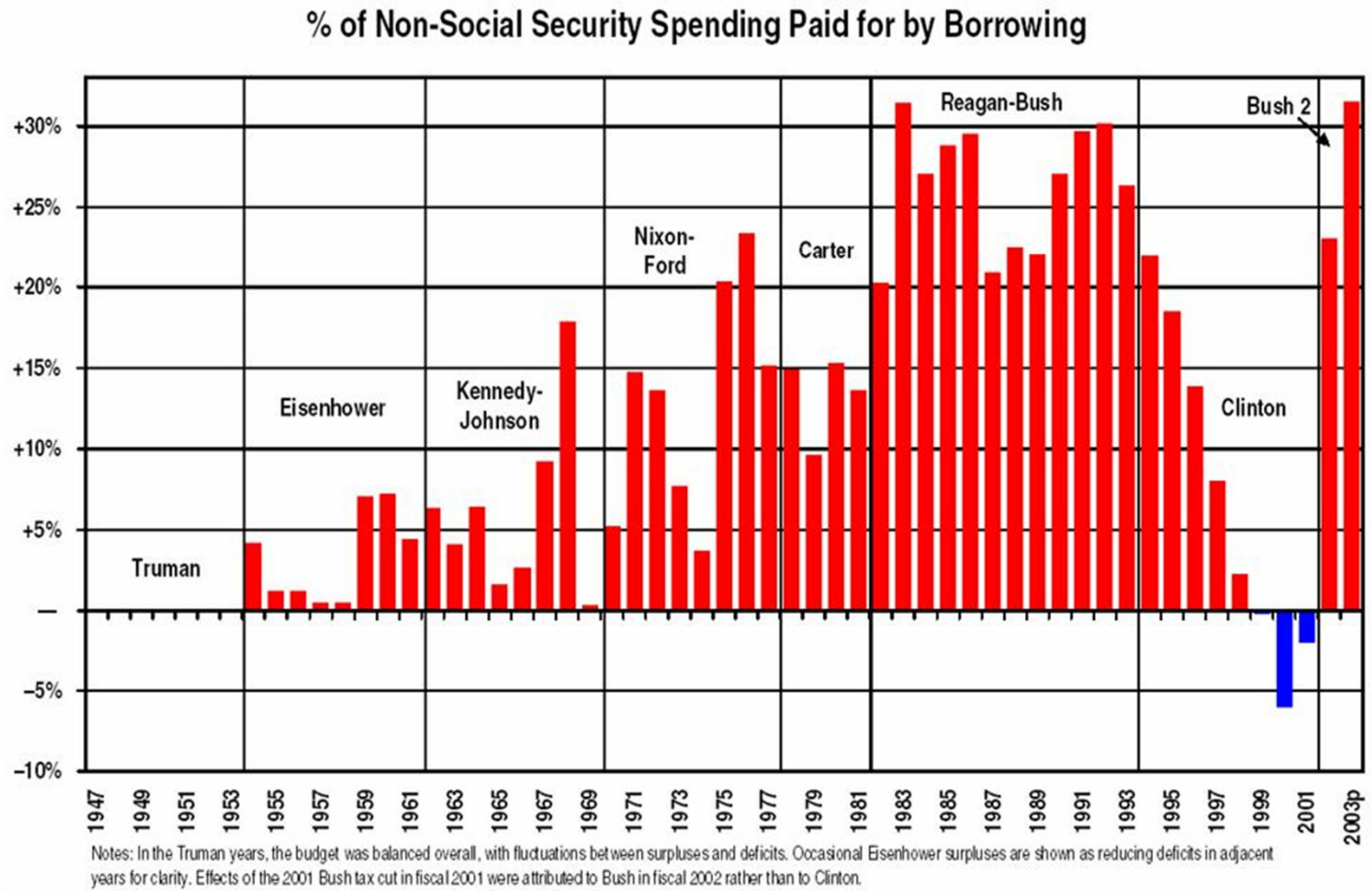
Deficits



Source: Congressional Budget Office
The Budget and Economic Outlook, January 2008, Table F-2

Borrowing for Discretionary Spending

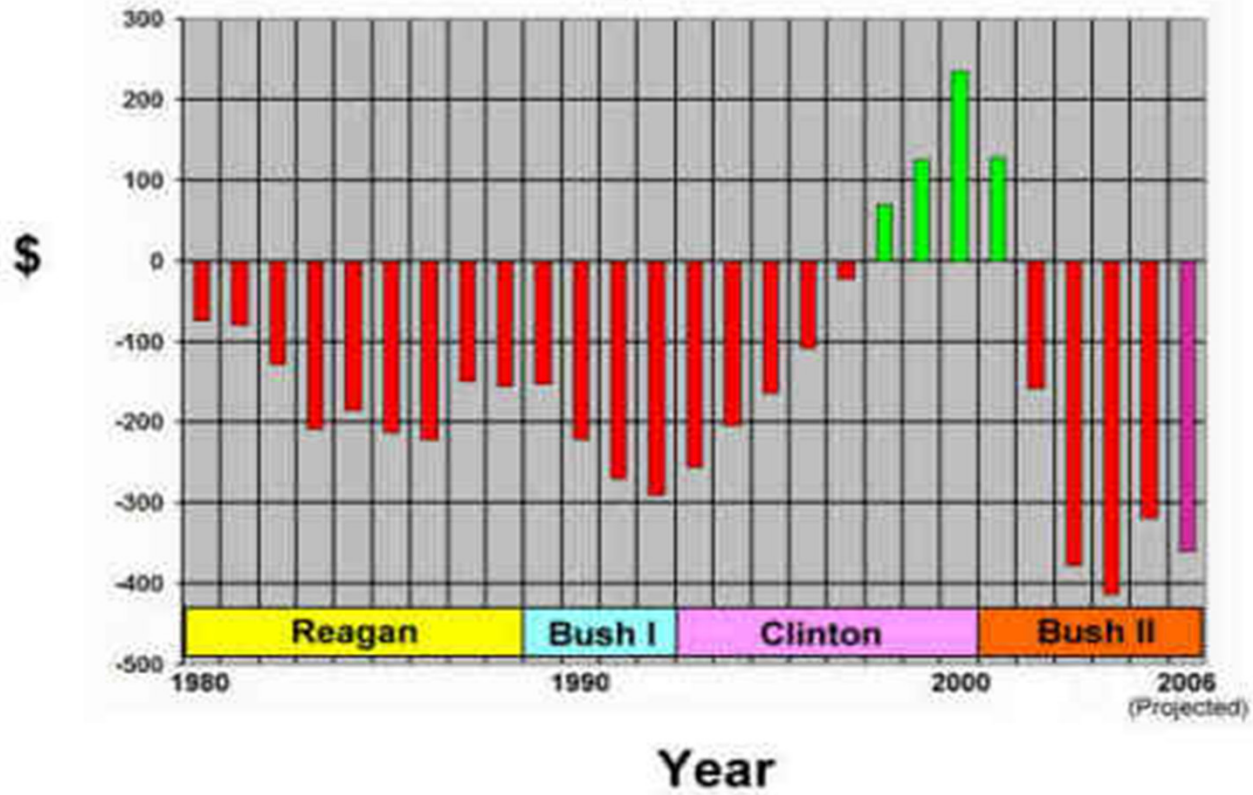
Deficits



History of Deficits

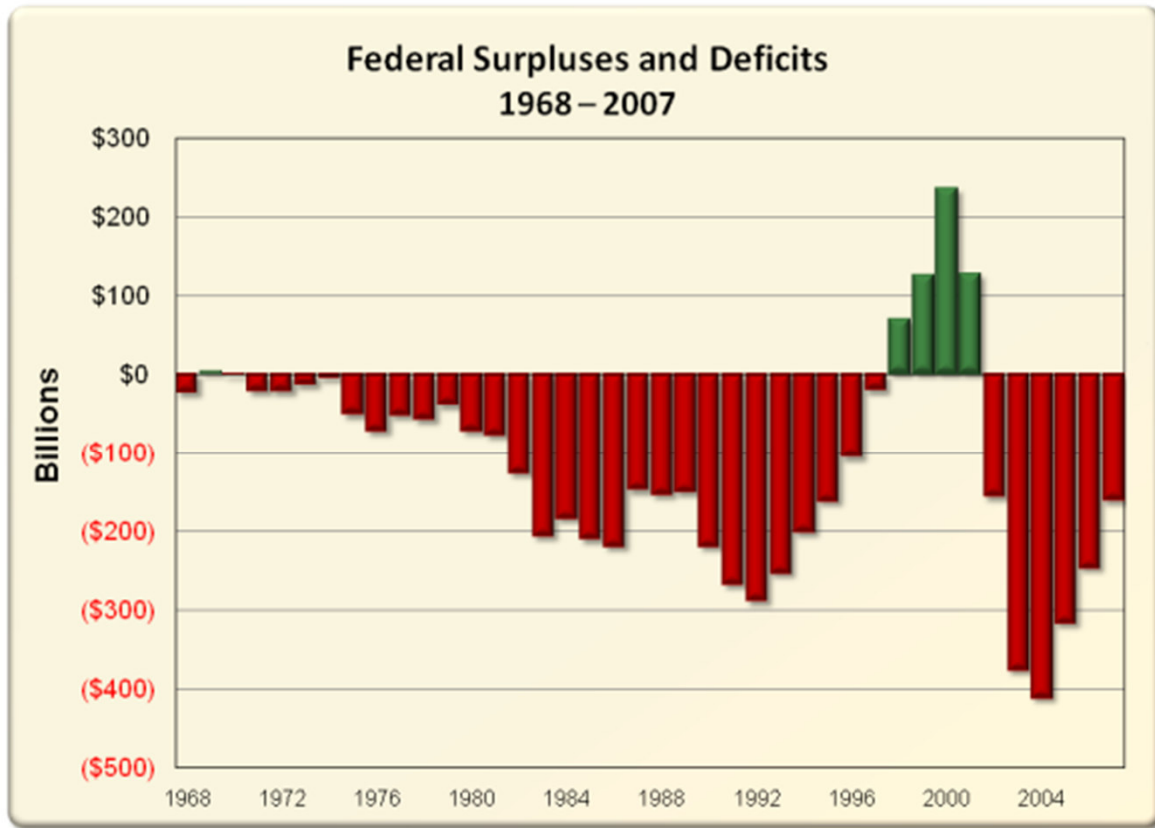
Deficits

Federal Deficit/Surplus 1980 - 2006



History of Deficits

Deficits



Source: Congressional Budget Office
The Budget and Economic Outlook, January 2008, Table F-1

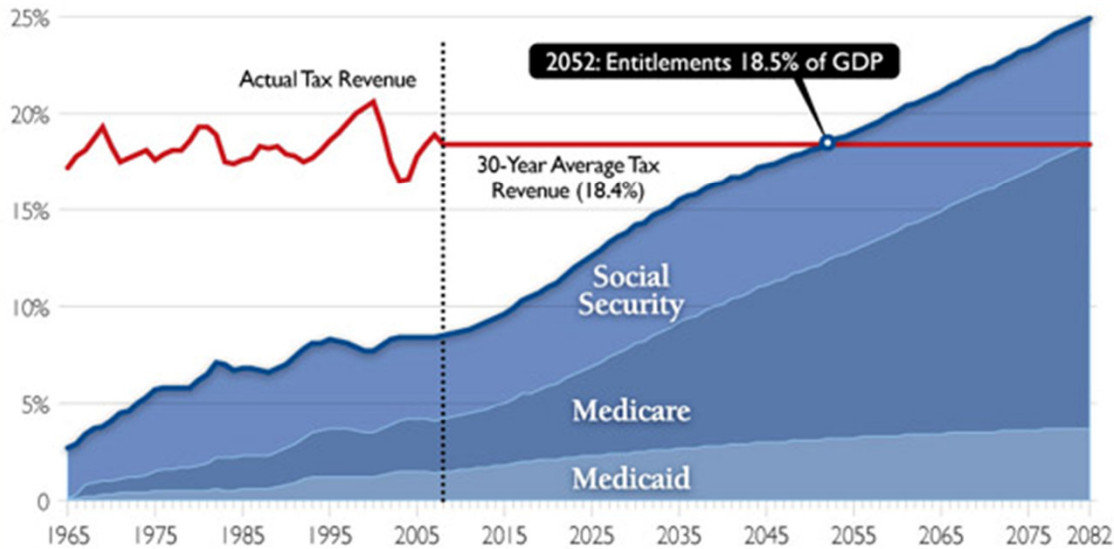
Entitlement Bomb

Deficits

Entitlements Alone Will Eclipse Historical Tax Levels by 2052

Spending on the three major entitlements, Medicare, Medicaid, and Social Security, will more than double in the next 40 years. Without major reforms, entitlement spending will consume all federal tax revenues by 2052.

Three Major Entitlements and Tax Revenues as a Percentage of GDP

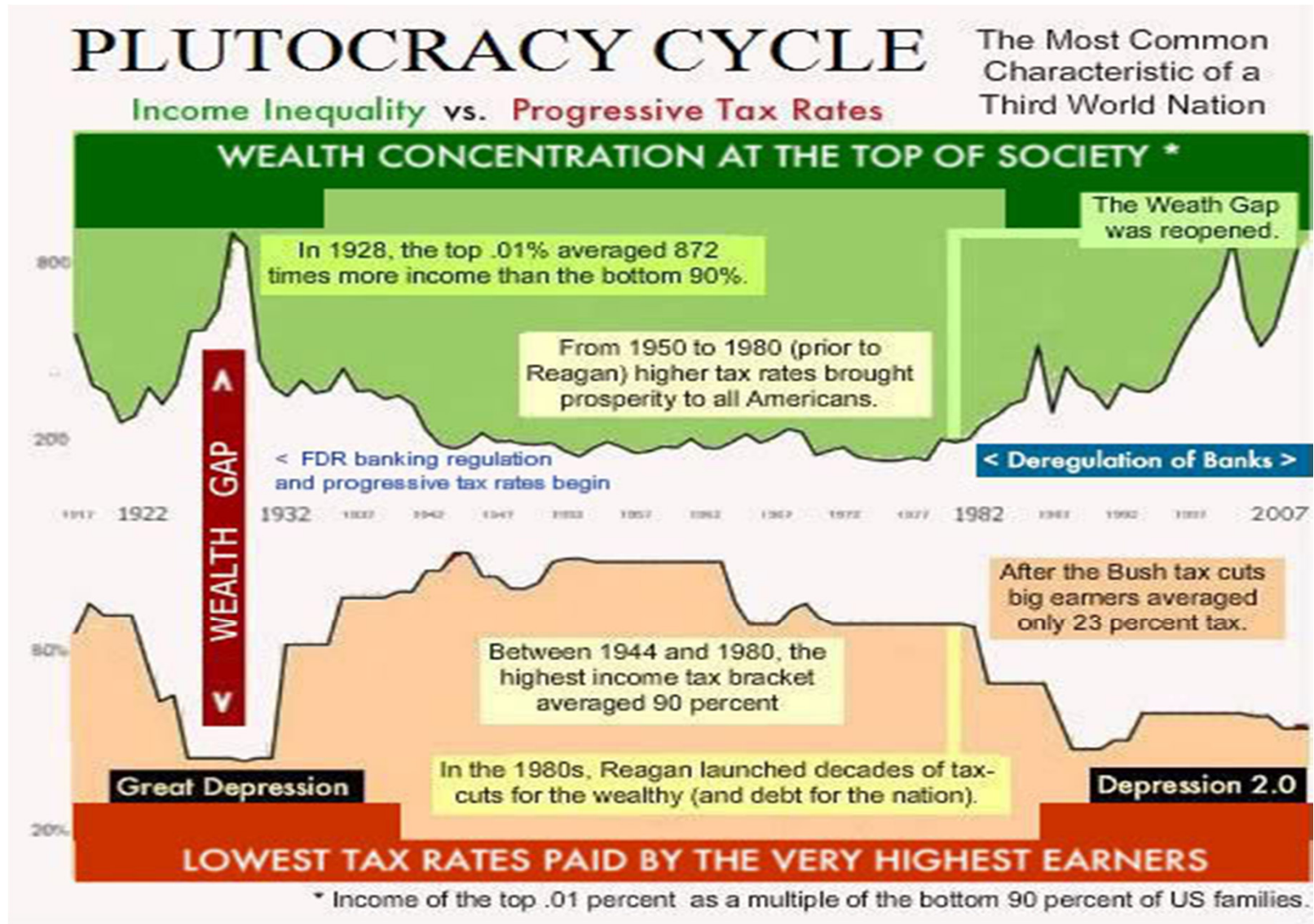


Source: Congressional Budget Office.

