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Explaining the Proliferation of U.S. Billionaires During the Neoliberal Period

Abstract

This article explains the proliferation of U.S. billionaire wealth during the neoliberal period (1980 to the present). Using the work of scholars, investigative journalists, and government researchers, it examines descriptive evidence from the past forty years of the economic, social, and political trends associated with the capital accumulation that led to so much wealth being concentrated with so few individuals. It further creates a theoretical framework of institutional factors (or "drivers") that help to understand how these trends link together to provide a comprehensive explanation for the increase of billionaires in comparison with other economic gauges like GDP, income distribution, and inflation. It concludes by describing the cumulative effects of these institutional drivers on the present state of U.S. billionaire wealth.

Keywords

Billionaires, wealth, inequality, neoliberalism

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Introduction

The national wealth of the United States has reached unprecedented levels. The Federal Reserve reported back in 2019 that national wealth in the U.S. had reached $126.08 trillion ($396.85 trillion in assets minus $270.77 trillion in liabilities).[1] This is double the national wealth in 2012 of $60.09 trillion ($226.89 trillion in assets minus $166.79 trillion in liabilities).[2] Despite this dramatic increase in national wealth, an increasing amount of American wealth has found its way into the hands of a smaller percentage of the population. Americans in the bottom half of the income distribution only saw their average pretax income rise from $16,000 to $16,200, while those in the top 10% saw their income more than double, those in the top 1% saw theirs more than triple, and those in the top 0.001% saw theirs more than septuple.[3]

Indicative of this inequality, a peculiar trend has emerged during the last forty years (the period of neoliberalism); the number of individuals that have achieved a net worth of $1 billion (billionaires) has increased more than any other time in American history. Most economic historians agree that before 1970 there were not even five billionaires in the United States, but between 1982 and 1987, the number of American billionaires grew from 15 to 44.[4] By March of 2020 the number of US billionaires had reached 610; over a forty-fold increase since 1982.[5] By comparison, this rate of increase outpaced inflation, which increased over six-fold since 1970! And it far surpassed real U.S. GDP growth since 1970, which only increased three-fold. And the rate of billionaire proliferation easily dwarfs the rate of increase in national wealth by an immense margin.

This article examines the factors that contributed to the proliferation of billionaire wealth in the U.S. during the period of neoliberal capitalism. Using the work of scholars, investigative journalists and government researchers, this analysis will follow the descriptive evidence from the last forty years to best explain why wealth was highly concentrated when compared to other national wealth measurements, which lagged well behind. Specifically, this means analyzing the interplay between the public policy and the capital accumulation that facilitated the dramatic growth of billionaires by using the lens of major institutional changes.

Theoretical Framework

Creating a theoretical framework based on these major institutional changes is a useful tool for analyzing the interplay between the public policy and capital accumulation. Descriptive evidence from literature dealing with income inequality, neoliberalism and its consequences, and the

[1] "Z.1 Financial Accounts of the United States: Flow of Funds, Balance Sheets, and Integrated Macroeconomic Accounts, Second Quarter 2020", *U.S. Federal Reserve*, 21 September 2020, 3.
[2] "Z.1 Financial Accounts of the United States: Flow of Funds, Balance Sheets, and Integrated Macroeconomic Accounts, First Quarter 2013", *U.S. Federal Reserve*, 6 June 2013, 2.
[3] Giridharadas, Anand. *Winners Take All: The Elite Charade of Changing the World*. New York, Vintage Books, 2018, p. 16.
[4] "How the Number of Billionaires has changed over the last Century," https://www.lovemoney.com/gallerylist/90301/how-the-number-of-billionaires-has-changed-over-the-past-century, 13 November 2019.
[5] "Billionaires by the Numbers," *Americans for Tax Fairness*, 18 March 2020, https://americansfortaxfairness.org/billionaires/. Accessed 1 December 2020.

individual actions of billionaires highlights major economic, social, and political themes that correlate with the concentration of wealth in the U.S. during the neoliberal period. These themes resemble comprehensive and interrelated institutional mechanisms (or drivers as I will refer to them) that lead to massive inequality (and by extension billionaire wealth). They include . . .

> 1. *Financialization*: the accumulation of capital mainly through financial activities. Contains the components of "financial intermediation" (when middlemen act as financial facilitators between multiple economic sectors), "securitization" (turning non-financial assets into tradable financial instruments), "shadow banking" (the use of complex financial instruments like derivatives, credit swaps, and futures trading), "financial shift" (the move by different economic sectors from productive non-financial activities to less productive financial activities), "debt proliferation" (collection of interest via the increased issuing of loans in order to accumulate capital), and "capital mobility" (the ease in which capital is moved around for conducting financial activities).
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> 2. *Shareholder Culture*: the societal reverence for capital accumulation that creates a permissive environment for billionaire wealth proliferation. Consists of the following components: "maximization of shareholder value" (giving precedence to the maximization of profits and the interests of shareholders), "market fundamentalism" (the ideology that society benefits only when markets are structured for the advantage of capital accumulation), and "manipulation of perception" (the effort by capital accumulators to influence societal perceptions of their actions in positive ways).
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> 3. *Crony Capitalism*: collusion between business and government officials to preserve the interests of capital accumulation at the expense of labor and society. Has the components of "campaign finance" (monetary support to candidates for elected office to ensure favorable policies), "lobbying" (influence of current government officials to ensure favorable policies), "regulatory capture" (control of government regulatory structures to ensure favorable policies), and "democracy subversion" (preserving the billionaire status quo by negatively influencing civic participation in the democratic process).
>
> 4. *Rentierism*: the control of access to productive activities and assets for the sole purpose of extracting capital in the form of rents. Contains the components of "privatization" (the passing of societal assets from state control to control by private interests), "commodification" (turning naturally or publicly generated resources into commodities that can be collected, hoarded, and sold for profit), "state subsidization" (the act by capital accumulators to benefit from state support and investments), "vulture capitalism" (scavenging on sources of potential value for relatively small investment), "subsidiary formation" (creating new assets on paper by breaking apart existing ones), and "concentration" (small numbers of firms controlling access to a sector and its market).
>
> 5. *Tax Policy*: the decisions that have manipulated the tax code to prioritize the capital accumulation that leads to billionaire wealth over all other societal investments. Tax Policy contains the components of "loopholes" (ambiguities or inadequacies within the tax code that can be exploited in a beneficial way by capital accumulators), "convolution" (the complexity of the tax code and the difficulty in which it can be understood and followed),

and "cronyism" (when lawmakers tasked to create the tax code add the loopholes and convolution that billionaires can exploit).