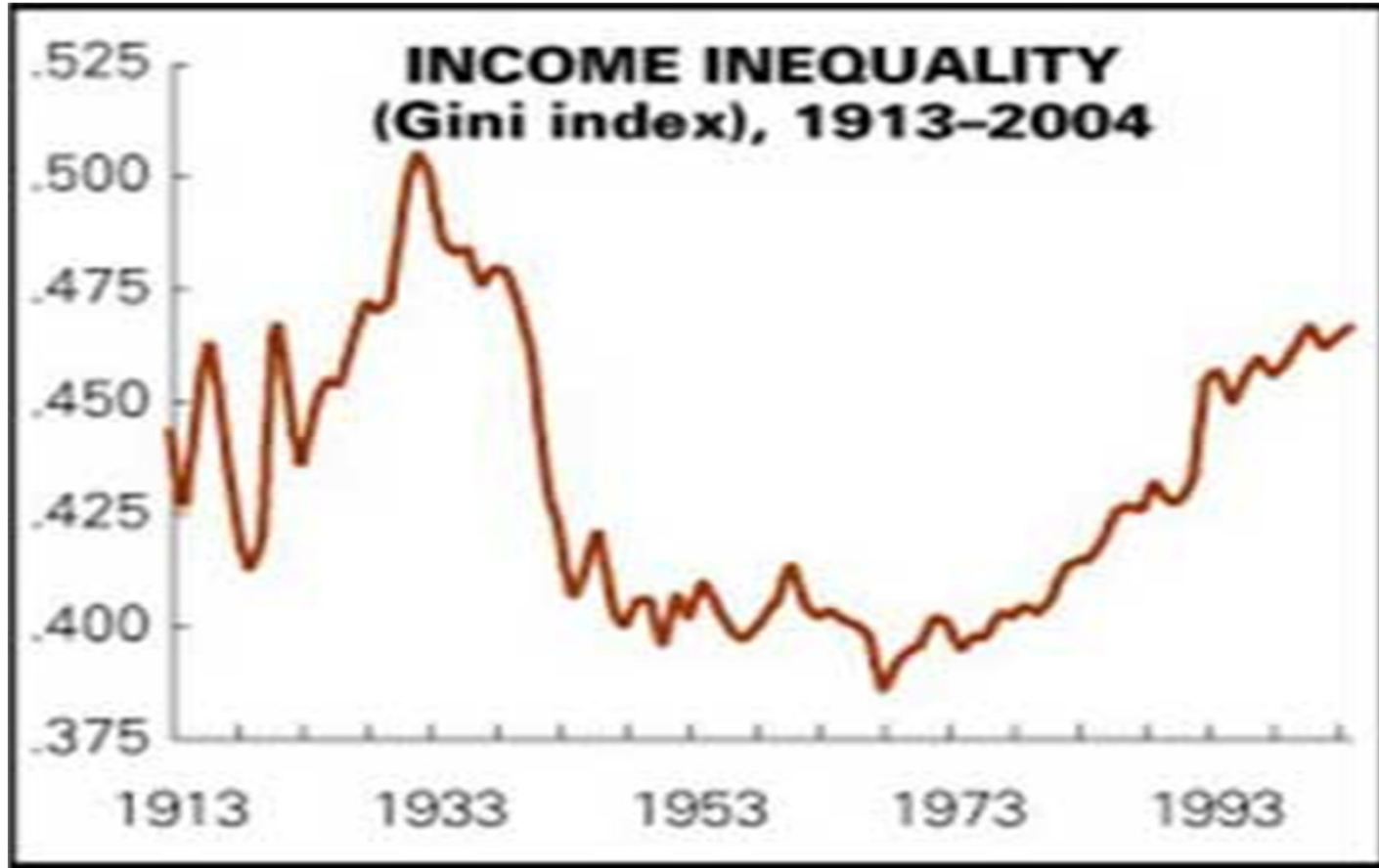
Entitlements Chart 3 • 2009 Federal Revenue and Spending Book of Charts heritage.org

Capitalism's Challenge – Income Redistribution

Plutocracy



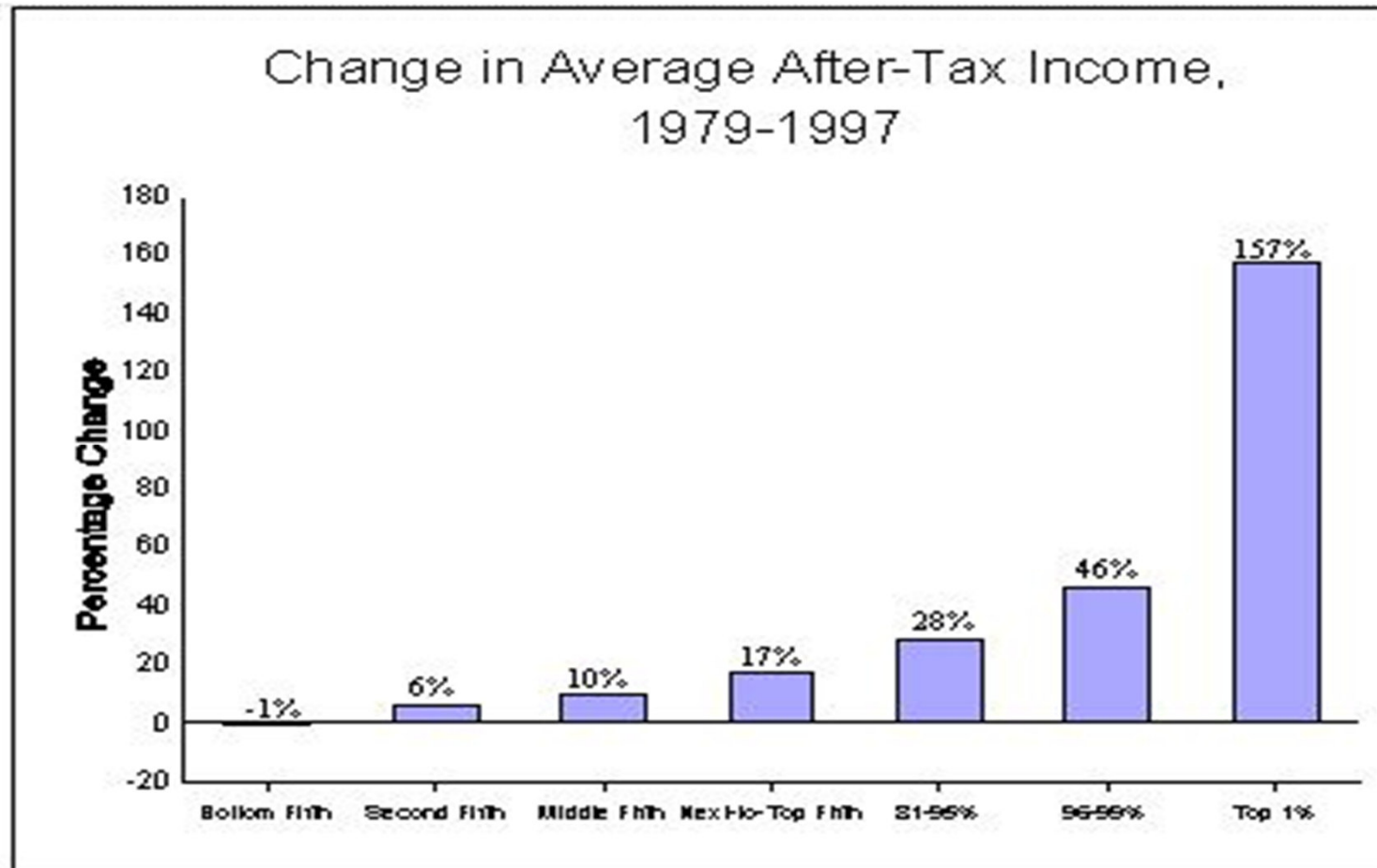
The Gini Index



This index measures the degree of inequality in the distribution of family income in a country. The index is calculated from the Lorenz curve, in which cumulative family income is plotted against the number of families arranged from the poorest to the richest. The index is the ratio of (a) the area between a country's Lorenz curve and the 45 degree helping line to (b) the entire triangular area under the 45 degree line. The more nearly equal a country's income distribution, the closer its Lorenz curve to the 45 degree line and the lower its Gini index, e.g., a Scandinavian country with an index of 25. The more unequal a country's income distribution, the farther its Lorenz curve from the 45 degree line and the higher its Gini index, e.g., a Sub-Saharan country with an index of 50. If income were distributed with perfect equality, the Lorenz curve would coincide with the 45 degree line and the index would be zero; if income were distributed with perfect inequality, the Lorenz curve would coincide with the horizontal axis and the right vertical axis and the index would be 100.

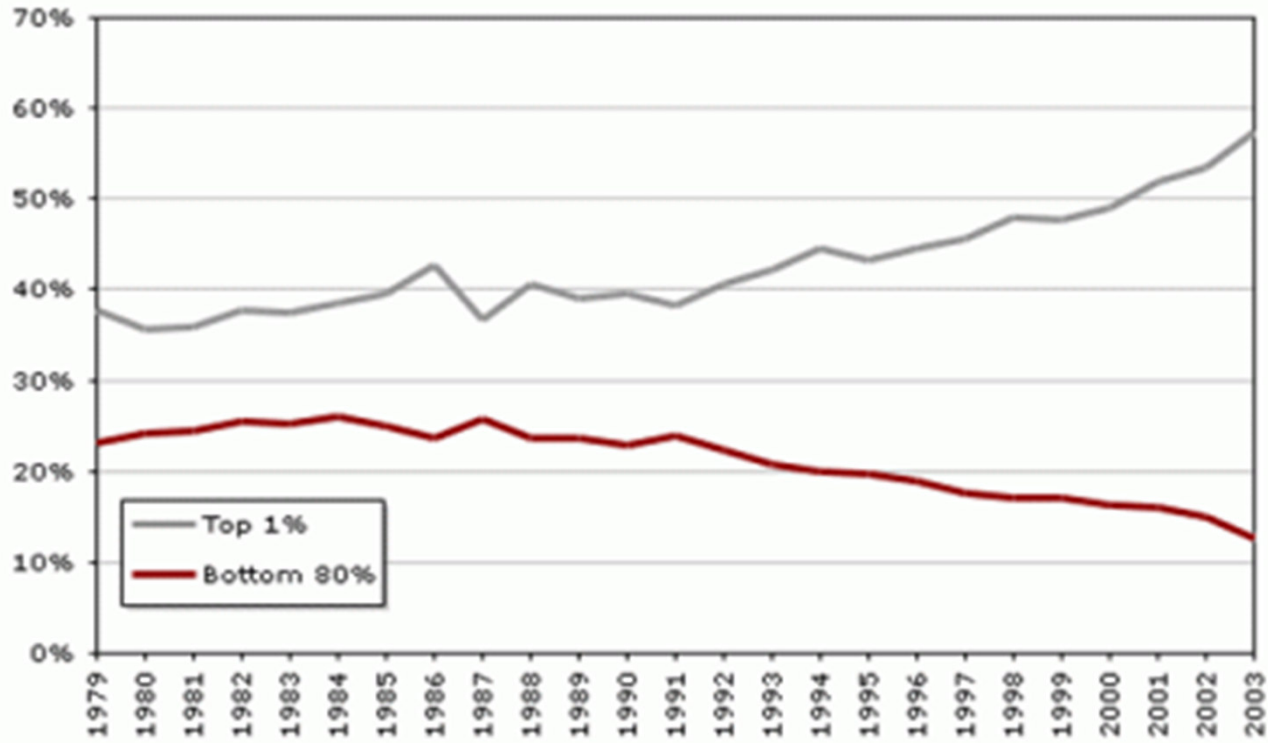
Benefit of Reagan Tax Cuts

Plutocracy



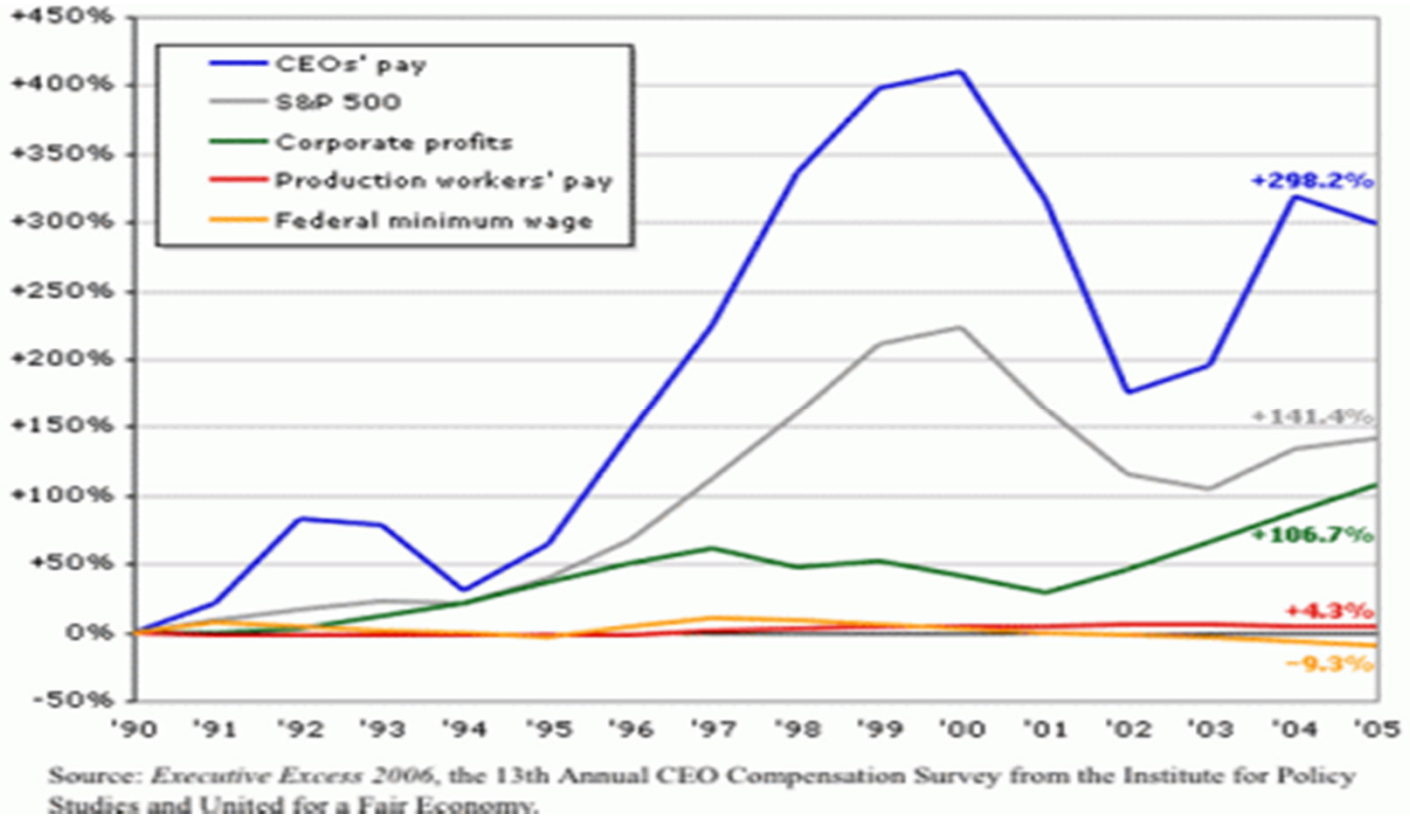
Owning “Capital” Becomes More Critical

Figure 5: Share of capital income earned by top 1% and bottom 80%, 1979-2003
(From Shapiro & Friedman, 2006.)



Separation of Pay

Plutocracy



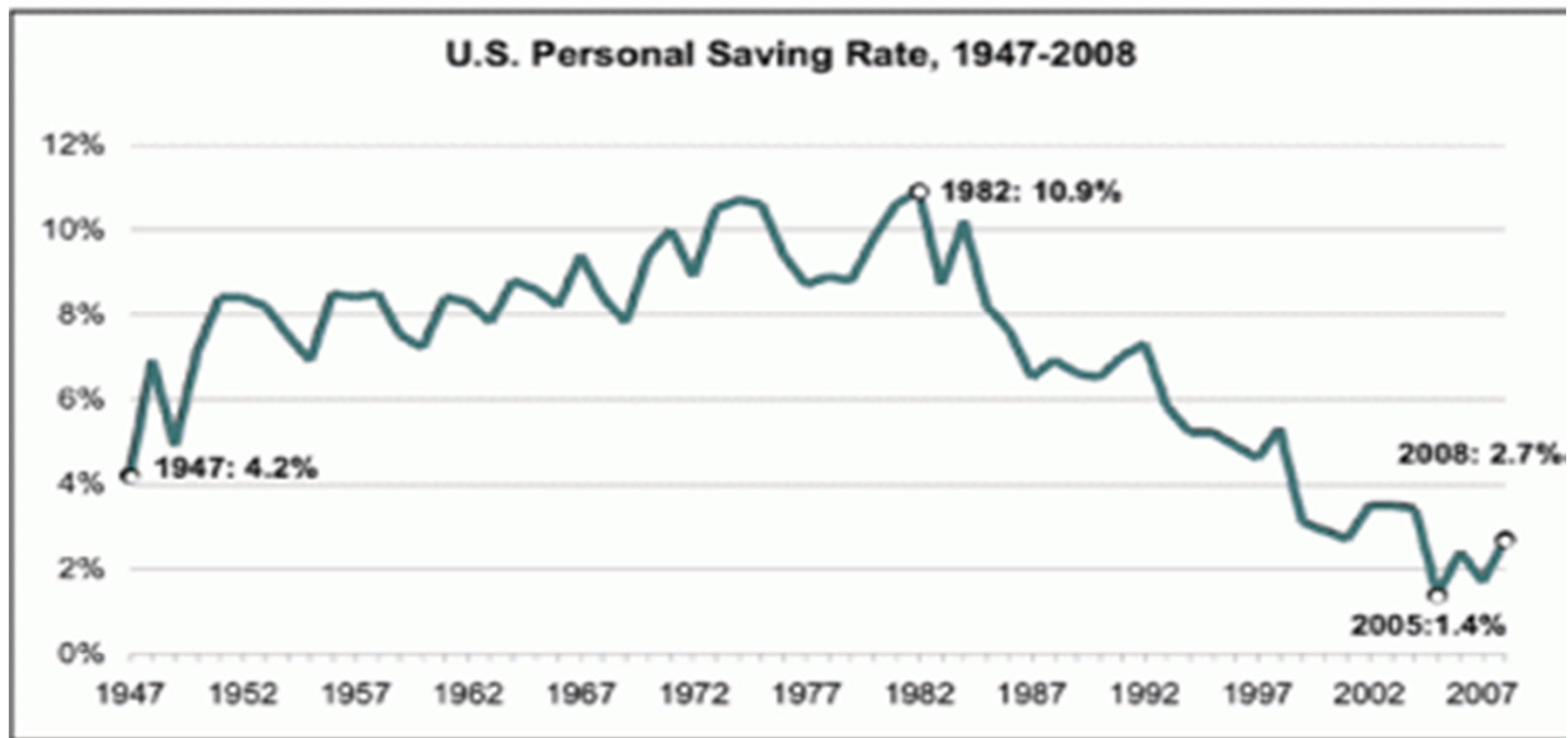
Earnings Growth

Autocracy



No More Savings

Autocracy



Source: Bureau of Economic Analysis, [National Income and Product Accounts, Table 2.1, Personal Income and Its Disposition](#), line 34.