6. *Labor Exploitation*: the exploitation of labor exclusively for the benefit of capital accumulation. Possesses the components of "labor devaluation" (ensuring that less capital is expended for the benefit of labor), "labor power erosion" (the weakening of labor's power in the capital-labor relationship), and "worker displacement" (displacing workers from their jobs or vice versa).

The above institutional drivers and their components provide a comprehensive framework for explaining billionaire proliferation in the U.S. during the last forty years. During neoliberalism, there were distinct major economic, social, and political events that shaped the structure of the U.S. economy. These major events consisted of trends that paralleled the components of the six institutional drivers as discussed below.

Financial Instruments Begin to Proliferate

Beginning in the 1980s, certain trends emerged that demonstrated the increased power of the finance sector and proliferation of financial instruments. Financialization's components of financial intermediation, securitization, shadow banking, financial shift, debt proliferation, and capital mobility overlapped with the actions of government and business actors that contributed to billionaire wealth during the four decades of neoliberalism.

The Coaxing of Foreign Capital

In the early 1980s, the U.S. Treasury took several concrete steps to make U.S. financial instruments more attractive to foreign borrowers. In 1984, the 30% percent withholding tax imposed on interest earned by foreigners on investments was eliminated.[6] Also, the Foreign Targeting Securities Program (which created special issues of Treasury Bills for European and Japanese markets) was implemented along with the issuance of unregistered "bearer bonds" to foreign investors, who could hold them anonymously.[7] These policies ensured that the financial sector was well funded with mobile capital from other countries. This in turn made financial activities and instruments more lucrative from a profit standpoint. In fact, the amount of global capital that flowed into the U.S. economy at the start of the neoliberal period went from $85 billion to as high as $221 billion in the 1980s.[8] By the 21st century, this total would reach as high as $425 billion.

Money Becomes Scarce, but Credit Becomes Widespread

Despite the flow of mobile capital into the financial sector, other areas of the economy did not receive this benefit. At the start of the neoliberal period, interest rate controls on consumers' savings deposits were removed, causing credit to become even more expensive, thus creating a

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[6] Krippner, Greta R. *Capitalizing on Crisis: The Political Origins of the Rise of Finance*. Harvard University Press, 2012, 101.
[7] Ibid.
[8] Ibid, 97.

macroeconomic environment that favored financial activities over productive investment.[9] The removal of these limits allowed monetary policy makers to raise interest rates in response to the Reagan Administration's liberal expansion of credit (since the supply of credit was expanded it was necessary to increase the price of it in order to control the money supply).[10] For the financial sector, a smaller money supply and high interest rates were good news as they both enhanced the profitability of financial assets and pushed up the cost of borrowing by the public sector, shifting the power from the state and labor to employers and financiers.[11]

Since credit was made more accessible to average Americans, they took on more debt to offset their lack of money, which aided the debt proliferation component of Financialization, and in turn making the securitization of this debt by financial intermediaries even more common. Also, as money became scarcer and more valuable due to rising interest rates, a parallel transformation was evident in the investment behavior of American households, who no longer sought refuge from inflation by investing in housing, land, jewelry and tangible goods, but in financial assets and markets, resulting in the transfer of inflation from the nonfinancial to the financial economy where it was barely visible.[12] Massive wealth now had the ability to proliferate in secret and without limits. This lack of limits would be exacerbated by the next trend of deregulation.

Banks Become Deregulated

The deregulation of banks was represented by the slow killing of the Glass-Steagall Act by government officials. Glass Steagall placed the guardrails on banks needed in the wake of the Great Depression. In the 1980s (after lobbying from multiple banks), the Federal Reserve Board (FED) eased the restrictions in Glass-Steagall that prohibited banks from underwriting financial firms that dealt in commercial paper, municipal revenue bonds, and debt securities.[13] This made the banking industry more intertwined with the financial industry which meant enormous profits for the banks but elevated their financial exposure and made them more susceptible to risk. In 1990, J.P. Morgan became the first commercial bank to benefit from these eased restrictions with more banks following suit throughout the 1990s as virtually any bank wanting to engage in securities underwriting could do so as long as no more than 25% of their revenue came from this activity.[14] This level of freedom effectively rendered Glass-Steagall obsolete as the FED practically gave banks the right to acquire securities firms outright.[15]

By the end of the 1990s, the Glass Steagall Act was on life support and the House of Representatives passed legislation that allowed for the merging of banks, securities firms, and insurance companies into huge financial conglomerates.[16] For example, in 1998, Travelers Insurance company (which owned the investment house Salomon Smith Barney) merged with the bank Citicorp (after their representatives quietly lobbied banking regulators and government

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[9] Ibid, 58-59.
[10] Ibid, 52.
[11] Sayer, Andrew. *Why We Can't Afford the Rich*. *Policy Press*, 2016. p. 190.
[12] Krippner, *Capitalizing on Crisis*, 103.
[13] "The Long Demise of Glass-Steagall," *Frontline*, 8 May 2003, accessed 13 November 2021, https://www.pbs.org/wgbh/pages/frontline/shows/wallstreet/weill/demise.html.
[14] "Demise of Glass-Steagall."
[15] Ibid.
[16] Ibid.

officials for support of their merger) to create Citigroup Inc., the world's largest financial services company, in what was the biggest corporate merger in history. In 1999 the final nail in Glass Steagall's coffin came in the form of the Financial Services and Modernization Act. Not only did this law aid the formation of financial conglomerates, but it permitted funds in government-insured deposits to be invested in risky financial activities (like derivatives).[17]