Income Distribution

Plutocracy

FIGURE 8E Top decile income share in France and in the United States

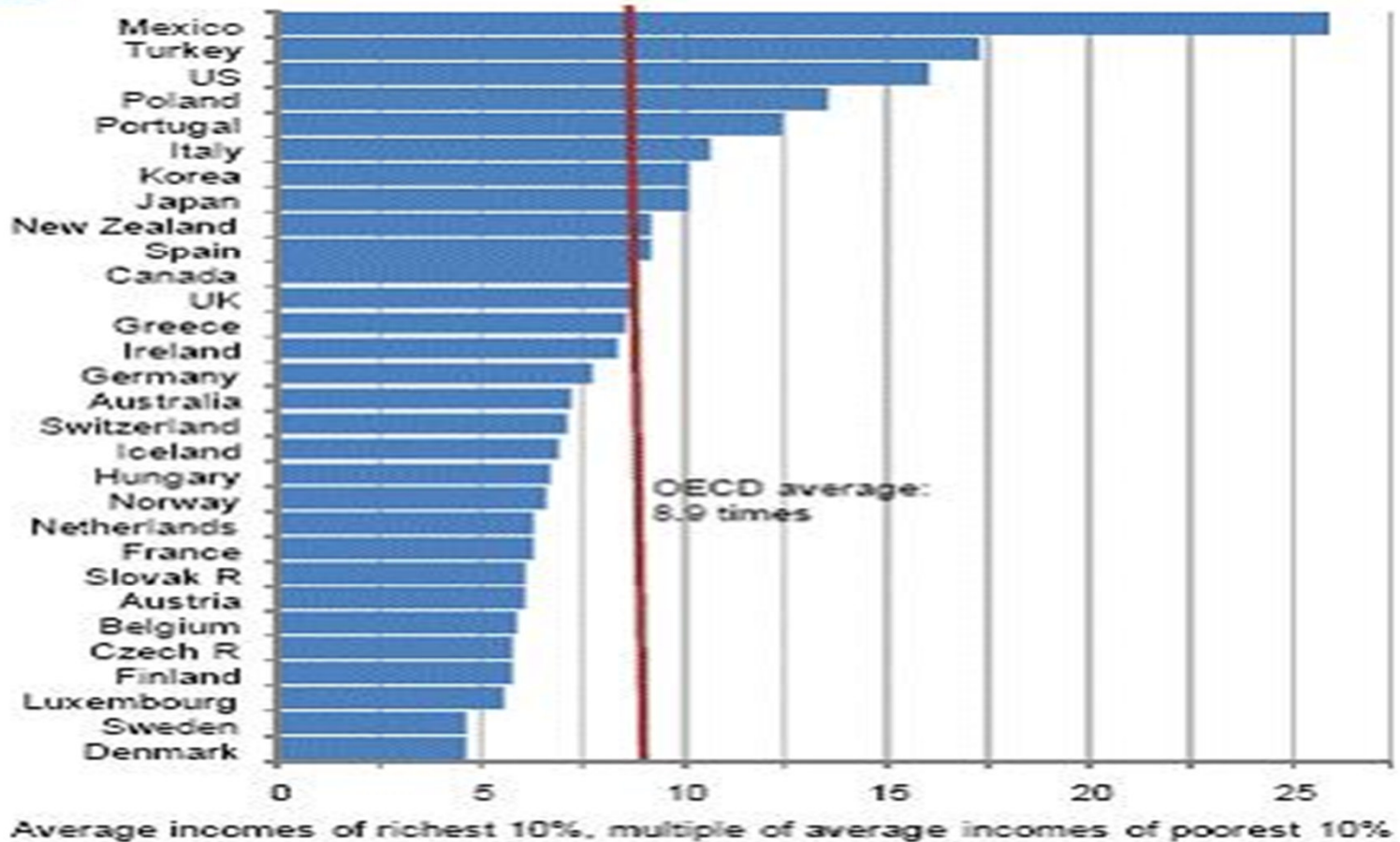


Source: Piketty and Saez (2001).

Income Distribution

Democracy

The gap between rich and poor in 2005



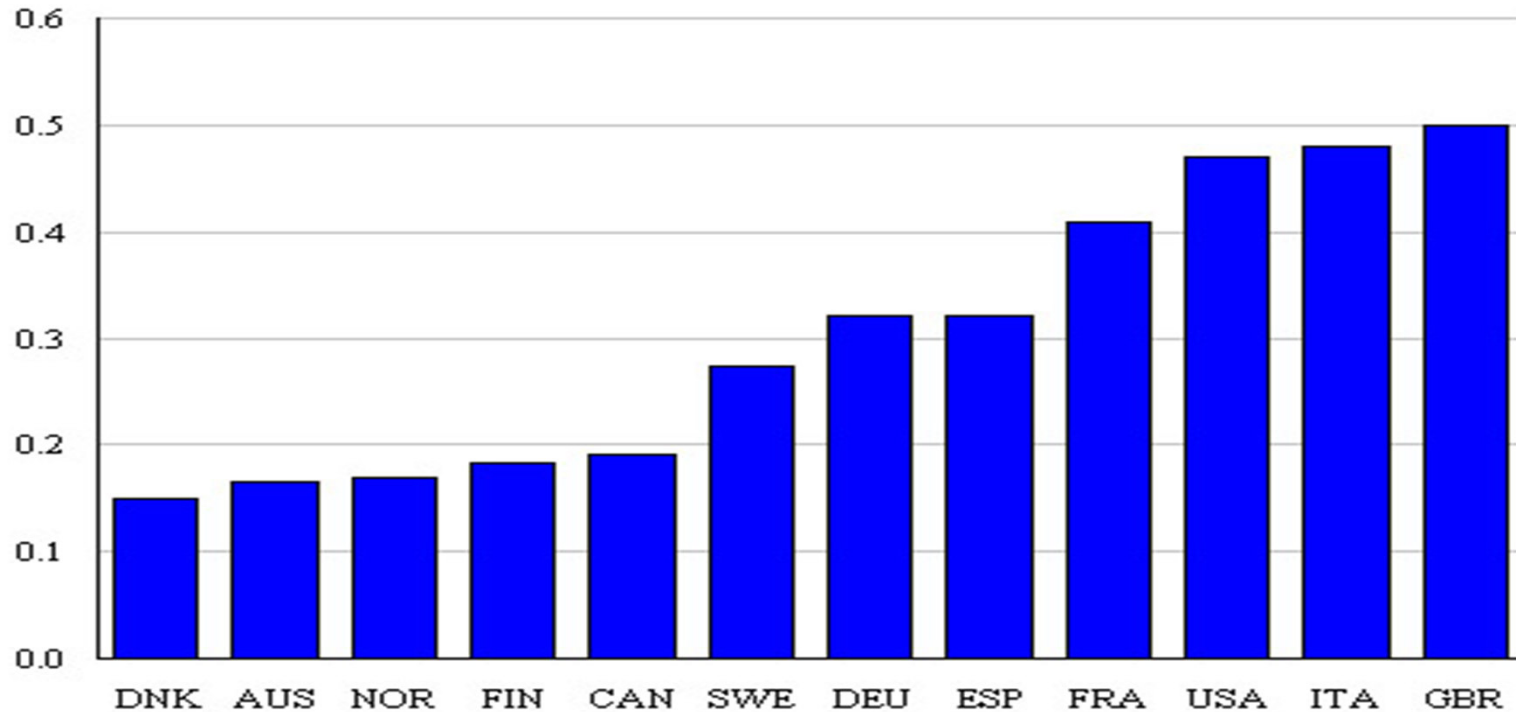
Source: *Growing Unequal?* OECD, 2008.

Potential for Upward Mobility

Meritocracy

The Strength of the Link Between Individual and Parental Earnings Varies Across O.E.C.D. Countries

Intergenerational Earnings Elasticity: Estimates from Various Studies



The figure shows that Great Britain, the U.S., and Italy have a near 50% correlation rate. So, in these countries, parents status predicts about 50% of the variance in children’s outcomes. In contrast, Denmark, Australia, Norway, Finland, and Canada have much lower correlations. People born in the countries on the left of this distribution, then, have higher socioeconomic mobility than people born in the countries on the right. Merit, presumably, plays a greater role in your educational and class attainment in these cases.

Income Distribution

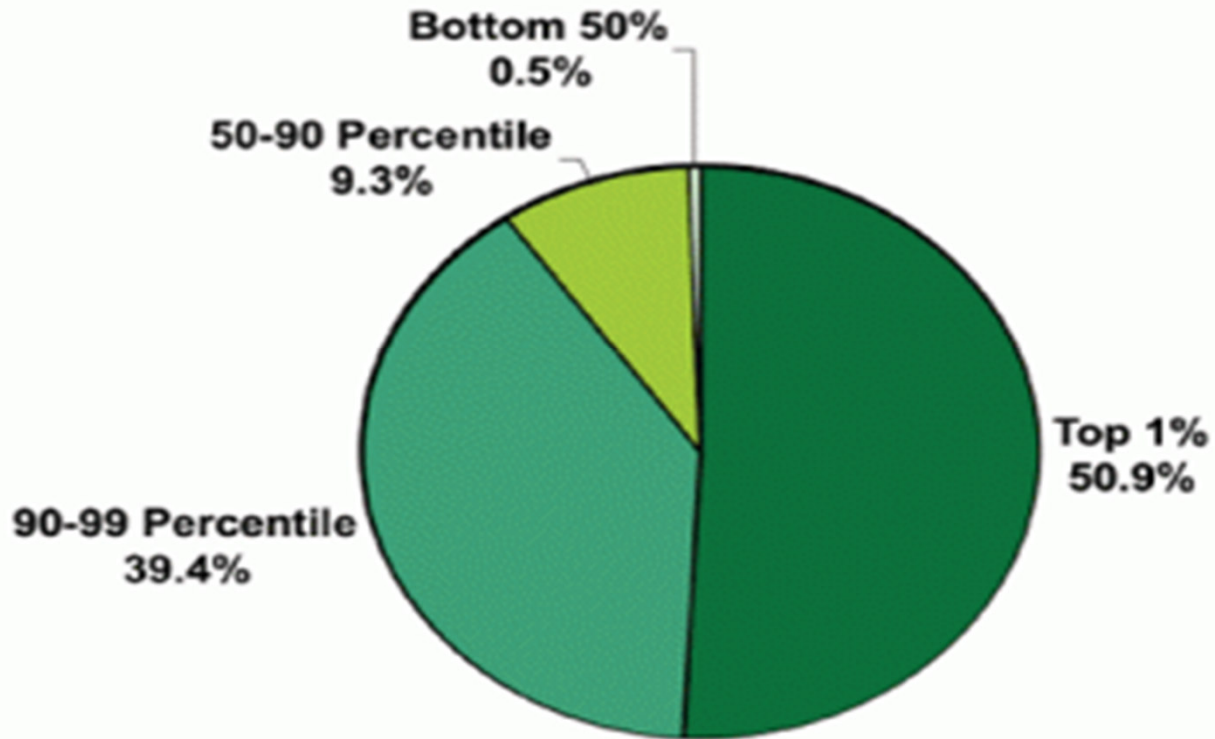
Plutocracy



Who Owns/Controls the Means of Production

Plutocracy

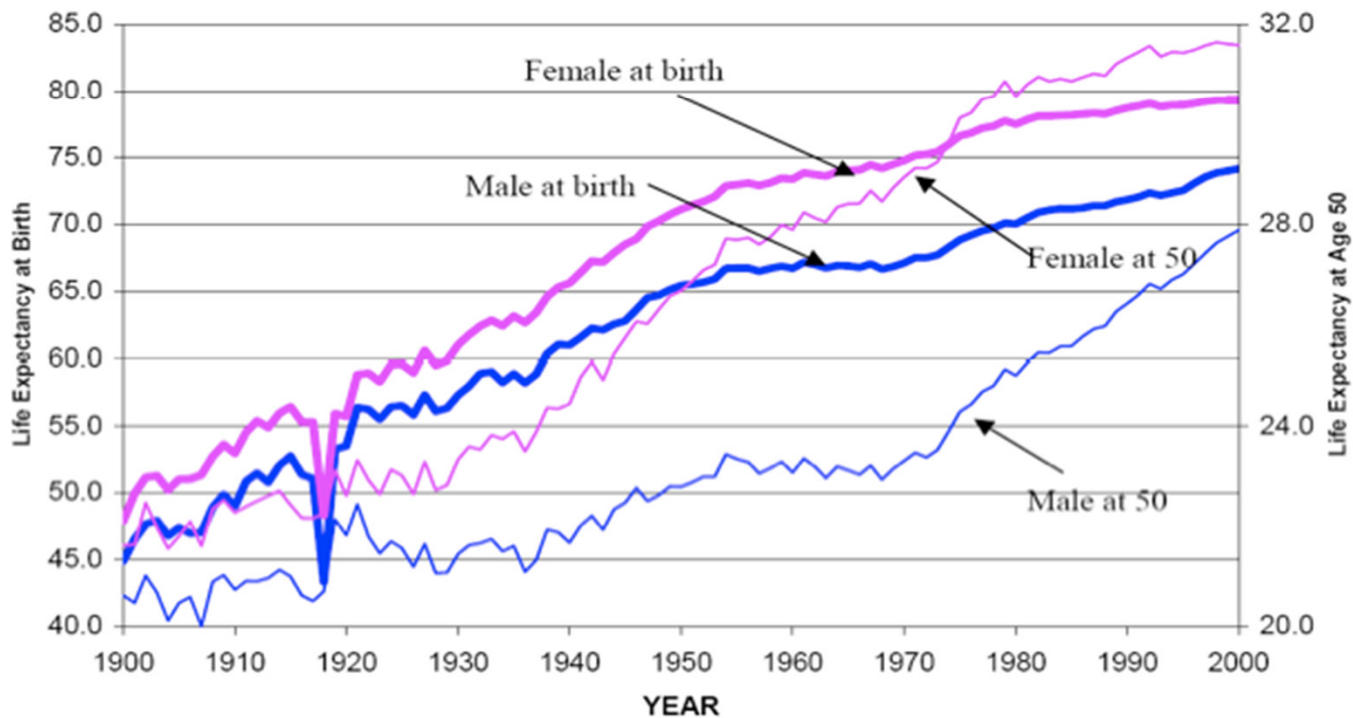
Distribution of U.S. Stock, Bond and Mutual Fund Ownership, 2007



Challenge – Success of Social Security & Medicare

Plutocracy

Life expectancy at birth and age 50, United States, 1900-2000



Which is Worse, Big Government or Big Business?



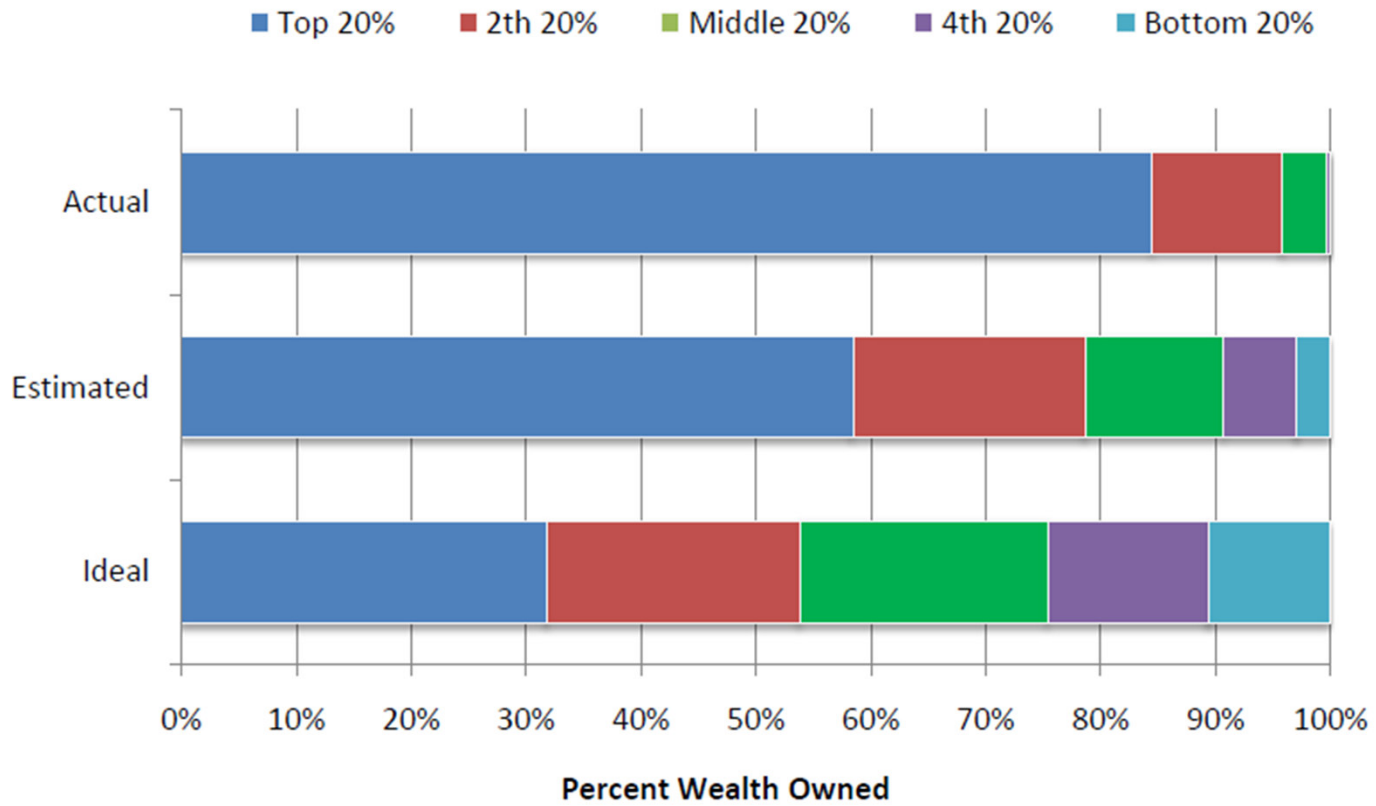
"... concentrated economic and political power in the private sector is as much a "problem" as an ineffective, inefficient government, especially one that has been deprived of the funds needed to regulate a complex capitalist society based on commercial exchange and characterized in some sectors (like health and finance) by several types of market failure...

It's a problem when government is always and everywhere perceived to be the problem. It makes it difficult to pass legislation that properly structure and protect homeowners, borrowers, small businesses, renters, consumers (all the people who fuel and benefit from economic growth and prosperity) from corporate abuse of political and economic power...

Just ask yourself, as I often do, was your last unpleasant encounter with a cell phone company, a cable television company, a credit card company, or a bank or was it with a government agency? In my case, I'm sorry to say that some of the larger, more powerful parts of the private sector lose hands down."