Deregulation of Derivatives

The demand for more securities to "invest" in encouraged the financial sector to relax standards and increase risk in order to create even more financial products that could deliver larger yields.[18] For example, the bans on speculative derivatives trading that were put in place after the Great Depression were effectively side stepped as unregulated over-the-counter (OTC) derivatives trading exploded in the 1980s and defied subsequent efforts at re-regulation.[19] In fact, despite their toxicity, FED Chairman Alan Greenspan vetoed a proposal to regulate OTC derivatives, arguing that the OTC markets could function effectively with a less burdensome regulatory regime.[20] Even the Chair of the Securities and Exchange Commission (SEC), Arthur Levitt, was singing the praises of derivatives, publicly stating in 1995 "They are so useful in managing risk that if they didn't exist, we would surely have to invent them."[21]

In 2000 the Commodity Futures Modernization Act passed and forbade government regulation of derivative securities. Adding to this climate were the individuals in authority that perpetuated a false sense of security around the stability of the derivatives market. In 2006, Greenspan as the current FED Chair and Tim Geithner as President of the Federal Reserve Bank of New York, claimed that derivatives were a stabilizing factor because they spread securitization risk among the financial institutions that were supposedly best equipped to handle said risk.[22]

Despite its role in the inevitable financial meltdown in 2007 and the growing risk being spread throughout the financial system, the deregulation of the derivatives market created massive opportunities for bankers and financiers to amass capital, especially when their losses were subsidized by the American taxpayers after the meltdown. With so many toxic financial assets permeating throughout the financial system, it is no surprise that the shadow banking system grew to circulating nearly $250 trillion in derivatives by 2005 (with global output only being $45 trillion) and possibly as much as $600 trillion by 2008.[23] The number of hedge funds in the U.S. grew to 5,000 during 2000s, managing a total $2 trillion in assets.[24] And by 2010, the notional value of derivatives held by commercial banks just in the U.S. was $212.8 trillion with 97% of this notional value being claimed by the top five banks.[25]

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[17] Kotz, David M. *The Rise and Fall of Neoliberal Capitalism*, Harvard University Press, 2015, p. 17.
[18] Sayer, *We Can't Afford the Rich*, 198.
[19] Mazzucato, Mariana. *The Value of Everything: Making and Taking in the Global Economy*. *Public Affairs*, 2018, p. 112.
[20] Ibid, p. 126
[21] "Derivatives Use in the 1990s," *Remarks by Arthur Levitt IDB/ISDA Conference*, 9 November 1995, accessed 15 November 2021, https://www.sec.gov/news/speech/speecharchive/1995/spch066.txt.
[22] Mazzucato, *Value of Everything*, 126.
[23] Harvey, David. *The Enigma of Capital and the Crises of Capital*, 2010, pp. 21-23.
[24] Mazzucato, p. 144.
[25] Sayer, p. 200.

The Explosion of the Finance Sector

Foreign capital, high interest rates, easy access to credit, and deregulation would fuel the immense growth of the financial sector throughout neoliberalism. An explosion in financial trading and financial instruments (like derivatives) led to a massive and disproportionate growth of financial sector profits, which meant greater capital accumulation amongst all that participated.

This explosion of growth was especially evident by the increase in financial sector profits. By the end of the 20th century, financial sector profits accounted for approximately 30% of total profits in the U.S. economy, but they rocketed up to exceed 40% as the business cycle peaked in 2001 (not counting the instances of excess compensation in the financial sector or the profits in non-financial sector firms that engaged in financial activities).[26] In the early 2000s, banks began the practice of increasingly lending to other financial institutions via wholesale markets, making loans above and beyond the value of their deposits.[27] This practice led to an ever-larger share of profits going to the financial sector. Even after the resulting financial meltdown, U.S. banks rebounded in their reaping of corporate profits. After a brief plunge to 10% in 2008, they still managed to enjoy a 23% share in 2010 and an almost 30% share by 2012 (as corporate profits were growing much faster than U.S. GDP or labor income).[28]

As their work became increasingly profitable, financial intermediaries facilitated the financial transactions that grew the finance sector. So profitable was this work that the share of income from financial intermediation as a percentage of GDP rose from 5% in the 1980s to higher than 8% by the 2010s.[29] In addition, financial conglomerates no longer saw themselves as lending institutions but as intermediaries acting as diversified financial services firms, with the 10 largest financial institutions increasing their share of industry assets from 10% to 50%. These firms began to reorient their businesses from lending to charging fees for services, like investment banks had long done.[30] This shift is evident across the population of commercial banks, whose income from fee related activities went from 24% in 1980 to 35% in 1995.[31]

These financial firms came to understand that they could make money from all parts of the securitization process, especially when it came to the securitization of mortgages. Firms like Countrywide Financial pioneered this model in the 1990s and did so spectacularly well that most of the largest investment banks, commercial banks, and mortgage lenders aggressively followed suit.[32] Through the 1990s, the core entities that organized the securitization market were the

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[26] Krippner, *Crisis*, p. 28.
[27] Mazzucato, *Value of Everything*, pp. 124-125.
[28] Ibid, p. 148.
[29] Phillippon, Thomas. "Has the U.S. Finance Industry Become Less Efficient? On the Theory and Measurement of Financial Intermediation," *Stern School of Business, New York University*, Sep. 2014, http://pages.stern.nyu.edu/~tphilipp/papers/Finance_Efficiency.pdf. Accessed 10 Nov. 2021, p. 4.
[30] Fligstein, Neil and Adam Goldstein. "The Transformation of Mortgage Finance and the Industrial Roots of the Mortgage Meltdown," Oct. 2012, https://sociology.berkeley.edu/sites/default/files/faculty/fligstein/The%20Transformation%20of%20Mortgage%20Finance2.pdf. Accessed 10 Nov. 2021, p. 19.
[31] Ibid, p. 19.
[32] Ibid, p. 5.

government sponsored mortgage lenders like Fannie Mae, Freddie Mac, and the government-owned mortgage insurer, Ginnie Mae. These financial institutions bought mortgages from originators to be packaged into mortgage-backed securities (MBS).[33] Research shows that by 2007, there were a small number of large financial firms that mass produced MBS in vertically integrated pipelines, thus originating the mortgages, securitizing them, selling them to investors (or buying the securities themselves).[34]

Even further, the shift by non-financial businesses to financial activities complemented finance sector growth. Towards the beginning of neoliberalism, several corporations like GE, Sears, GM, and Ford all created captive finance units that were originally intended to support consumer purchases of their products but instead became financial behemoths that overshadowed the manufacturing and retail activities of their companies.[35] By the start of the neoliberal period in the 1980s the ratio of financial to non-financial profits had already ranged between approximately three to five times the levels characteristic of the 1950s-60s across all sectors.[36] By the beginning of the 21st century, firms across all sectors were becoming more and more financialized, with the ratio of financial to non-financial profits reaching above 0.7 (up from around 0.2 in 1980).[37]

And finally, financial sector growth was just as evident by the trend of debt proliferation. The securitization of loans and the fees for doing so created an insatiable appetite for issuing more debt. Domestic debt in the U.S. held by the Private Sector as a percentage of GDP went from just under 95% of GDP in 1980 to over 216% by 2021.[38] The revenue from interest payments on this debt has been estimated at $20 billion a year between 2001 and 2007.[39] By 2014 the value of assets serviced by the informal lending sector reached $80 trillion (from only $26 trillion in 2004).[40] In addition, total household debt as a percentage of net disposable income grew to 42% by the 21st century, with mortgage loans being a principal source of this rising household debt.[41]

The proliferation of finance helped individual financiers and bankers amass the huge fortunes that would make them billionaires and is indicative of the institutional driver of Financialization. The components of financial intermediation, securitization, shadow banking, financial shift, debt proliferation, and capital mobility were exemplified by the influx of foreign capital, high interest rates, deregulation, and explosive financial growth that aided capital accumulation throughout the neoliberal period. This accumulation would go on to concentrate extreme wealth within the financial sector causing more U.S. billionaires to emerge in this sector than any other. But while Financialization had such a prominent hand in the proliferation of billionaire wealth, it worked in tandem with the other drivers as discussed below.

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[33] Ibid, p. 14.
[34] Ibid, p. 4.
[35] Krippner, p. 29.
[36] Ibid, p. 51.
[37] Ibid, p. 41.
[38] "Domestic Credit to Private Sector (% of GDP) – United States," *The World Bank*, 2023, https://data.worldbank.org/indicator/FS.AST.PRVT.GD.ZS?locations=US. Accessed 21 Nov. 2021.
[39] Mazzucato, p. 151.
[40] Ibid, p. 135.
[41] Ibid, pp. 130-131.

Shareholders Take Priority

Certain events took place during neoliberalism that demonstrate the prevalence of Shareholder Culture. Through its components of maximization of shareholder value (MSV), market fundamentalism, and manipulation of perception, this institutional driver aided capital accumulation and subsequently billionaire wealth. An analysis of the policy trends that occurred during the neoliberal period further sheds light on the link between these phenomena.

MSV Becomes Law

After the Great Depression, safeguards were put in place to protect the U.S. economy from the stock price manipulation that led to the crisis. One of these safeguards was the banning of stock buybacks, which remained in place until the start of the neoliberal period. In 1982 the Securities Exchange Commission amended the Securities Exchange Act and allowed corporations to repurchase a certain dollar amount of stock over a specified or open-ended period (the SEC had previously considered this practice a form of stock price manipulation).[42]

By the 1990s Fortune 500 companies were spending $3 trillion to buy back their shares and funnel money away from areas that could increase long-term growth (like research and staff development).[43] By the 2000s, S&P 500 companies were using 54% of their earnings—a total of $2.4 trillion—to buy back their own stock, almost all through purchases on the open market while issuing 37% of their earnings as shareholder dividends, leaving very little for investments in productive capabilities or higher employee incomes.[44] The 10 largest repurchasers spent a combined $859 billion on buybacks during this period, an amount equal to 68% of their combined net income.

Capital Accumulators Get a Positive Perception

The development and promotion of ideas (or ideological warfare) is a critical trend in Shareholder Culture. Powerful ideological influences circulated through corporations, the media, and the numerous institutions that constitute civil society such as universities, schools, churches, and professional associations.[45] These ideological influences manipulated the perception of capital accumulation in a positive light and were made possible by the advocacy Think Tanks that shaped the narratives surrounding capital accumulation. Financial support to ideological think tanks like the Heritage Foundation, the American Enterprise Institute, and the National Center for Policy Analysis, attributed to Conservative political victories in Congress in the 1990s. Their influence in the political process demonstrated that ideas matter, and that building institutions capable of developing and promoting ideas was a critical tool for shaping the national political discourse in favor of capital accumulation.[46]

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[42] Lazonick, William. "Profits Without Prosperity," *Harvard Business Review Magazine*, Sep. 2014, https://hbr.org/2014/09/profits-without-prosperity. Accessed 8 Nov. 2021.
[43] Sayer, p. 195.
[44] Lazonick, "Profits Without Prosperity."
[45] Harvey, David. *A Brief History of Neoliberalism*, Oxford University Press, 2007, p. 40.
[46] Cohen, Rick. "The Inner Workings of Think Tanks: Transparify Gives Us a Good Look," *Nonprofit Quarterly*, 12 Dec. 2014, https://nonprofitquarterly.org/the-inner-workings-of-think-tanks-transparify-gives-us-a-good-look/. Accessed 24 Nov. 2021.

Armed with a positive societal perception of their importance, capital accumulators further manipulated perception by casting themselves as benevolent and critical to social change via sham philanthropy. An example of this was how in 2006 a new corporate structure was created as a vehicle for fostering change while still leaving the unequal economic system intact. The "B-Corporation" was created to be a new breed of community minded corporation that reflected the perception that a more enlightened and socially responsible corporate self-interest, rather than government regulation, would be the surest guarantor of public welfare.[47] Later in 2008, the book *Philanthrocapitalism: How the Rich Can Save the World* was published and advanced the perception that the wealthy are saviors that could "assume leadership of social change."[48] More and more during neoliberalism, the perception of the wealthy reflected the idea that they were indispensable to the advancement of society.