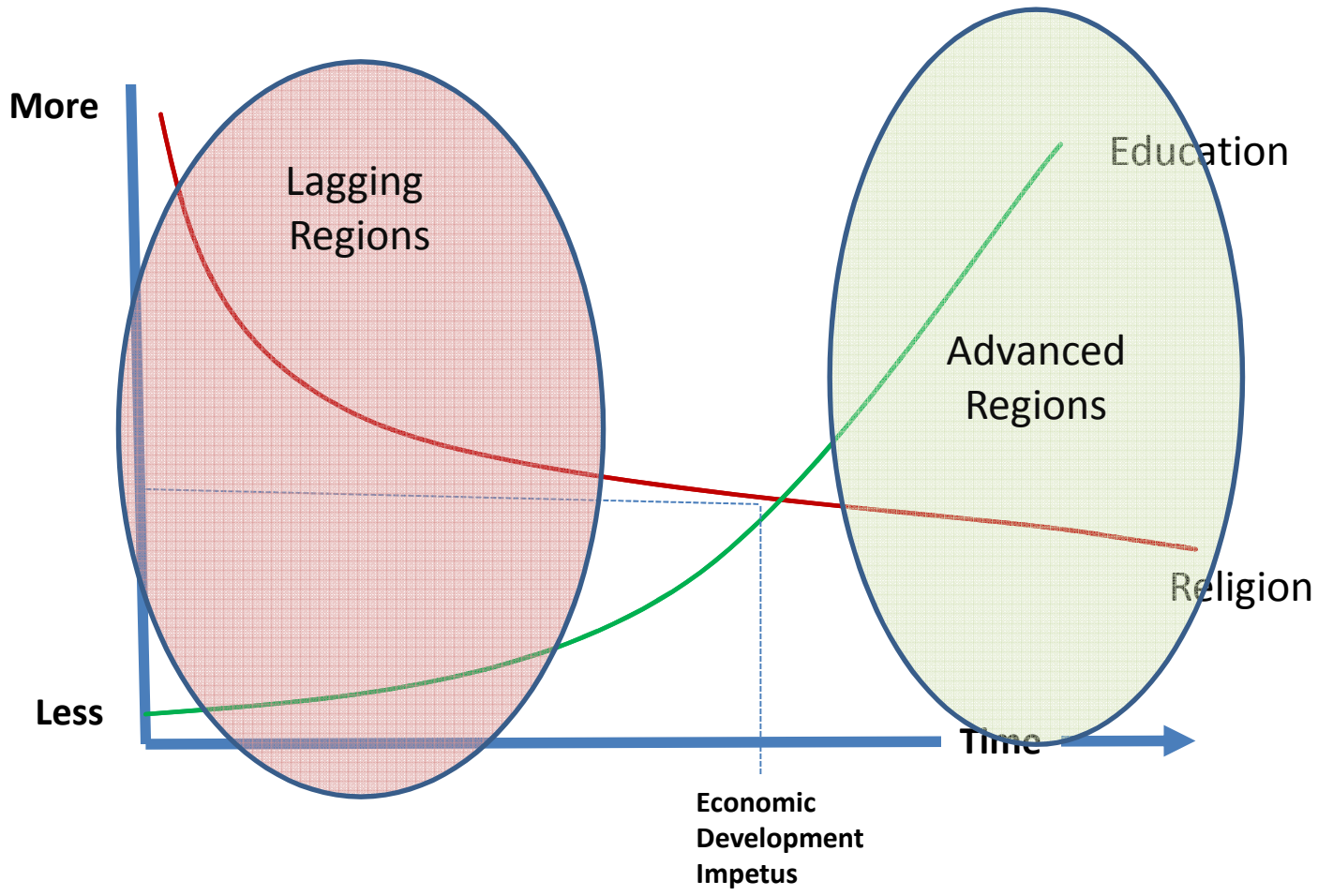
The Publics Perception vs Realty vs Optimum

Politics



Globally – Religion vs Education

Politics



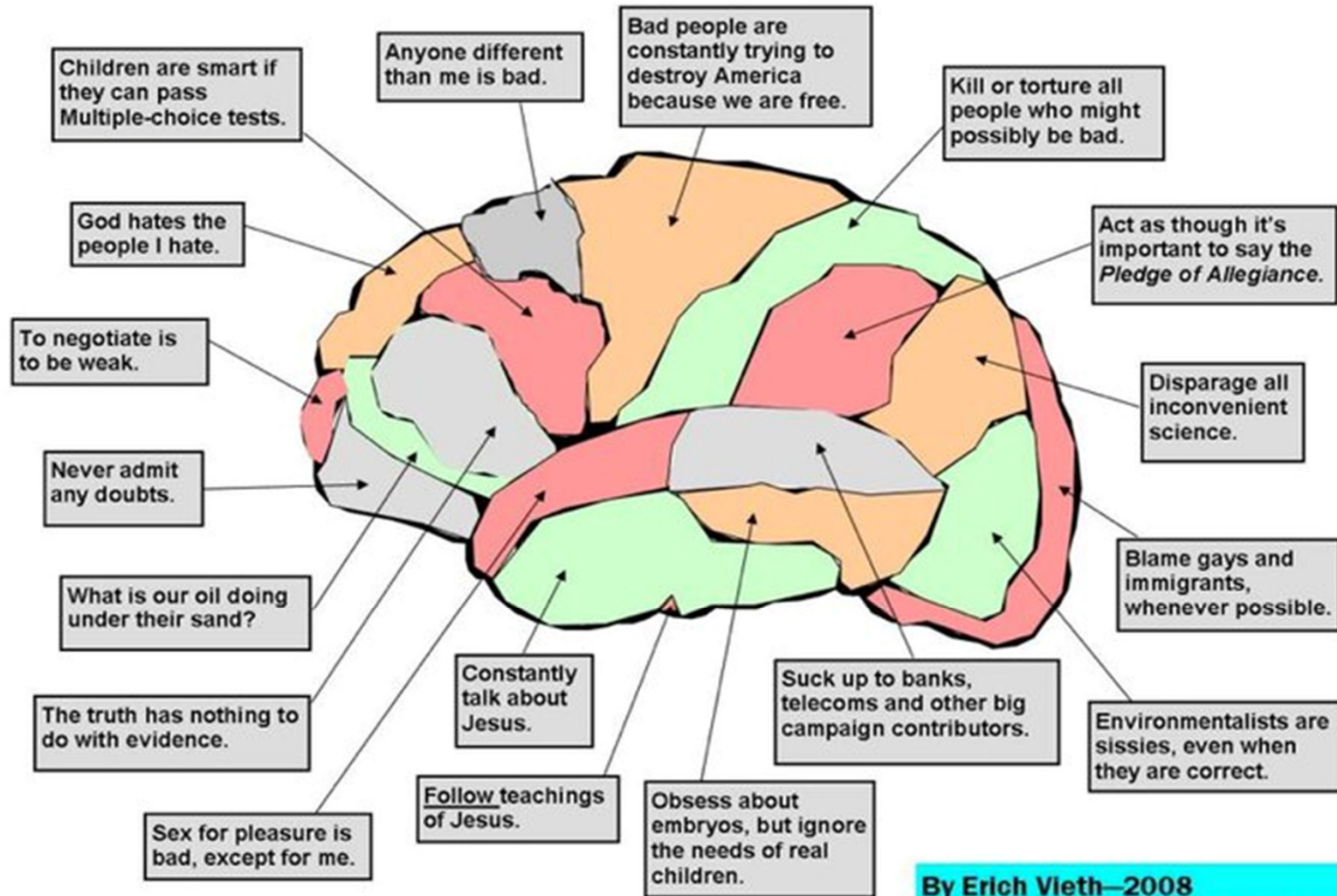
Global Segmentation

Politics



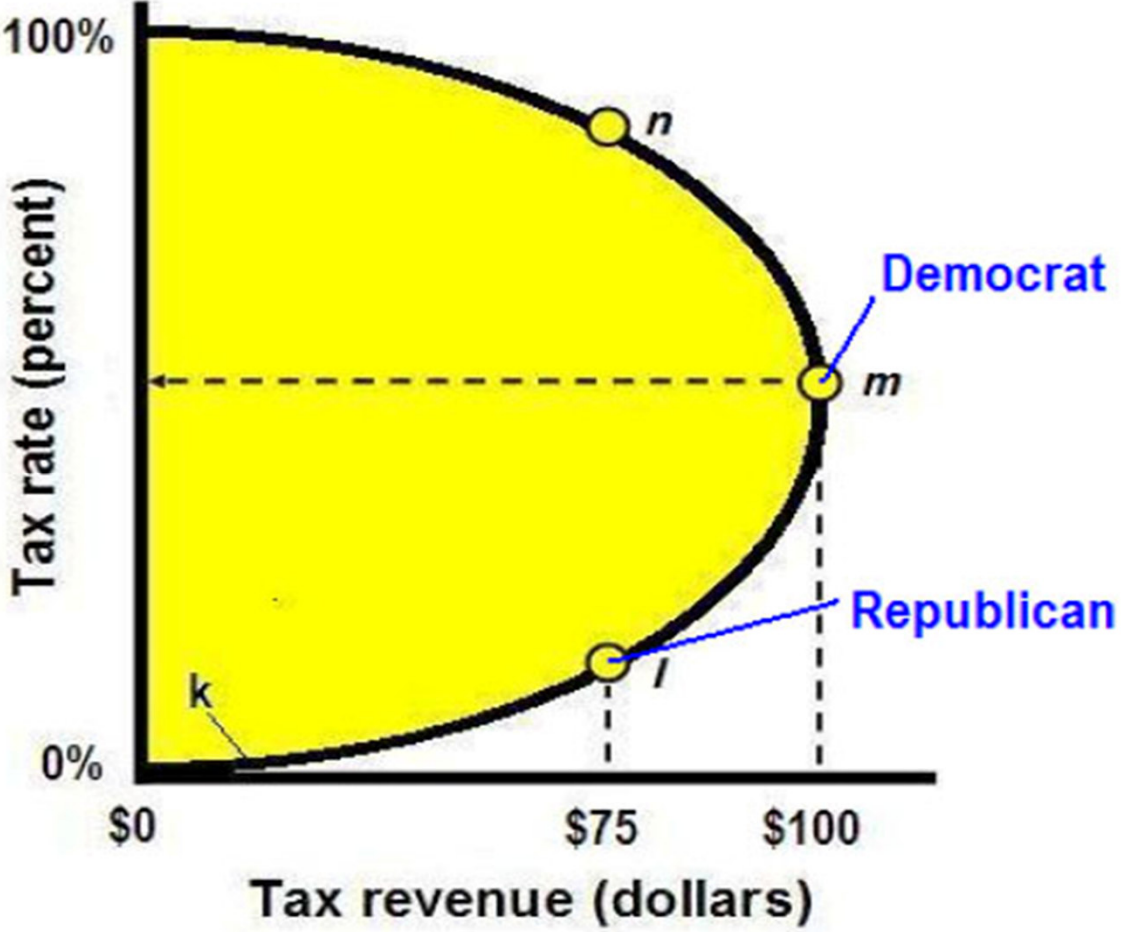
Why are the Republicans the Christian Party? There's a strong correlation between "robustness of the welfare state" and "fundamentalist religiosity of its population".

Anatomy of the Modern Republican Brain



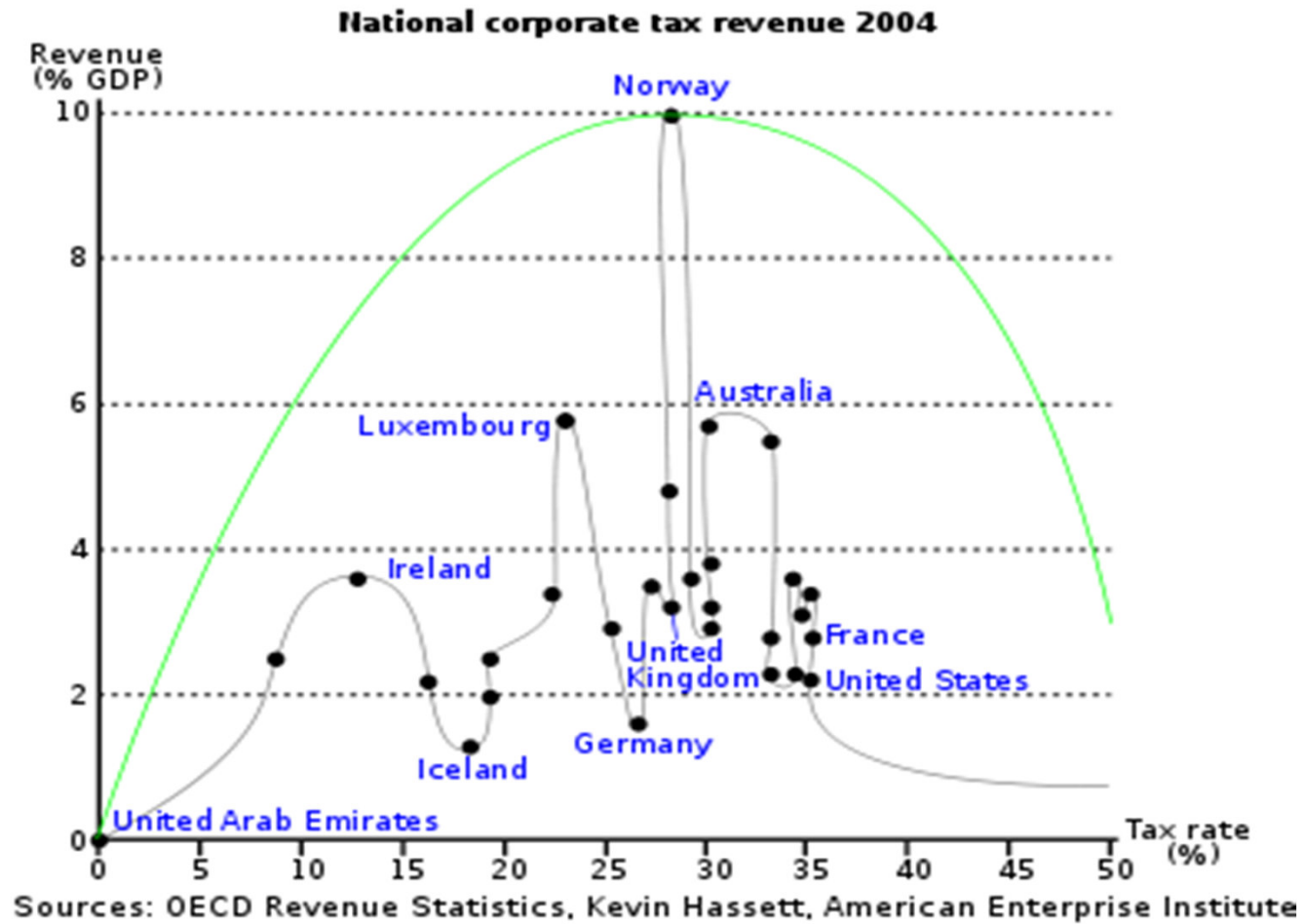
By Erich Vieth—2008
<http://dangerousintersection.org/>

The Laffer Curve



Relationship – Tax Revenue & GDP

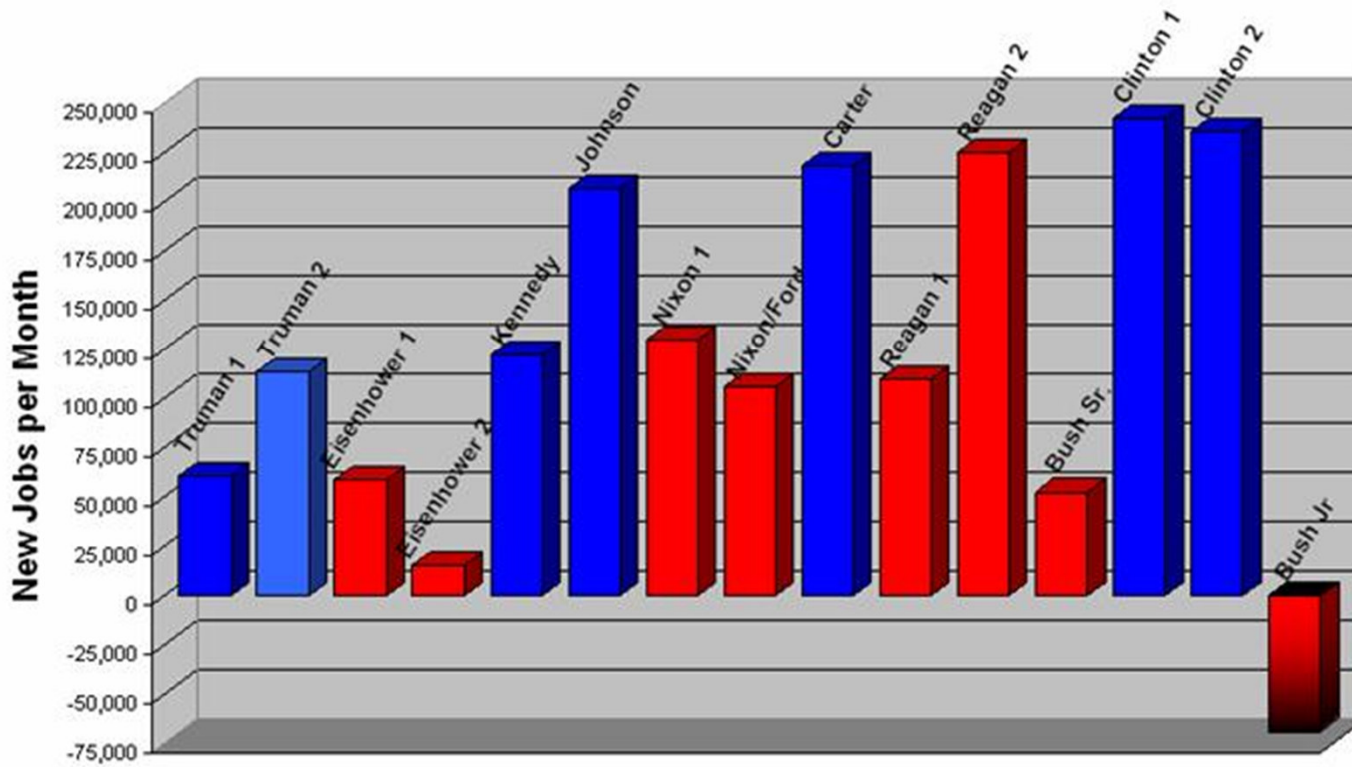
Politics



Who Created Jobs?