Neoliberalism Finally Becomes Mainstream

At the start of neoliberal period, market fundamentalism was the economic priority thanks to the ideas of economists like Milton Friedman, Michael Jensen and other scholars from the Chicago School.[49] Markets that facilitated capital accumulation were considered to be so infallible that the stock market became a vehicle for the consolidation of monopoly power due to its ideological depiction as a way to foster competition and innovation.[50] By the 1990s, this ideology took hold as both the Conservative and Liberal political establishment in the U.S. embraced neoliberal policies, favoring the market as the primary mechanism to improve the economy and society. The Democratic Party took a decidedly "right turn," exemplified by U.S. President Bill Clinton's introduction of his so-called Third Way between the ideological left and right, uttering in 1996, that "the era of big government is over." This evolution from the embrace of Lyndon B. Johnson's big government activism in the 1960s to declaring the end of big government in the 1990s revealed a turning in the culture[51] where the market fundamentalism of Shareholder Culture became embraced on both sides of the political divide.

The Business and Political Embrace of Shareholder Productivity

The short-term thinking caused by the MSV mindset led to significant changes in the corporate sector as the nature of competition grew more cutthroat, with corporate outsiders becoming the preferred choice for executive positions as market fundamentalism permeated throughout corporate practices.[52] A turning point was the wave of hostile takeovers that swept the country in the 1980s and incentivized top executives to maximize shareholder value through massive stock repurchases (buybacks) of their company stock, resulting in trillions of dollars lost for what could have been spent on innovation and job creation in the U.S. economy.[53]

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[47] Giridharadas, *Winners Take All*, p. 6.
[48] Ibid, p. 46.
[49] Mazzucato, Chapter 6.
[50] Harvey, *Neoliberalism*, p. 26.
[51] Giridharadas, p. 19.
[52] Kotz, *Neoliberal Capitalism*, p. 12.
[53] Lazonick, "Profits Without Prosperity."

This short-term MSV mentality meant that the average tenure of corporate CEOs was as low as six years and the average lifespan of a company was as low as 15 years (down from ten and 28 years respectively in the 1970s).[54] But despite their low tenure, these company CEOs were being incentivized via high pay to make decisions that only made sense from a standpoint of MSV. By the end of the 20th century, median CEO pay across the board had skyrocketed to well over $8 million (more than doubling from previous decades).[55] CEO compensation totaled an average of $168 million, with an average 34% of this compensation in the form of company stock options and 24% in stock awards. The next four highest-paid senior executives received, on average, $77 million in compensation with 27% of it in stock options and 29% in stock awards.[56] Ensuring high stock prices took priority over company longevity for executives (and the shareholders they served) thanks to this MSV mentality.

Capital accumulation and its beneficiaries were afforded vast amounts of good will during the neoliberal period by elected officials and policy makers. The prevailing thinking among policy makers was that profit meant productivity. The idea that economic activities with the most profit are the most efficient and should receive the greatest allocation of resources (also known as allocational efficiency) was promoted in 2007 by the then FED Chair, Ben Bernanke, who stated "The increasing depth and sophistication of financial markets promote economic growth by allocating capital where it is most productive."[57] But despite the financial sector's role in the 2007-2008 Financial Crisis and the billions in taxpayer money used to fix the damage it caused, the financial sector still enjoyed a positive perception of its productivity. Two years after the crisis the head of the investment bank Goldman Sachs still argued publicly that his bankers were the most productive people in the world. Even worse, many of these Goldman Sachs employees wound up in the Obama Administration and were tasked to navigate the country through the economic fallout of the Crisis; showing just how powerful this perception was regardless of political party.[58]

Shareholder Culture aided Financialization as a facilitator of billionaire wealth and provided an ideological foundation upon which the remaining institutional drivers stood. The excesses of Financialization could not have been as rampant without the permissive environment that emerged at the start of the neoliberal period thanks to Shareholder Culture. And this environment permitted the prevalence of the other drivers as well.

Cronyism Becomes the Norm in Government

Crony Capitalism also contributed to the capital accumulation that led to billionaire proliferation. The following policy trends demonstrate how the components of campaign finance, lobbying, regulatory capture, and democracy subversion were practiced throughout the neoliberal period.

[54] Mazzucato, *Value of Everything*, pp. 178-179.
[55] Ibid, p. 177.
[56] Lazonick, "Profits Without Prosperity."
[57] Sayer, pp. 131-132.
[58] Mazzucato, p. 141.

Money is Unleashed in Politics.

At the start of the neoliberal period, lobbying activities granted business firms and their agents privileged access to policy makers and allowed them to secure favorable regulatory and tax treatment. For example, the emergence of the Business Roundtable lobbying group of business executives was a key factor in enabling U.S. President Ronald Reagan's economic plan of decreased social spending, tax cuts, regulatory reduction, and tight monetary policy in March 1981. Even worse, legalized financial corruption of politics was facilitated by the proliferation of political action committees (PACs). Thanks to a 1976 Supreme Court ruling (*Buckley vs. Valeo*) that maintained that unlimited corporate money contributions to political parties and PACs constituted free speech, the number of PACs exploded to 1,467 by 1982 (up from only 89 in 1974).[59]

In 2010, the doors were further opened legally and formally to the ever-increasing influence of money on political decision making with the Supreme Court's ruling in *Citizens United v. Federal Election Commission*, which allowed corporate PACs to receive money from corporate treasuries.[60] These developments ensured that by the 21st Century, multinational corporations were relying increasingly on campaign financing and lobbying to capture rents and pull ahead of their competitors. Even worse, efforts to implement modest campaign finance regulations were systematically weakened to the point of irrelevancy, helping to fuel ever-larger campaign budgets which meant that only politicians who had the ability to raise extensive campaign contributions were likely to have any chance of getting elected or re-elected. The costs of U.S. presidential and congressional elections skyrocketed by the 2010s, reaching $3.5 billion for congressional elections and almost $6 billion for presidential elections by 2012.[61]

The Financial Sector Gets a Free Pass

There were many rewards for influencing government agents and institutions. This was especially obvious with the regulatory capture that created a permissive environment for the financial sector, which benefited when politicians and government officials embraced the loosening of capital controls.[62] Having regulatory jurisdiction over banking, the FED was busy whittling away at Glass-Steagall starting in the 1980s, reinterpreting the law to allow banks to engage in previously prohibited activities like securities, commercial paper (unsecured, short-term credit) transactions, and insurance underwriting.[63] And this was not by accident, as by the time the 1997-98 election cycle rolled around, the finance, insurance, and real estate industries (known as the FIRE sector), spent more than $200 million on lobbying and made more than $150 million in political donations targeted to members of Congressional banking committees and other committees with direct jurisdiction over financial services legislation.[64] In late 1999 Congress finally repealed Glass-

[59] Harvey, *Neoliberalism*, pp. 48-49
[60] Milanovic, Branko. *Global Inequality: A New Approach for the Age of Globalization*, *Harvard University Press,* 2013, p. 199.
[61] Ibid, p. 201.
[62] Harvey, *Enigma of Capital*, pp. 44-45.
[63] "Demise of Glass-Steagall."
[64] Ibid.

Steagall, practically a reward to the financial companies that had spent more than $300 million to lobby Congress over the previous 25 years (and after 12 attempts to repeal).[65]

Regulatory capture was also exemplified by the metaphorical revolving door used by agents in the finance industry to access government jobs and the government officials rewarded for lenient regulation with lucrative job opportunities in the civilian sector. Greenspan's appointment as FED Chairman in 1987 after being a director of J.P. Morgan and a proponent of banking deregulation illustrates this.[66] Also indicative was the instance in late 1999, soon after Congress finally repealed Glass-Steagall, when U.S. Treasury Secretary Robert Rubin (a former co-chairman at Goldman Sachs) would go on to accept a top job as chief lieutenant to the Chairman of Citigroup, Sandy Weill.[67]

Even after the 2007-2008 Financial Crisis, brought on in part by the selective enforcement of laws, the government was providing direct subsidies to the financial sector thanks to the corrupting influence of financiers. In contrast, those who had lost homes and jobs received very little assistance. In fact, the Obama administration gave the task of aiding those with underwater mortgages to the very banks and companies that originated said mortgages. These banks in turn, repackaged these mortgages as derivatives, and profited from the housing bubble and crisis they essentially caused.[68]

The IRS Loses its Teeth

The regulatory capture of the Internal Revenue Service (IRS) was characterized by the relentless degradation of its ability to enforce tax compliance, making it harder to find wealth hidden all over the world. This degradation was a blatant example of the confluence of business interests with those of government. After the Republican-controlled Senate held a series of hearings on alleged abuses by the IRS in 1997 and 1998, Congress followed with a reform bill that called for a sweeping overhaul of the agency, and it passed 97–0 with President Clinton signing it into law.[69]

The degradation continued into the 21st century with the eight-year campaign waged to slash the IRS budget, leaving it understaffed, hamstrung, operating with archaic equipment, and unable to collect billions from corporations and the wealthy.[70] This campaign cumulated with legislation introduced by House Republicans to cut $600 million from the IRS's budget in 2013 and an additional $350 million in 2014 (despite four previous years of consistent cuts).[71] The degradation of IRS collection powers, independence, and resources would give wealthy financiers and shareholders new protections for capital accumulation during the neoliberal period.

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[65] Ibid.
[66] Ibid.
[67] Ibid.
[68] Tabb, William K. "The Present in History, 2021." *Monthly Review*, 1 Nov. 2021, monthlyreview.org/2021/11/01/the-present-in-history-2021/. Accessed 19 Nov. 2021.
[69] Eisinger, Jesse and Paul Kiel. "How the IRS was Gutted," *ProPublica*, 11 Dec. 2018, https://www.propublica.org/article/how-the-irs-was-gutted. Accessed 18 Jun. 2021.
[70] Ibid.
[71] Ibid.

Antitrust Laws Become Optional

In the 1980s, U.S. antitrust enforcement began shifting its focus away from worrying about the structure of markets, immense wealth, and corporate power to a narrower focus on metrics like prices.[72] The high inflation of the early 1980s encouraged a focus on lowering consumer prices and cost-benefit analysis as the top priorities for antitrust enforcement, and this idea gained traction thanks to work funded by Charles Koch and other antigovernment billionaires and corporations that funded the spread of these ideas in academia.[73] By 1990, it was possible that at least 40% of the U.S. federal judiciary had been exposed to a Koch-backed curriculum.[74]

This form of regulatory capture in the 1980s caused U.S. antitrust enforcement to be significantly eased with corporate mergers receiving less scrutiny, bringing about a merger wave that led to an over 50% increase in mergers in the following decade.[75] From 1981 to 1997 there were more than seven thousand bank mergers in the U.S. alone that were mostly unopposed.[76] By the 21st century, despite the massive growth of financial conglomerates, multi-national corporations, and technology companies, it was evident that U.S. antitrust laws remained outdated. Despite monopolistic behavior that ensured a disproportionate market share, low consumer prices alone were still viewed as evidence of sound competition by U.S. antitrust regulators; a deficiency that Amazon's lawyers exploited to evade government scrutiny despite its march toward monopolism.[77]

The Growing Plutocracy

The activities of campaign finance, lobbying, and regulatory capture practiced by capital accumulators ensured the undermining of transparency and democratic accountability at the expense of the rest of society. This confluence of government and business interests meant that government would be more responsive to the few citizens with the most resources, subverting the democratic process in favor of a modern plutocracy.

During the 1980s, poor and middle-class voters were convinced to go against their economic interests and embrace neoliberal policies because they were presented as being the embodiment of American and Christian culture. In the 1990s, despite some efforts to improve the lives of the poor and middle class, the Clinton Administration resorted to placating corporate and financial interests by choosing cuts to social spending over higher taxation of the rich in an effort to reduce the deficit and spark economic growth.[78] This direction was taken even as the wages for labor relative to worker productivity had dipped to its lowest point in the 1990s.[79] By the early 2000s, wealthy families like the Mars, Walton, and Gallo families actively lobbied for the abolition of the federal

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72 Shaxson, Nick. *The Finance Curse: How Global Finance is Making Us All Poorer*. New York, Grove Press, 2019, p. 99.
73 Ibid, p. 98
74 Ibid.
75 Kotz, p. 21.
76 Shaxson, p. 99.
77 Khan, Lina M. "Amazon's Anti-Trust Paradox," *Yale Law Review*, vol. 123, Jan. 2017, https://www.yalelawjournal.org/pdf/e.710.Khan.805_zuvfyyeh.pdf. Accessed 18 Nov. 2020, p. 716.
78 Harvey, *Neoliberalism*, p. 51.
79 Ibid, p. 25.