Politics

Average New Jobs per Month by Presidential Term



Relationship - Taxes and Politics



The Real Welfare States

FACTS:

- Of the 32 states which receive more than they contribute, **21 states (65.6%) are REPUBLICAN**
- Of the 18 states which contribute more than they receive, **17 states (94.4%) are DEMOCRATIC**
- Source of tax data is: taxfoundation.org/research/show/266.html based on 2005 data
- Election data is from CNN.com, based on 2008 Presidential election

Research: Jesse Erlbaum | Design: Michael Pinto

States that GIVE more than they GET

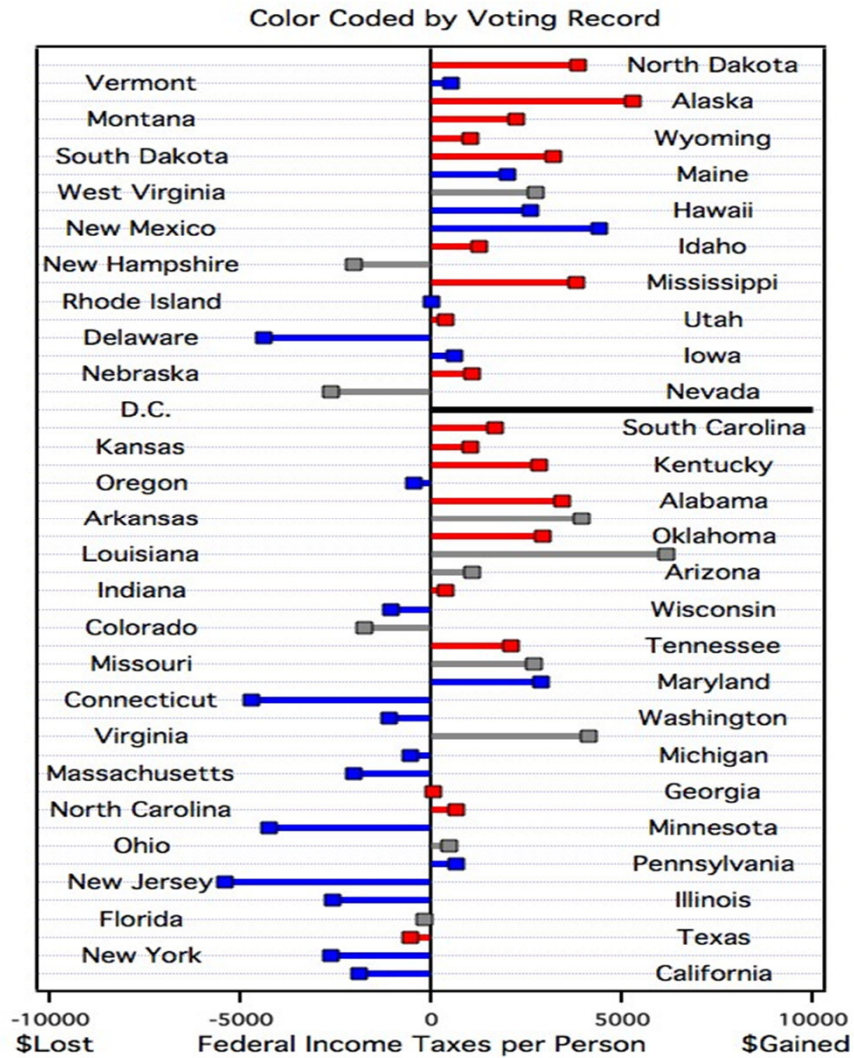
State	Federal Spending per Dollar of Federal Taxes	Rank
Rhode Island	\$1.00	33
Florida	\$0.97	34
Texas	\$0.94	35
Oregon	\$0.93	36
Michigan	\$0.92	37
Washington	\$0.88	38
Wisconsin	\$0.86	39
Massachusetts	\$0.82	40
Colorado	\$0.81	41
New York	\$0.79	42
California	\$0.78	43
Delaware	\$0.77	44
Illinois	\$0.75	45
Minnesota	\$0.72	46
New Hampshire	\$0.71	47
Connecticut	\$0.69	48
Nevada	\$0.65	49
New Jersey	\$0.61	50

States that GET more than they GIVE

State	Federal Spending per Dollar of Federal Taxes	Rank
New Mexico	\$2.03	1
Mississippi	\$2.02	2
Alaska	\$1.84	3
Louisiana	\$1.78	4
West Virginia	\$1.76	5
North Dakota	\$1.68	6
Alabama	\$1.66	7
South Dakota	\$1.53	8
Kentucky	\$1.51	9
Virginia	\$1.51	10
Montana	\$1.47	11
Hawaii	\$1.44	12
Maine	\$1.41	13
Arkansas	\$1.41	14
Oklahoma	\$1.36	15
South Carolina	\$1.35	16
Missouri	\$1.32	17
Maryland	\$1.30	18
Tennessee	\$1.27	19
Idaho	\$1.21	20
Arizona	\$1.19	21
Kansas	\$1.12	22
Wyoming	\$1.11	23
Iowa	\$1.10	24
Nebraska	\$1.10	25
Vermont	\$1.08	26
North Carolina	\$1.08	27
Pennsylvania	\$1.07	28
Utah	\$1.07	29
Indiana	\$1.05	30
Ohio	\$1.05	31
Georgia	\$1.01	32

Relationship - Taxes and Politics

Politics



Relationship - Poverty and Politics

Politics

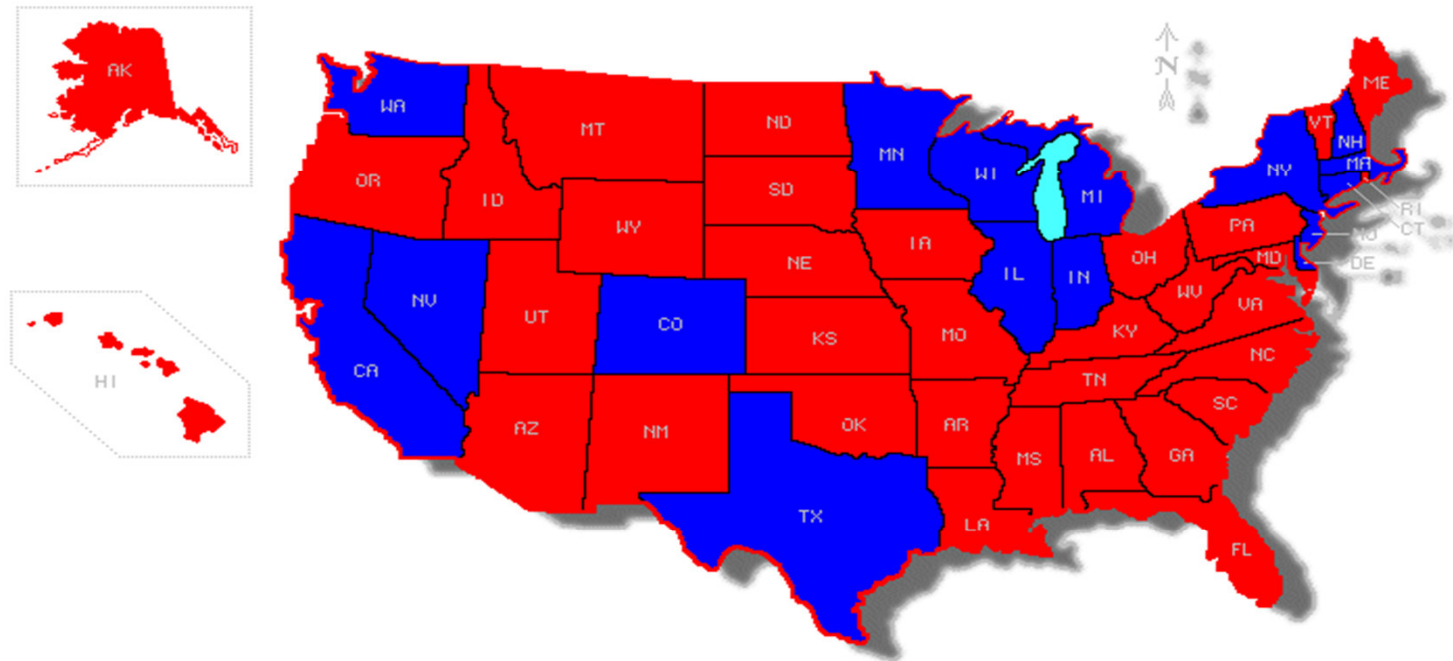


Relationship – Welfare States and Politics

US Tax winners

- - Pillagers
- - Pillaged

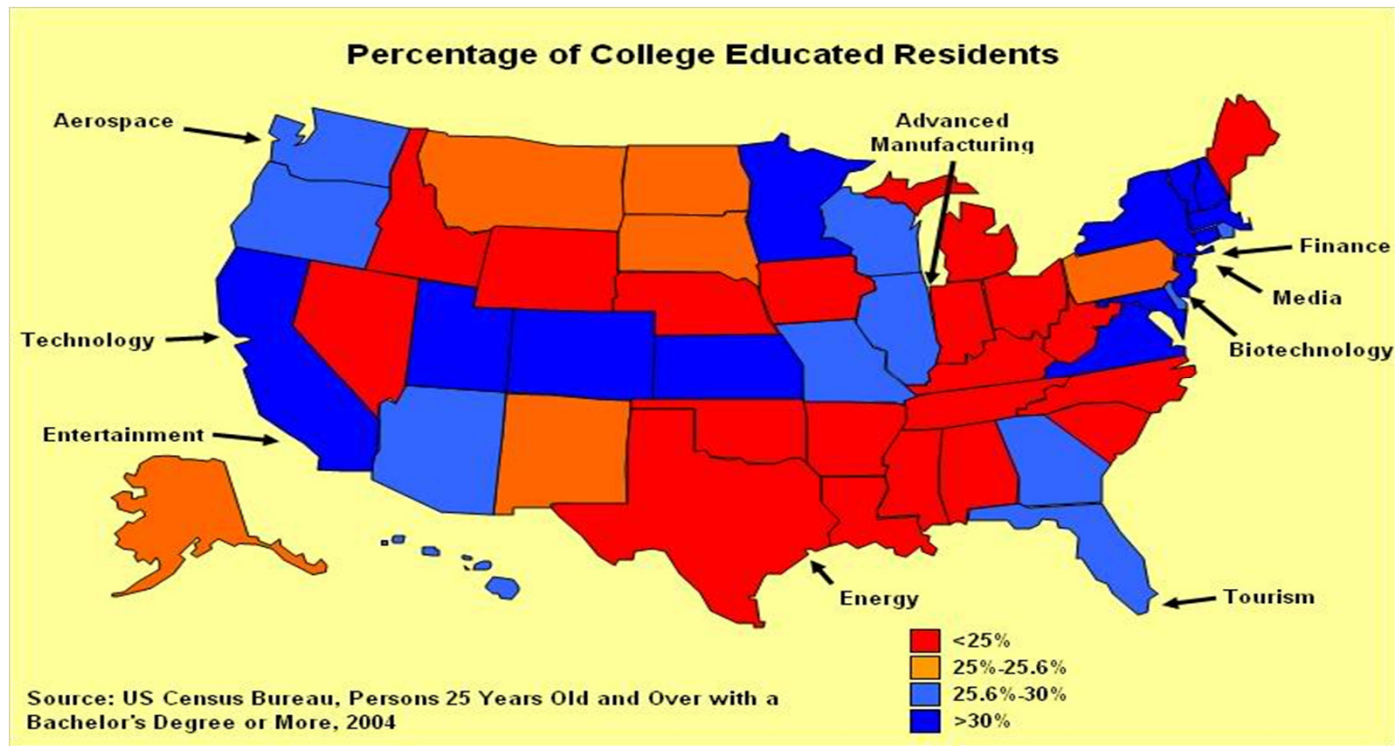
Politics



Big Government Conservatives.....the Blue supports the Red through Federal Transfer Payments.....the Red don't want to pay tax, but depend on the Blue for schools, roads, healthcare, old age benefits..... and always want to fight a new war with their guns.....
(Texas is the only conservative state that pays enough taxes to pay its own way – primarily due to the oil industry)

Relationship - Education and Politics

Politics

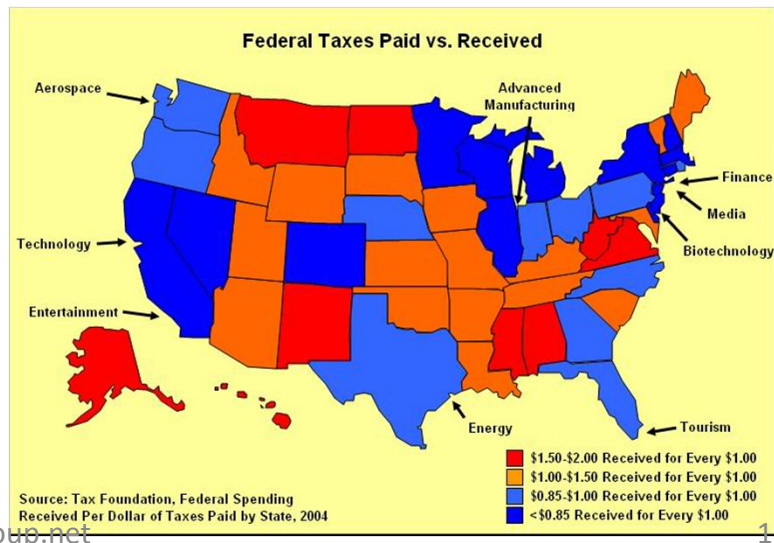
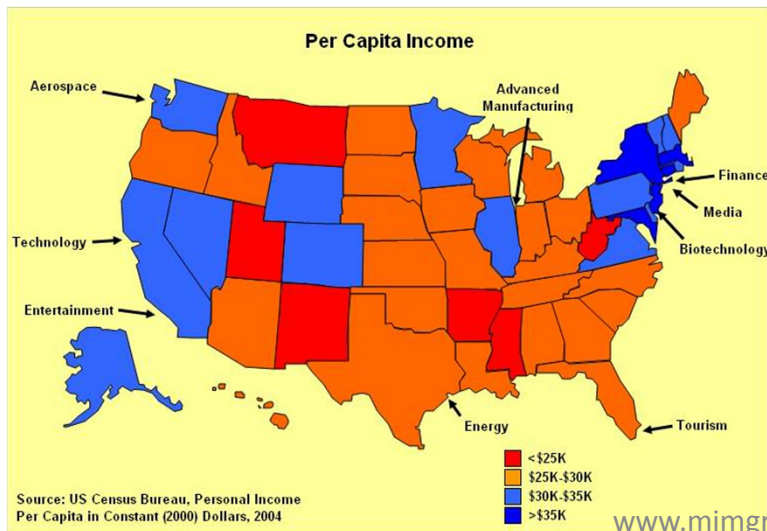
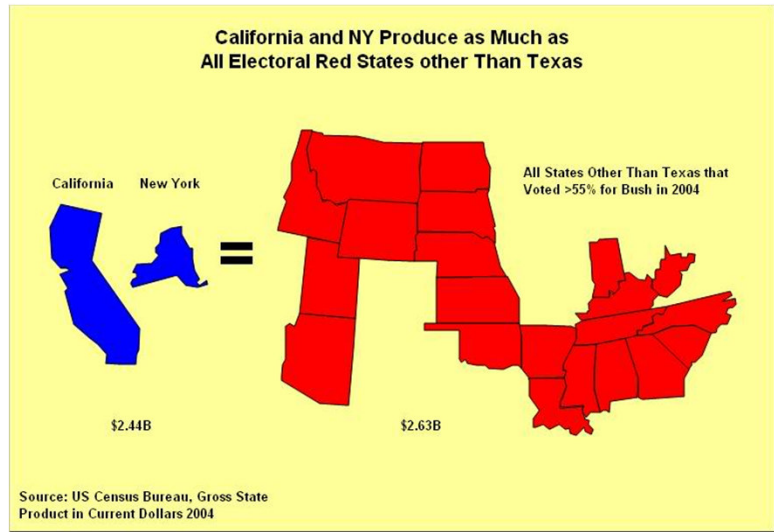


States with higher percentages of people without degrees tend to be more conservative. It makes sense why conservatives don't value education – it would eliminate them. *View the interactive map below with degree statistics*

<http://chronicle.com/article/Interactive-Map-Proportion-of/65009/>

Relationship - GDP and Politics

Politics



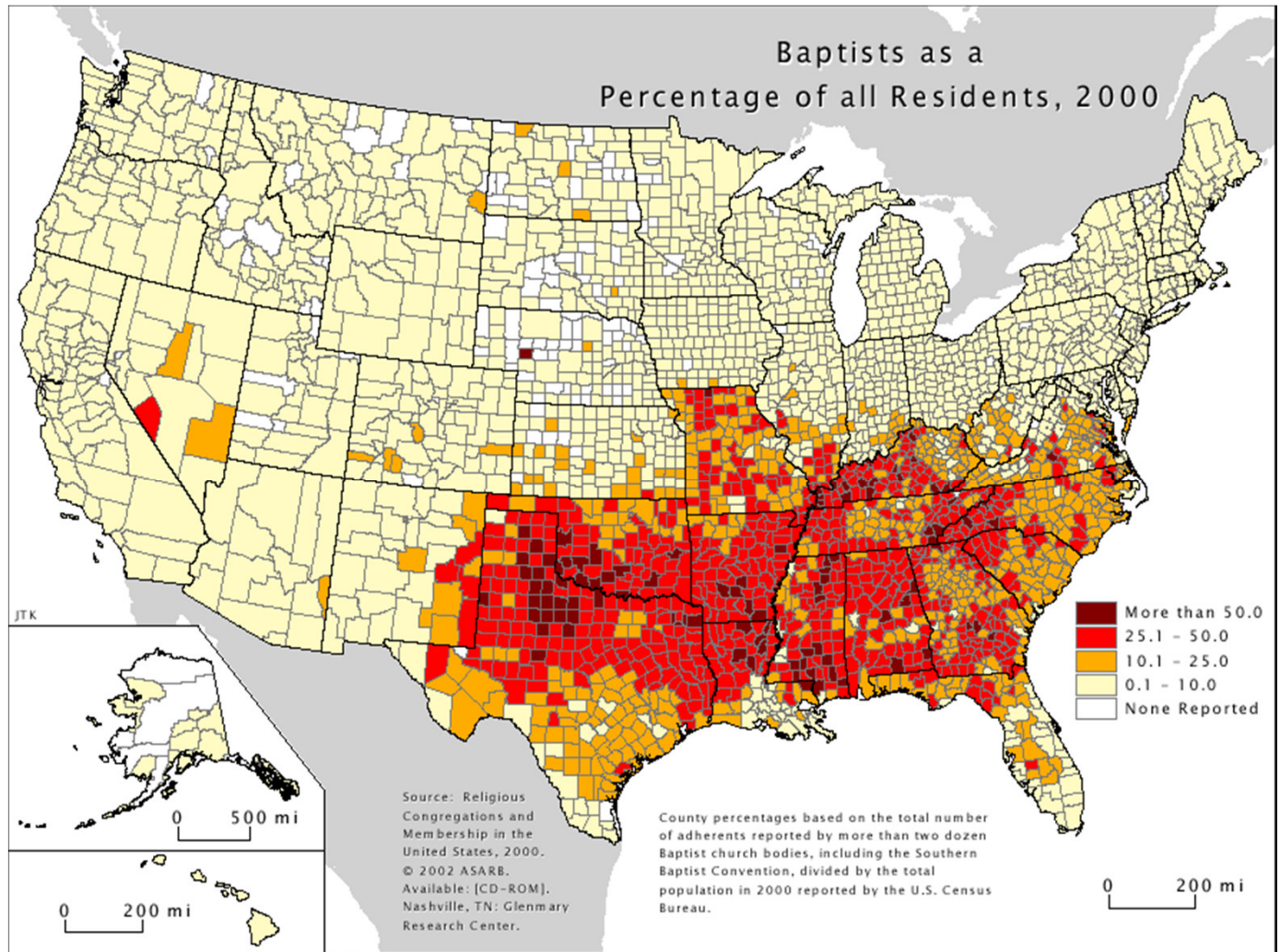
Relationship – Intellectual Capital and Politics