estate tax (which only effected billionaires and multi-millionaires), while the Koch brothers used their infamous donor network to lobby for tax cuts for the rich.[80] Even further, by 2015 a study found that labor unions and public interest groups were being massively outspent by large corporations to influence policy, who were spending 34 dollars on lobbying for every dollar spent by the former.[81]

The components of Crony Capitalism influenced the policy and legislation that created a permissive environment that not only contributed to massive wealth but planted the seeds of the financial collapse that occurred at the start of the 21st Century. Crony Capitalism also infected the democratic process by corrupting officials regardless of ideology or political affiliation. So much so that much of what's wrong with the tax code (which will be discussed below) is built into the culture of Washington and not just one political party.[82]

The U.S. Becomes a Haven for Rentiers

The trends of the last forty years are indicative of the institutional driver of Rentierism and its components of privatization, commodification, state subsidization, vulture capitalism, subsidiary formation, and concentration. These components made Rentierism an extreme facilitator of billionaire wealth during the neoliberal period as described via the subsequent trends.

A Wave of Privatization

Would be rentiers took advantage of government privatization of state assets and services at the start of the neoliberal period. By the end of the 1980s, sales of state enterprises worldwide had reached a total of over $185 billion, with the world's governments selling off $25 billion in state-owned enterprises just in 1990.[83] In additional to assets, governments were turning over traditionally state-run public services. In the U.S., the governments of over 11 individual states started making use of privately built and operated correctional facilities with others making plans to privatize roadways, while local communities turned to private operators to provide transit service, run their vehicle fleets, and manage sports and recreation facilities.[84] This environment made it easy for a small number of individuals to capture wealth by controlling assets for longer periods of time, on behalf of the state and local governments, without creating anything new.

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[80] Collins, Chuck. *Wealth Hoarders: How the Billionaires Pay Millions to Hide Trillions*, Polity Press, 2021, p. 45.
[81] Pavanelli, Rosa. "Rentier Capitalism and Debt," *Public Services International Briefing Series*, 28 Apr. 2020, https://publicservices.international/resources/publications/workers-and-debt---brief-1---rentier-capitalism-and-debt?id=10603&lang=en. Accessed 15 Nov. 2021, p. 9.
[82] Pearl, Morris and Erica Payne. *Tax the Rich: How lies, loopholes, and lobbyists make the rich even richer*, The New Press, p. 47.
[83] Goodman, John B. and Gary W. Loveman. "Does Privatization Serve the Public Interest?" *Harvard Business Review*, November-December 1991, https://hbr.org/1991/11/does-privatization-serve-the-public-interest. Accessed 7 Nov. 2021.
[84] Ibid.

New Commodities Emerge.

During neoliberalism, digital and technology platforms emerged that surveilled human behavior and harnessed this data as something that could be sold. By the 21st century, there was a surge in these platforms as their owners (technology and consumer services companies) surged from 16% of the top 20 companies in market capitalization to 56% by 2018.[85] In contrast, companies in the oil and gas sectors plummeted from 36% to 7%, thus solidifying data as the new oil in terms of the extraction dominating the economy.[86] Four of these digital platform owners (Amazon, Alibaba, Facebook and Tencent) were not even among the top 100 firms ten years earlier, but they shot up to the top 10 by 2018.[87]

The Vulture Capitalists are Unleashed

During the neoliberal period, private equity and venture capital presented more opportunities for rentiers to extract wealth. At the forefront of this vulture capitalism was the Venture Capital (VC) industry. This industry was sedate until it bloomed in the 1980s, when pension funds boosted private capital to follow opportunities created by direct government investments in areas like the Internet, biotech, nanotech, and cleantech.[88] On behalf of the VC industry, the National Venture Capital Association (NVCA) became an influential lobby during the 1980s as it persuaded congress to halve the capital gains taxes that resulted from their investments and to relax the "prudent man" investment rule, making it legal for pension fund managers to invest 5% of pension funds into riskier VC investments.[89] The VC industry could thus use this pension money (that wasn't theirs) to gain control of innovations funded by state money and profit from the resulting rents.

The private equity sector continued to extract rents from the U.S. economy during the neoliberal period. During the 1980s, public issues of junk bonds as reported by the Federal Reserve went from $4.3 billion in 1980 to $27.8 billion in 1989 (more than an 800% increase).[90] Seeking to avoid the public disclosure and compliance requirements of individual public offerings (IPOs) and public companies, venture capitalists turned to private equity as a more lucrative vehicle to extract rents from companies. The 21st century saw an explosion of private equity as private equity firms performed some of the largest and most famous leveraged buyouts in history.[91] By 2015, over 20% of U.S. companies valued at $100 to $500 million were backed by private equity (with over 10% of companies valued at over $500 million backed by private equity).[92]

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[85] Sadowski, Jathan. "The Internet of Landlords: Digital Platforms and New Mechanisms of Rentier Capitalism." *Social Science Research Network*, 26 February 2020, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3544976. Accessed 11 Nov. 2021, pp. 8-9.
[86] Ibid.
[87] Ibid, 1.
[88] Mazzucato, 197.
[89] Ibid, 198-199.
[90] Peterson, Jonathan. "Junk Bonds: a Financial Revolution That Failed : Wall Street: The economic highfliers of the 1980s' growing economy are a peril in the downturn of the '90s," *Los Angeles Times*, 22 November 1990, https://www.latimes.com/archives/la-xpm-1990-11-22-mn-6937-story.html. Accessed 7 November 2021.
[91] Bajpai, Prableen. "The Most Famous Leveraged Buyouts," *Investopedia*, 26 September 2021, https://www.investopedia.com/stock-analysis/020915/most-famous-leveraged-buyouts-kkr-cg-bx-vno-apo.aspx. Accessed 2 December 2021.
[92] Mazzucato, 167.

Subsidiaries Proliferate

At the start of the neoliberal period, businesses seeking to amass wealth worked to add assets to their financial portfolios without necessarily creating them outright, but on paper in the financial realm. The result was a wave of subsidiary creation that created new businesses by purchasing smaller outside operations or by moving internal operations outside. The largest 100 industrial corporations created 703 new subsidiaries between 1981 and 1987, and the rate of subsidiary formation more than doubled between 1987 and 1993, with 1,796 new subsidiaries formed.[93] The ownership of these subsidiaries meant increases in rents in the form of stock dividends as shares in these subsidiaries could be traded and exchanged in financial markets.