Politics



Relationship - Religion and Politics

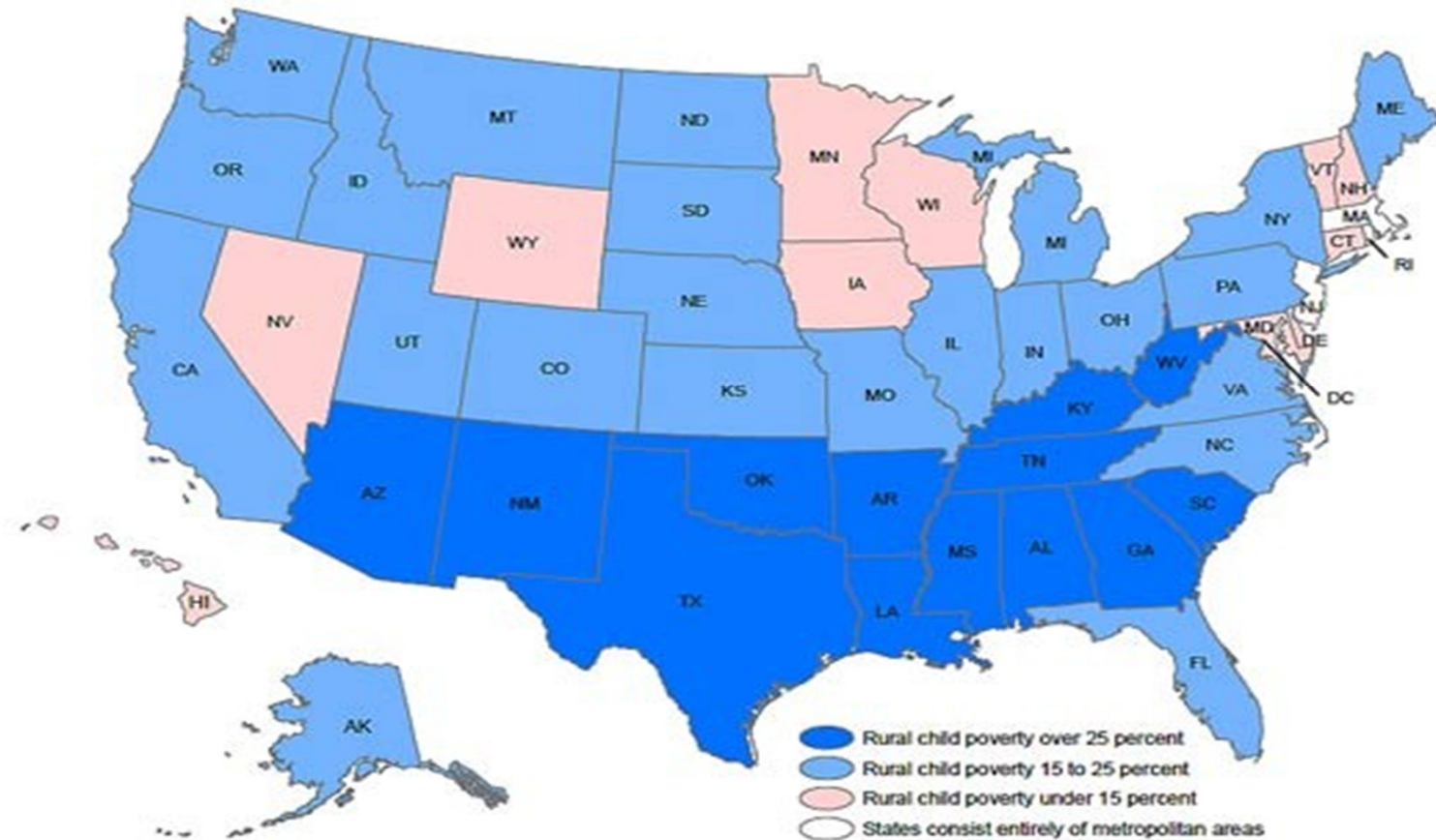
Politics



Relationship - Poverty and Politics

RURAL CHILD POVERTY IN THE UNITED STATES, 2007

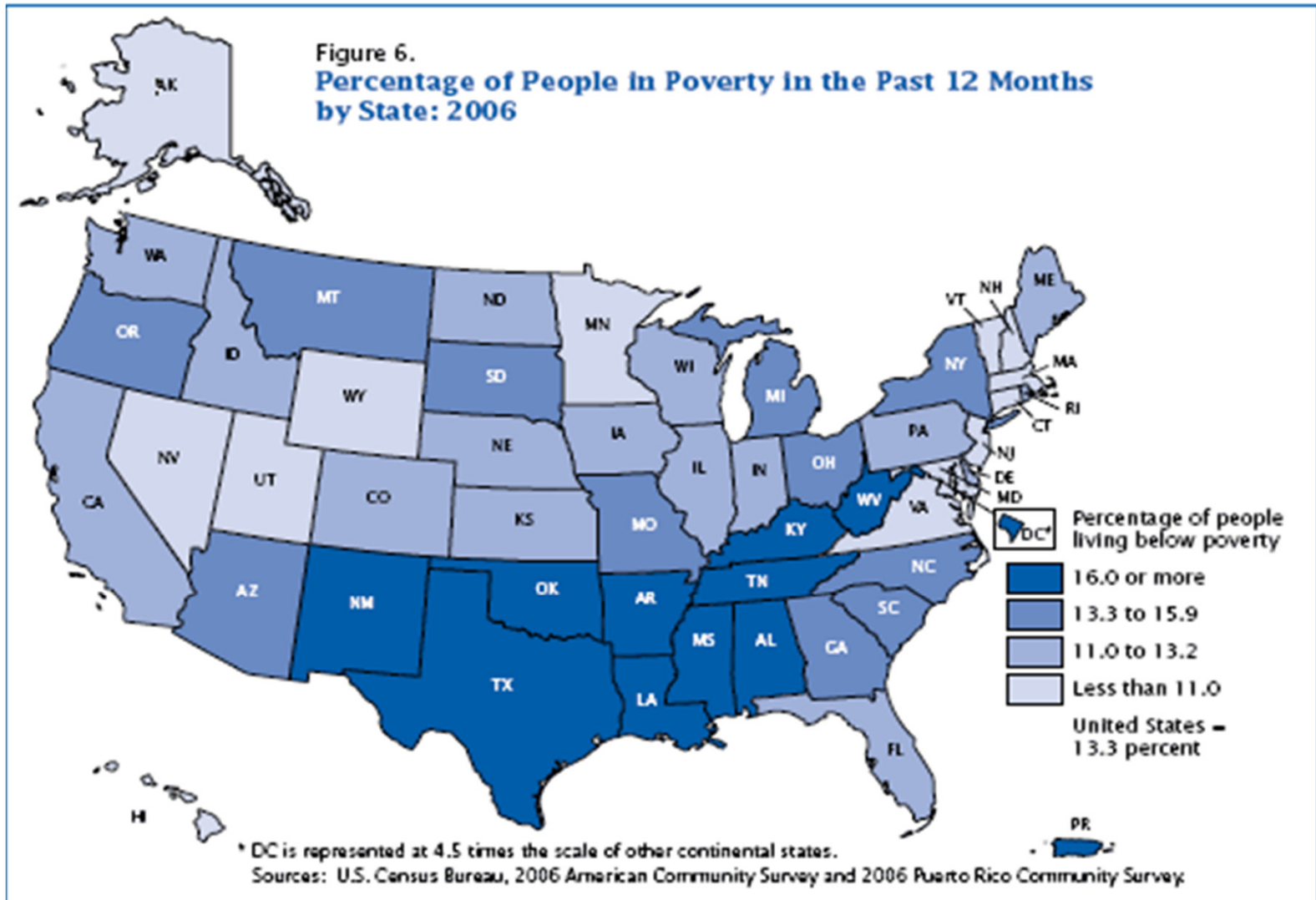
Politics



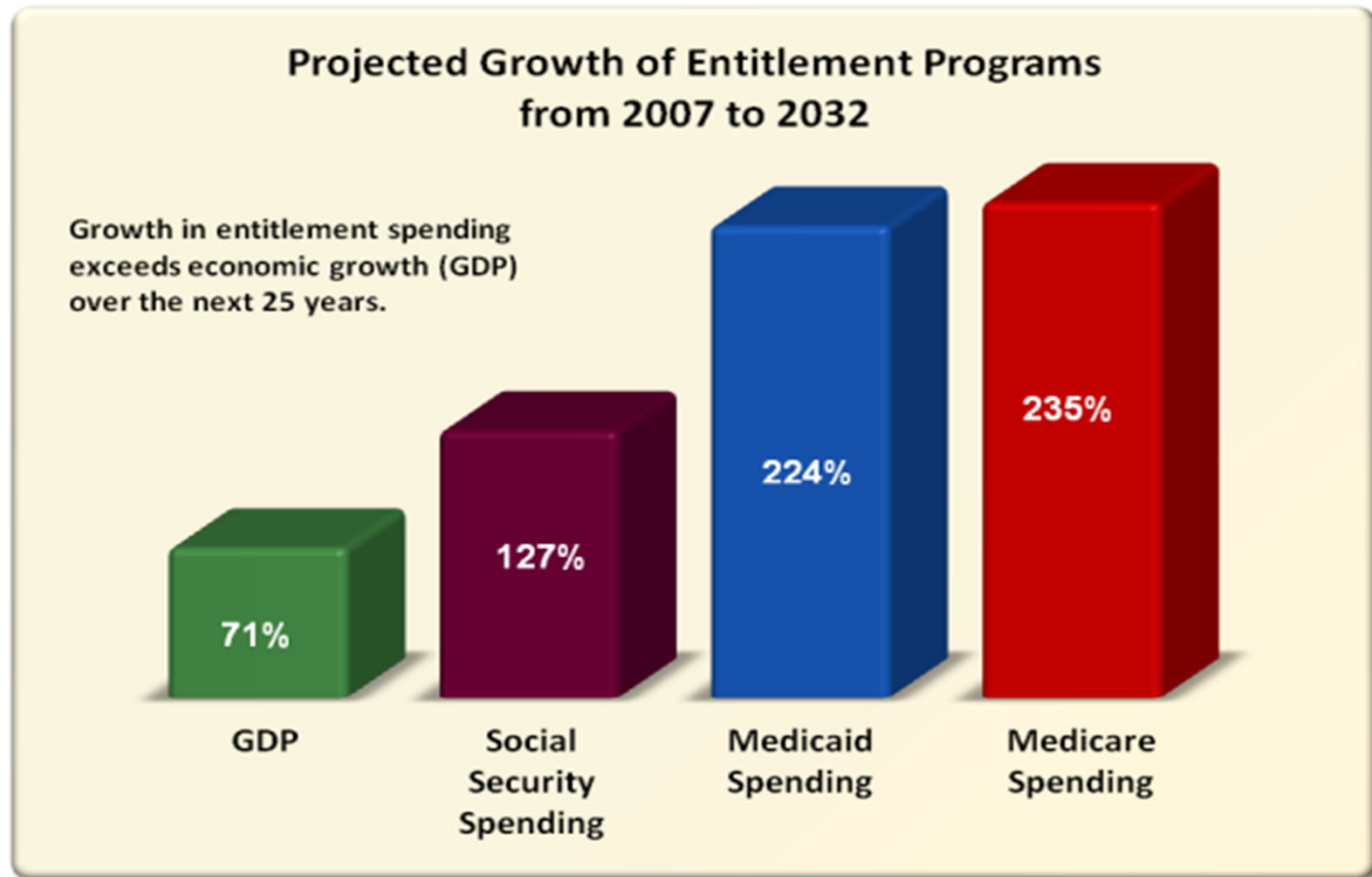
More Republican-friendly states are *poorer* than the Democratic-friendly states. So Democrats who enact progressive redistributive policies tend to be shifting resources to Republican *geographical areas*.

Relationship - Poverty and Politics

Politics



Can we Afford Entitlements/Can we Afford Not Spending

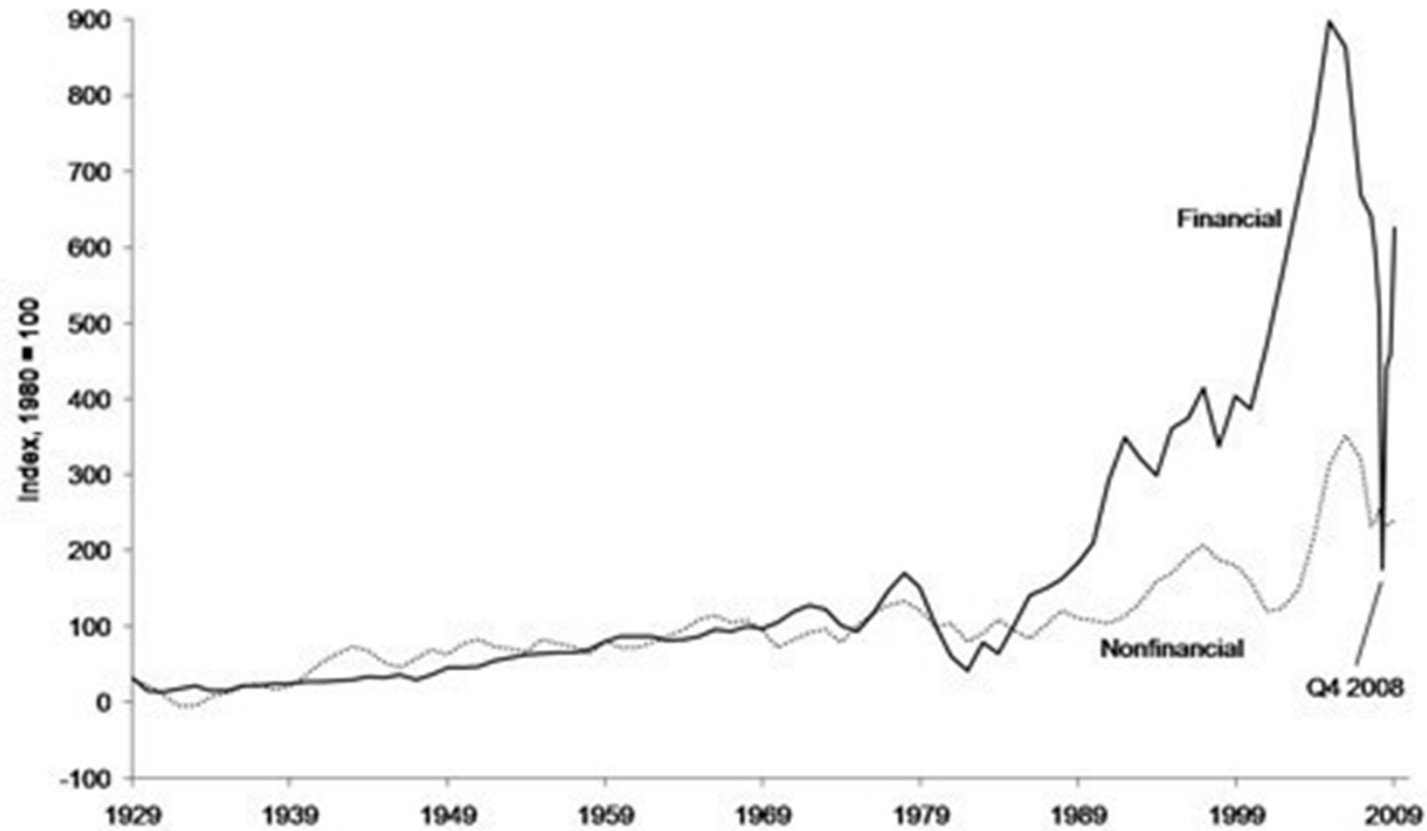


Source: Government Accountability Office
U.S. Financial Condition and Fiscal Future Briefing, January 2008

Money is Made from Money

Politics

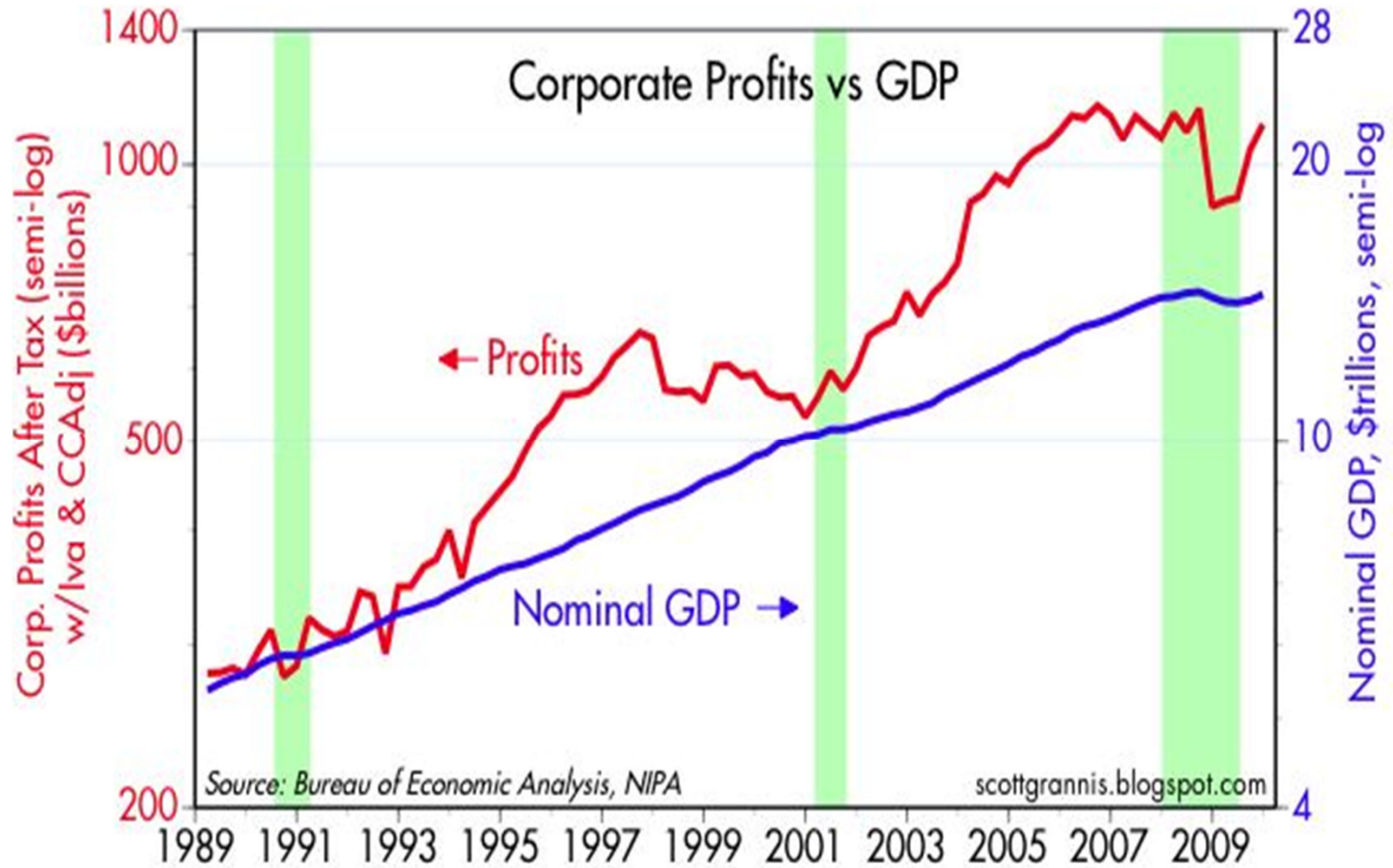
Figure 4.1: Real Corporate Profits, Financial vs. Nonfinancial Sectors



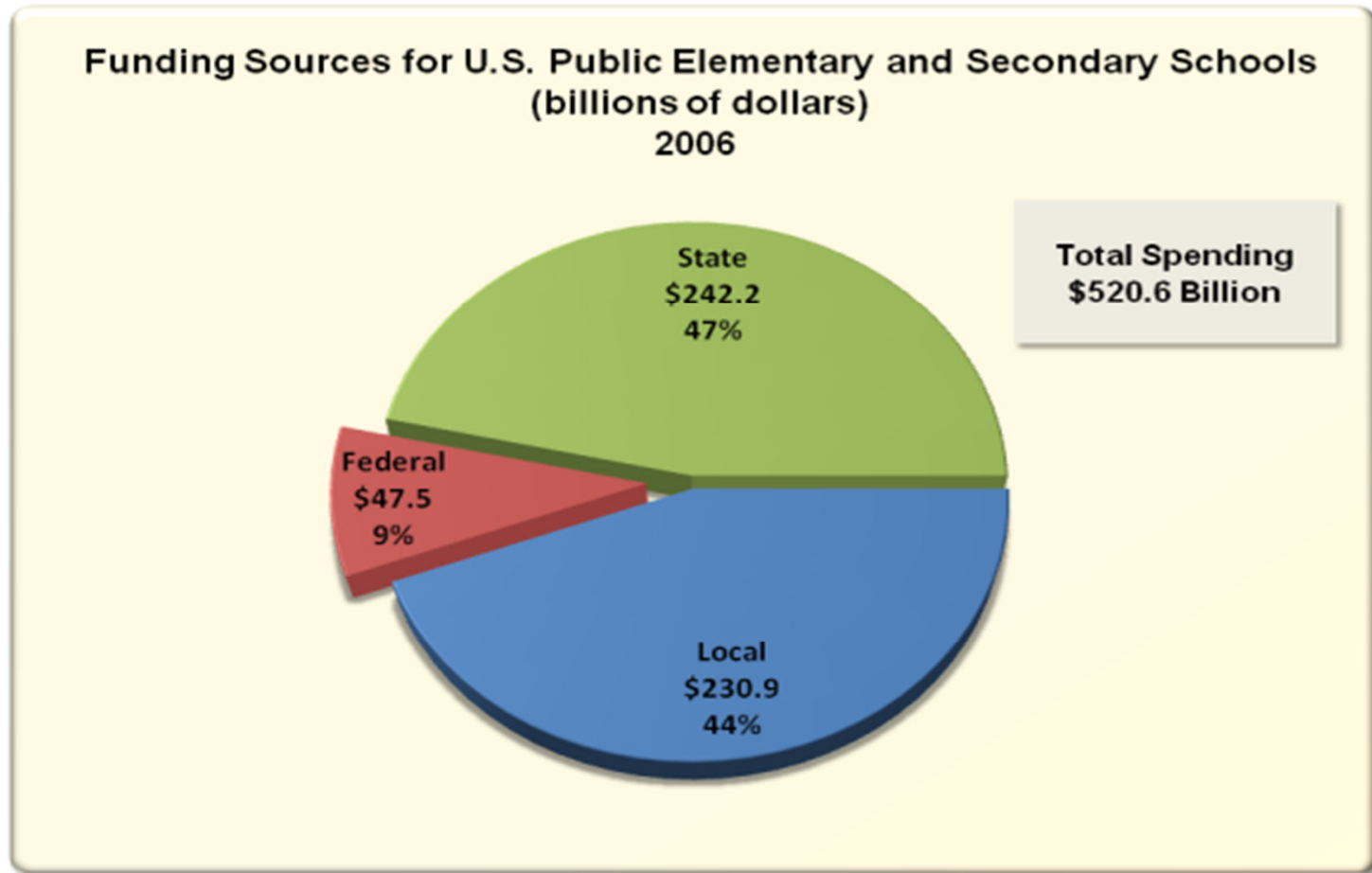
Source: Bureau of Economic Analysis, NIPA Tables 1.1.4, 6.16; calculation by the authors. Financial sector excludes Financial Reserve banks. Annual through 2007, quarterly Q1 2008-Q3 2009.

Profits Growing Faster than Production

Politics



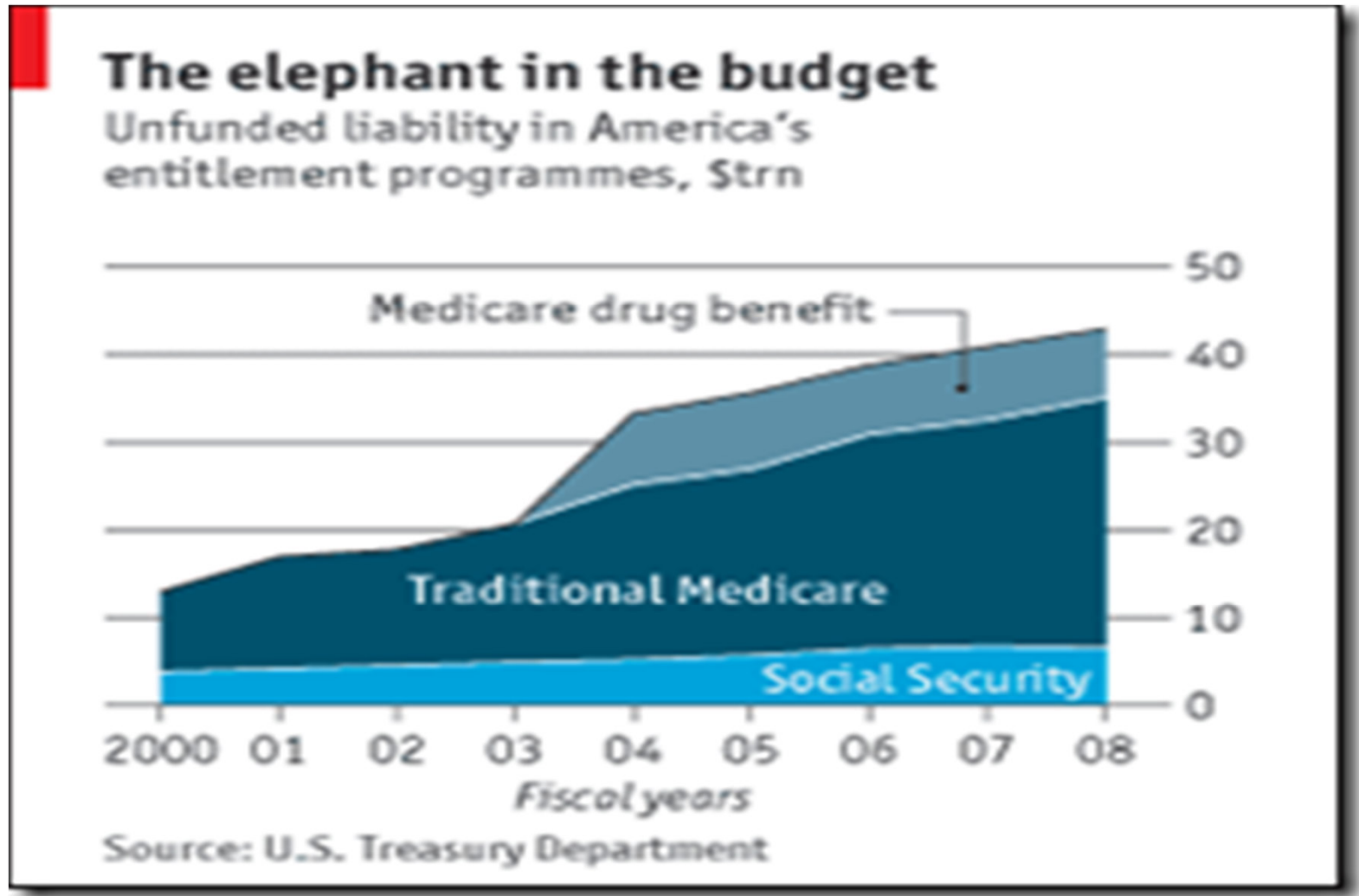
Local Funding Means Uneven Educational Opportunity



Source: U.S. Department of Education, National Center for Education Statistics
"National Public Education Financial Survey" fiscal year 2006, Version 1a

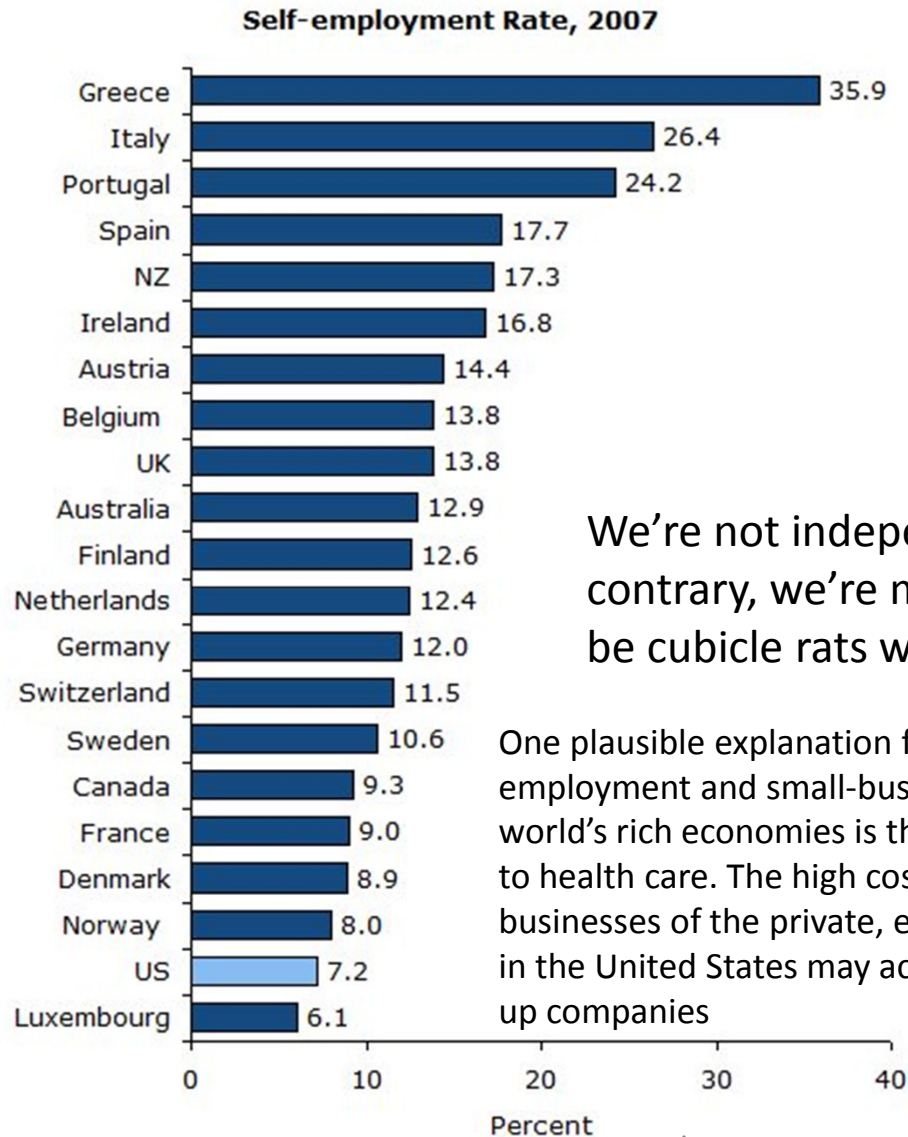
Can Business in US Survive Without Redistribution thru Entitlements

Politics



Small Business Needs to Be Protected & Subsidized to Flourish

Politics

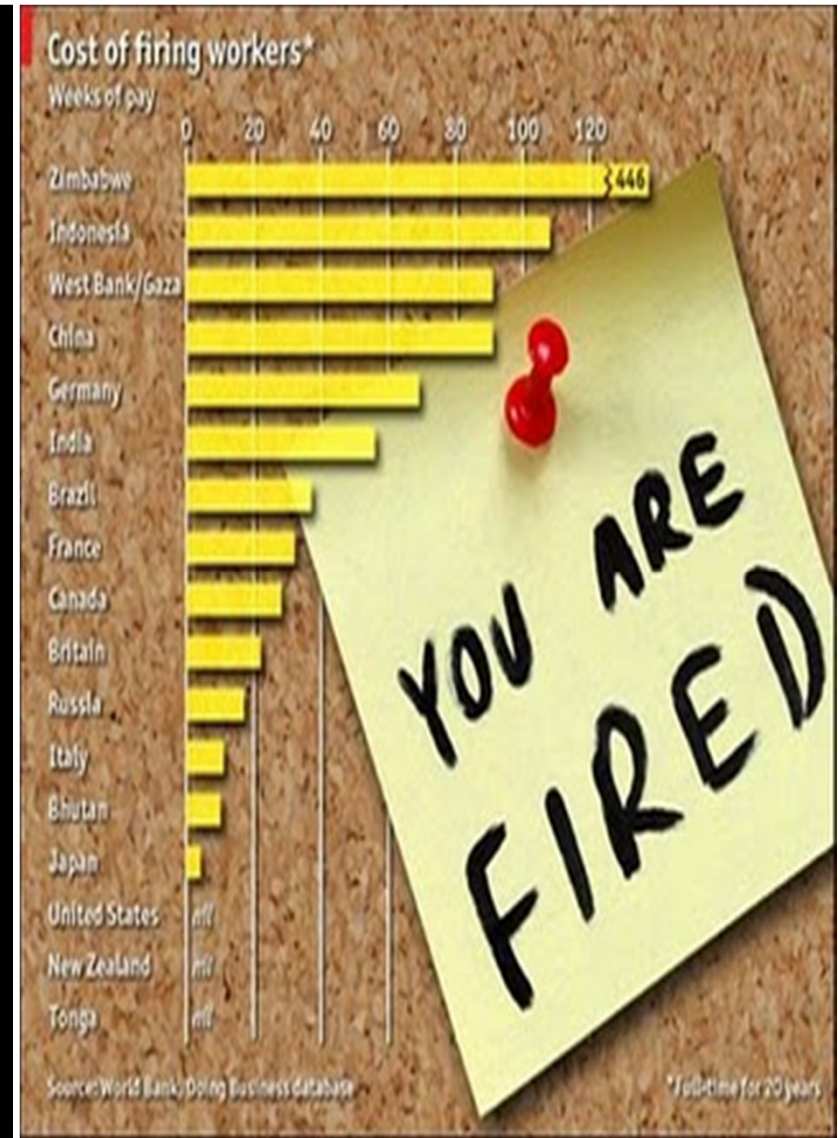


We're not independent free spirits; on the contrary, we're more likely than Europeans to be cubicle rats working for big employers

One plausible explanation for the consistently higher shares of self-employment and small-business employment in the rest of the world's rich economies is that all have some form of universal access to health care. The high cost to self-employed workers and small businesses of the private, employer-based health-care system in place in the United States may act as a significant deterrent to small start-up companies

Doing Business

Challenge



The Dollar

Challenge

Who Gains From a Falling Dollar

Causes → Effects

Investors	Lately the dollar has been inversely related to stocks. In the past, the dollar and stocks fell together.	But the dollar got stronger during the financial crisis as a safe haven for global investors. Stocks plunged.	Investors' appetite for some types of risk is back; stocks are up. Investors are also buying other currencies; the dollar falls.
Nations rich with resources	Many global commodities — oil and raw materials — are priced and sold in dollars.	When the dollar falls, these prices rise. Last year's spike in oil prices was accentuated by the weak dollar.	Their currencies and economies strengthen. But some of their imports get more expensive.
American industry	As the dollar falls, prices fall for American goods abroad. Sales and profits may rise.	But energy and raw materials cost more. Companies importing parts from abroad pay more for them.	Still, increases in exports can lead American companies to step up production.
Chinese industry	The Chinese currency, the renminbi, is pegged to the dollar. When the dollar falls, it falls.	So China's goods sold abroad — already cheap — get cheaper. In the U.S., they stay cheap.	China's economy remains very hot. Employment stays up and keeps a lid on labor unrest.

What American Households Gain

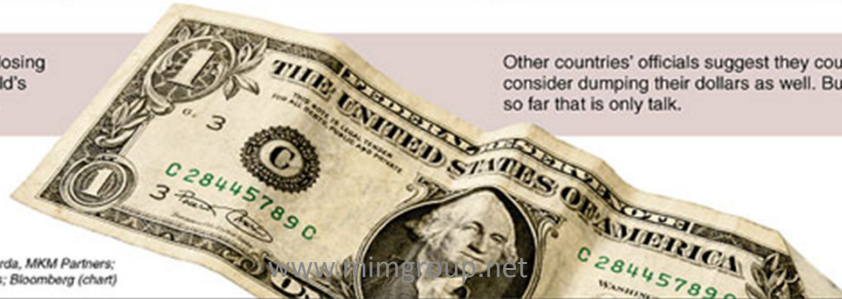
- 401(k)'s are recovering. Less desire for the dollar by global investors may mean less appetite for exotic U.S. investments of the sort that destabilized the housing market. 
- The trade deficit shrinks; much-needed jobs may be created. 
- Chinese-made goods remain affordable. 

Who Loses on a Falling Dollar

China's central bank	The Chinese hold more dollars in reserve than any other country: well over \$1 trillion.	The value of China's holdings declines significantly as the dollar slumps.	The Chinese could dump dollars in favor of other currencies. But that could be self-defeating, locking in losses.
Other foreign industry	Japanese, European and other products (except those from China) get more expensive in the U.S.	Companies lose sales in the U.S., the world's biggest consumer market. They may be forced to lay off workers.	Japan's exports are especially harmed by the dollar's fall. Last month, the dollar hit a 14-year low against the yen.
Other central banks	Like the Chinese, they are losing on their holdings of the world's dominant reserve currency.		Other countries' officials suggest they could consider dumping their dollars as well. But so far that is only talk.

What American Households Lose

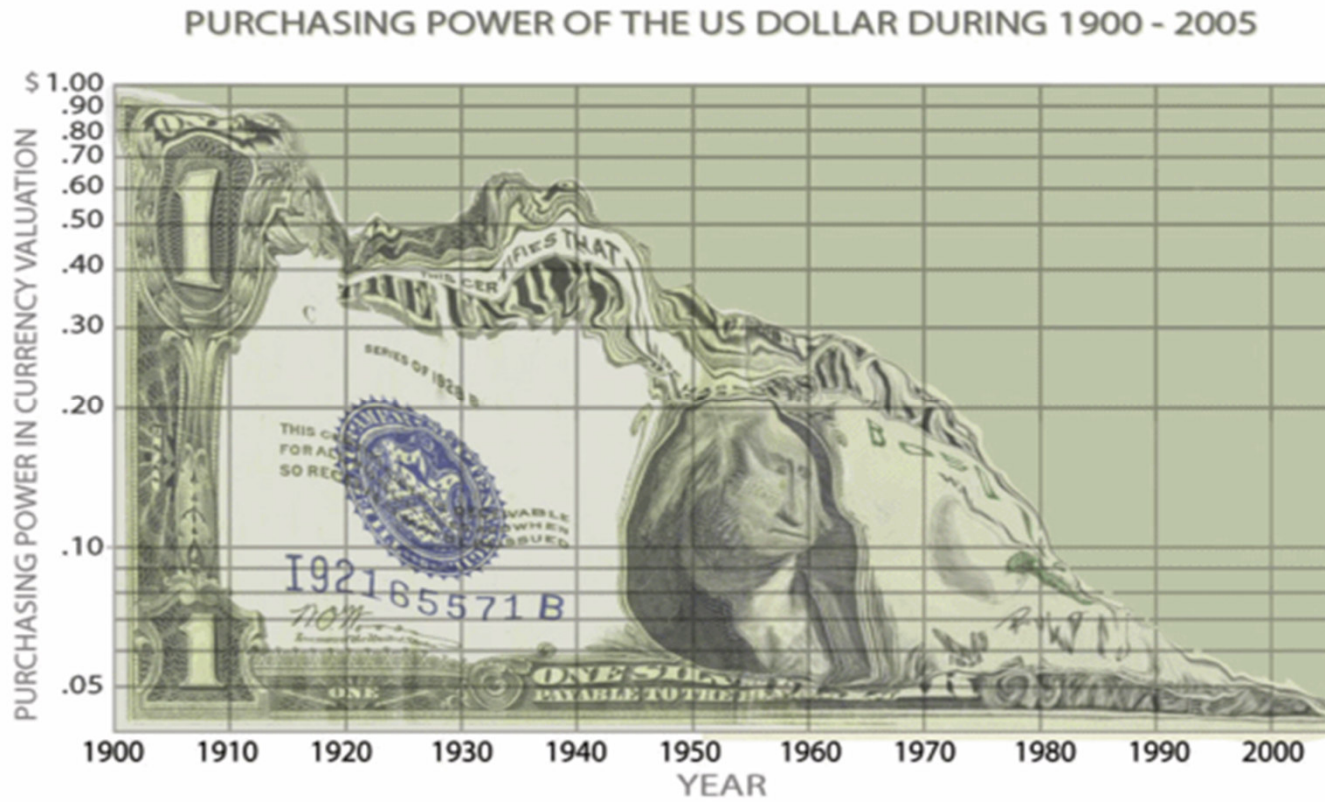
- Energy costs more, driving up the cost of food. 
- The dollar could fall further, increasing inflation and raising interest rates on loans. 
- Another potential inflation trigger. 
- Travel abroad is more expensive.



Sources: Kenneth S. Rogoff, Harvard University; Michael T. Darda, MKM Partners; John Williamson, Peterson Institute for International Economics; Bloomberg (chart)

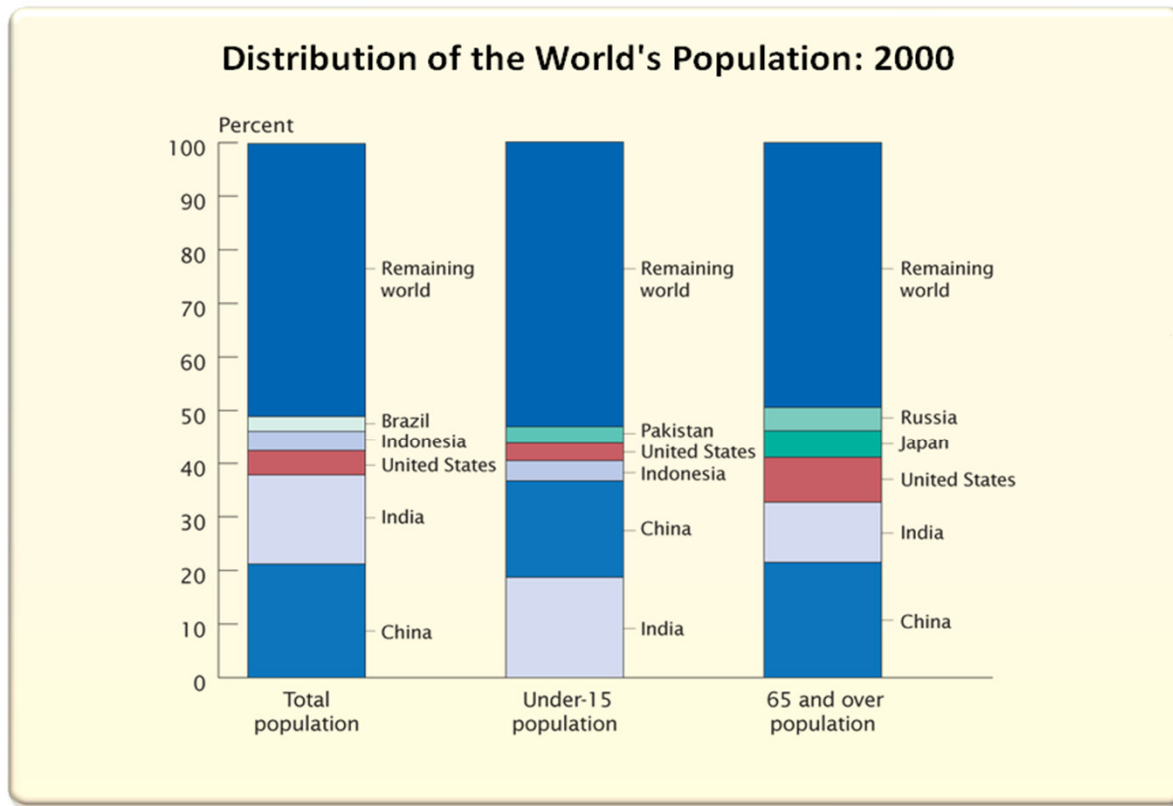
The Dollar

Challenge



Where the People Are

Challenge



Source: United States Census Bureau

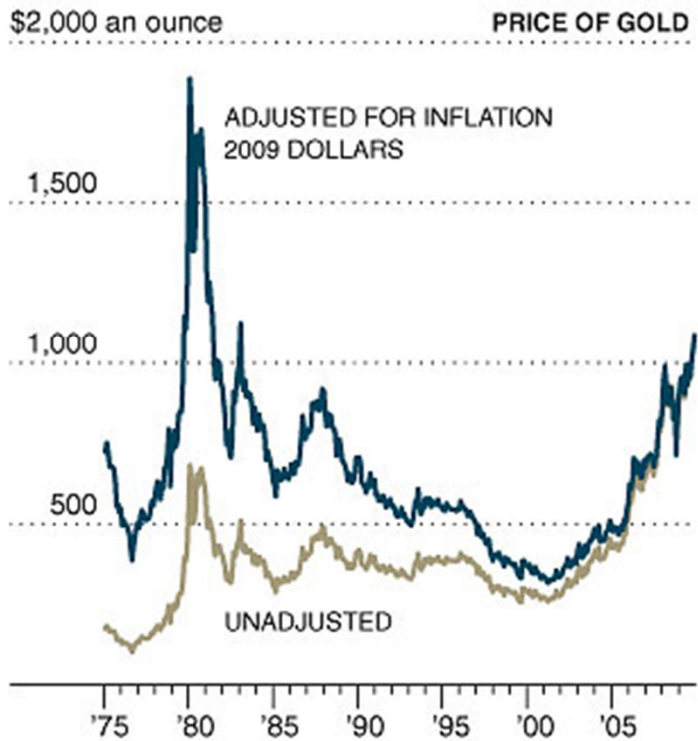
The United States in International Context: 2000, Publication C2KBR/01-11 issued February 2002.

Investors and Fear

Challenge

Gold Fever

Fed by concerns about the fragility of the world economy, the price of gold is rising.



Sources: Bloomberg; Bureau of Labor Statistics; World Gold Council

LARGEST GOLD RESERVES, IN TONS Sept. 2009

United States	8,966	
Germany	3,757	
Int'l Monetary Fund*	3,326	
Italy	2,703	
France	2,695	
China	1,162	
Switzerland	1,147	
Japan	843	
Netherlands	675	
Russia	627	
India*	615	
European Central Bank	553	

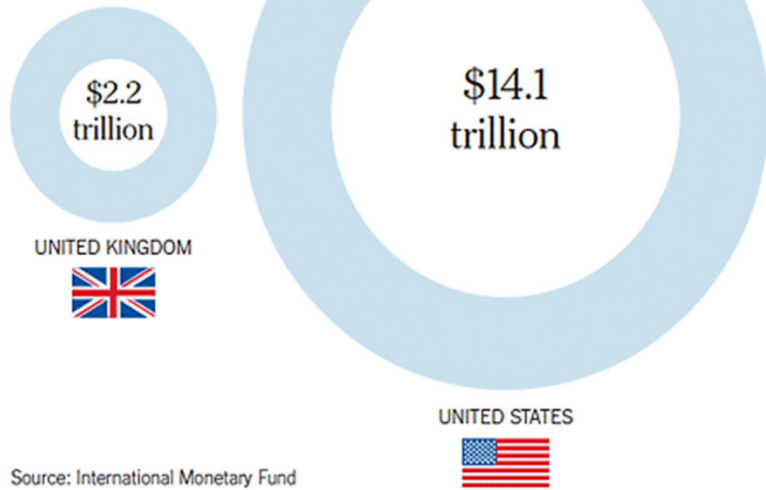
*Adjusted to reflect recent sale of 220 tons to India by the I.M.F.

Comparison with the UK

Challenge

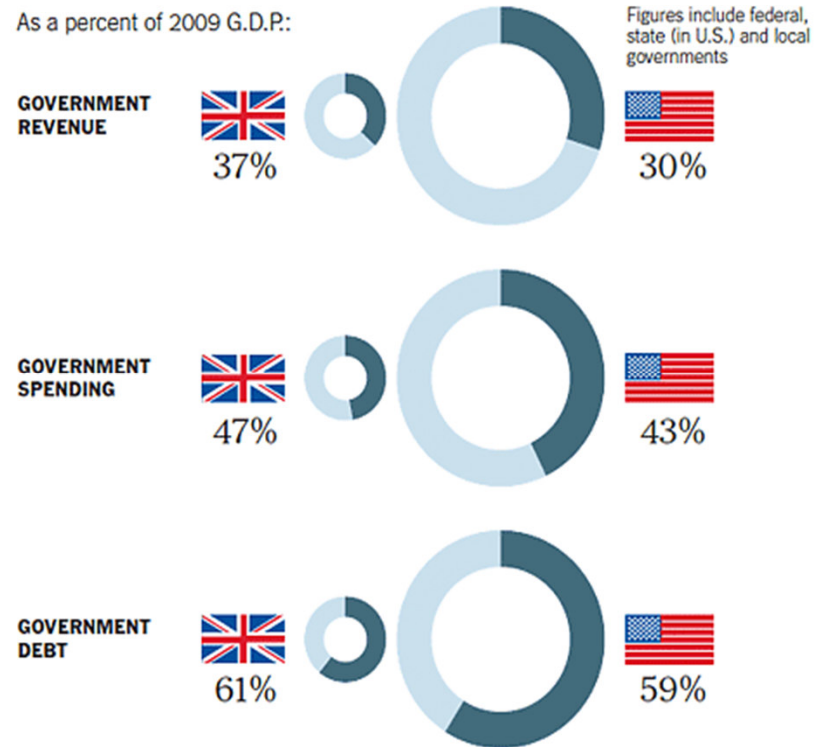
Comparisons Across the Pond

SIZE OF ECONOMIES
Gross domestic product
in 2009



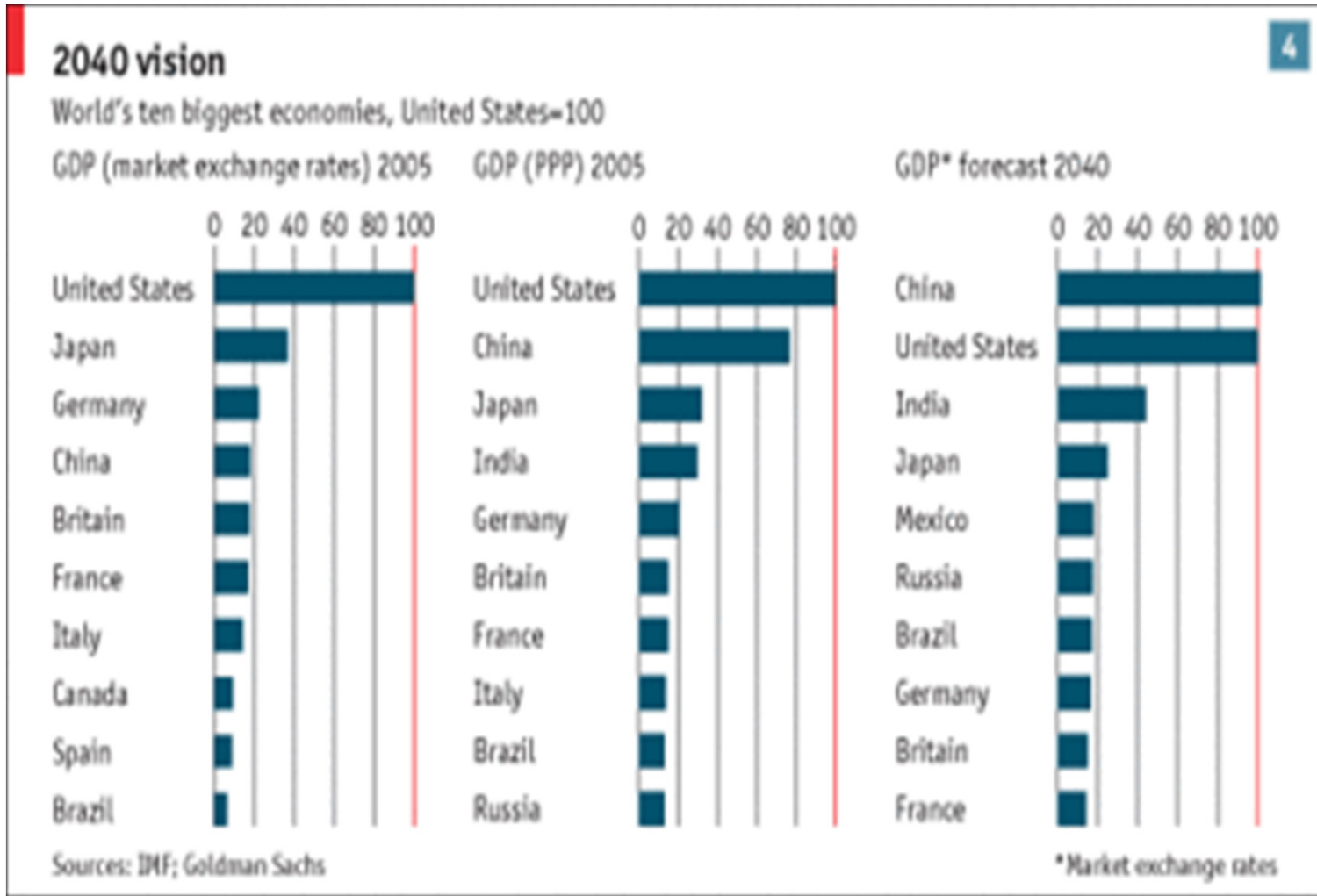
Source: International Monetary Fund

As a percent of 2009 G.D.P.:



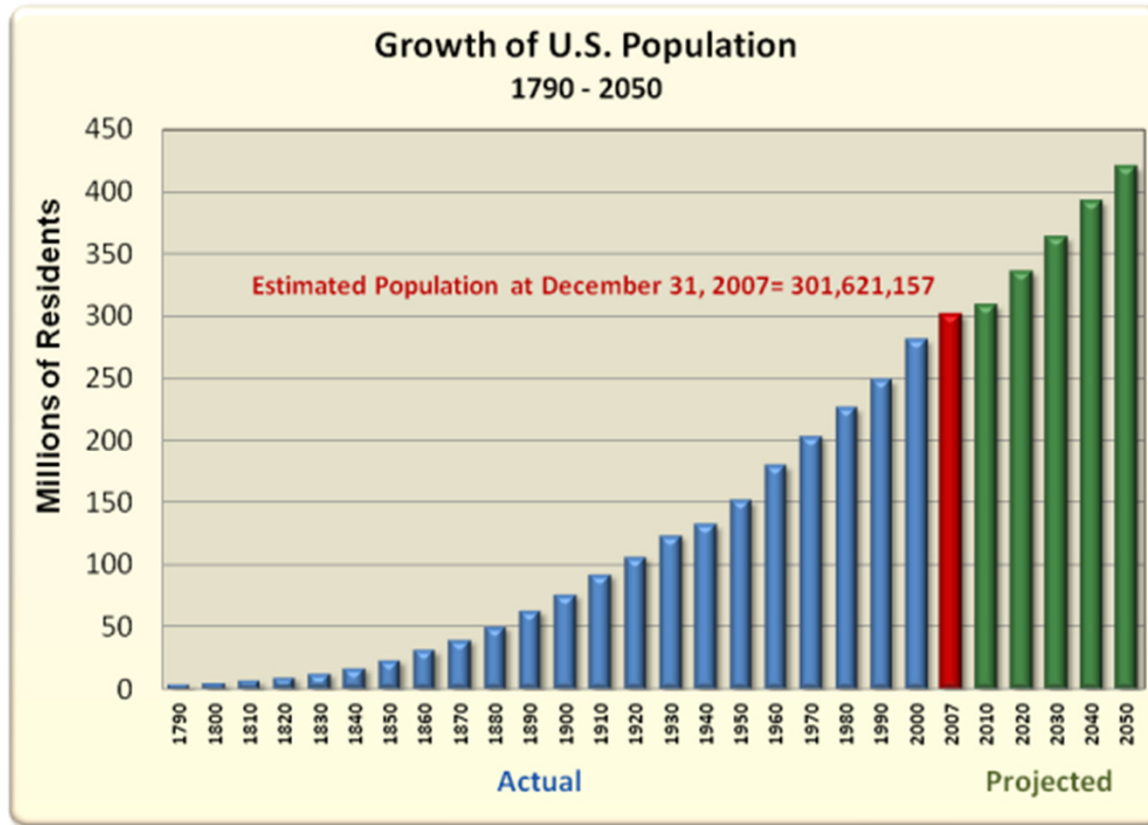
The Changing Order

Challenge



Is Capitalism a Ponzi Scheme Based on Babies?

Challenge



Source: United States Census Bureau, 2008 Statistical Abstract
(1) Publication PHC-3-1 [Table B], (2) U.S. Interim Projections by Age, Sex, Race, and Hispanic Origin [2004]

Public Sector vs Private Sector Drivers

Challenge

Basic requirements

- Institutions
- Infrastructure
- Macroeconomic stability
- Health and primary education

**Public Sector
Driven**

Efficiency enhancers

- Higher education and training
- Goods market efficiency
- Labor market efficiency
- Financial market sophistication
- Technological readiness
- Market size

**Public & Private
Sector Driven**

Innovation and sophistication factors

- Business sophistication
- Innovation

**Private
Sector Driven**

All Elements are Required
to Compete Globally

Key for
factor-driven
economies

Key for
efficiency-driven
economies

Key for
innovation-driven
economies

New World Growth