Industries Become More Concentrated

As discussed above in the section on Crony Capitalism, industry concentration was a regular feature of the neoliberal period due the lax antitrust enforcement that led to a wave of unopposed corporate mergers and acquisitions. Since 1985, more than 325,000 mergers and acquisition announcements occurred with a known value of almost $34.9 trillion.[94] This trend was typified in multiple economic sectors like the retail sector. Between 1997 and 2007, the share of sales going to that sector's 20 largest firms increased from 18.5 percent to 25.4 percent.[95] Also, within the media sector, an oligopoly of just four corporations (AT&T, Comcast, Walt Disney, and Charter Communications) managed to gobble up the bulk of U.S. media outlets.[96] And finally, tech platforms like Uber and SkipTheDishes have emerged in the 21st century, creating monopsonies by concentrating demand as the single buyer of labor within their respective industries. These types of concentration allowed rentiers to control access to products, services, and markets, thus enabling them to extract increased profits in the form of rents.

Because of the institutional driver of Rentierism, wealthy financiers and shareholders were able to gain disproportionate control of national assets and receive an unequal share of benefits by collecting rent for their use by the public. All six of Rentierism's components created the economic conditions that contributed to an abundance of capital accumulation during neoliberalism, and subsequently the proliferation of billionaires.

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[93] Krippner, "Financialization," 191.
[94] "Announced M&A in the United States by Numbers and Value by Years," *Institute for Mergers, Acquisitions and Alliances*, 2023, https://imaa-institute.org/mergers-and-acquisitions-statistics/united-states-ma-statistics/#:~:text=Since%201985%2C%20more%20than%20325,2015%20with%2024'100%20bil. Accessed on 16 Aug 2023.
[95] Smith, Dominic and Sergio Ocampo (11 Jan. 2021). *The Evolution of U.S. Retail Concentration*, BLS working paper 526, U.S. Bureau of Labor Statistics, https://www.bls.gov/osmr/research-papers/2020/pdf/ec200080.pdf. Accessed 16 Aug 2023, p. 2.
[96] Hayes, Adam. "Oligopolies: Some Current Examples," *Investopedia*, 28 Apr. 2023, https://www.investopedia.com/ask/answers/121514/what-are-some-current-examples-oligopolies.asp#:~:text=Throughout%20history%2C%20there%20have%20been,structure%20are%20airlines%20and%20pharmaceuticals. Accessed on 16 Aug. 2023.

The Wealthy Get Better at Keeping their Wealth

During the neoliberal period, wealthy individuals took advantage of the institutional driver of Tax Policy to hold on to as much of their wealth as possible. This wealth compounded over time and the result was an increasing number of billionaires. The three components of loopholes, convolution, and cronyism exemplified this dynamic via the below trends.

A Time Less Taxing on the Wealthy

Over the course of neoliberalism, loopholes were advocated by the wealthy and their agents and were exploited for lower tax liability. For one, the effective tax rate dropped to 47% for richest 400 households in the 1980s (from 56% in 1960s) while it remained constant for the bottom half of households (at around 25%).[97] Corporate taxes were also reduced dramatically, and the personal tax rate for top earners was reduced from 70 to 28 per cent.[98] In addition, the Tax Reform Act of 1986 reduced the number tax brackets in an effort to ensure that those with extreme wealth paid the same rate as those who were less wealthy. As author Chuck Collins remarked, "From an oligarchic perspective, the best tax system doesn't make a distinction between someone who earns $300,000 and someone who earns $3 million."[99]

Really rich people in America, especially billionaires, don't earn much ordinary income, but make a vast majority of their money through capital gains on investments. During neoliberalism, capital gains were taxed at much lower rates. When then President George H.W. Bush proposed a plan to cut taxes by $674 billion over 10 years (which had as its centerpiece a proposal to eliminate most taxes on stock dividends and capital gains) opponents said that most of the benefits would be showered on the richest taxpayers.[100] This dynamic contributed to the fact that billionaires (and other wealthy individuals) kept getting richer than everyone else; because no matter how much money a person makes by only working, someone that makes all their money by not working always ends up richer.[101]

During neoliberalism, U.S. elected officials also whittled away at estate and gift taxes by cutting the top rate and raising the total amount that is exempt from taxes.[102] Decades after, U.S. President Donald Trump's National Economic Council president disparaged the estate tax when asked by Congressional leaders about the potential revenue that would be lost if the tax was abolished.[103] Later in his administration, President Trump went on to sign the Tax Cuts and Jobs Act into law in

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[97] C. Collins, *Wealth Hoarders*, 49.
[98] Harvey, *Neoliberalism*, 26.
[99] C. Collins, *Wealth Hoarders*, 50.
[100] Andrews, Edmund L. "Economic Inequality Grew in 90's Boom, Fed Reports." *New York Times Magazine*, 23 January 2003, https://www.nytimes.com/2003/01/23/business/economic-inequality-grew-in-90-s-boom-fed-reports.html. Accessed 13 November 2021.
[101] Pearl and Payne, p. 62.
[102] Steverman, Ben. "The Hidden Ways the Ultrarich Pass Wealth to their Heirs Tax Free," *Bloomberg Business*, 21 October 2021, https://www.bloomberg.com/features/how-billionaires-pass-wealth-to-heirs-tax-free-2021/. Accessed 18 November 2021.
[103] C. Collins, *Wealth Hoarders*, 69.

2017, raising the level of income that was exempt from the estate tax from $5.6 million to $11.2 million, and raising it again to $11.4 million in 2019.[104]

Reduced tax liability was further enabled by loopholes that the rich used to get richer since1980. One is the carried interest loophole, which allows hedge fund managers to classify their earned income as lower-taxed capital gains income. This loophole was invented by tax attorney Richard Valentine in the 1960s but became more widely known during the neoliberal period.[105] Another is the stepped-up basis loophole, where the value of an asset transferred from a benefactor to an inheritor is "stepped up" to its market value on the day the benefactor dies, as opposed to the day of its original purchase, thus reducing the capital gains tax liability of the inheritor for the appreciation of said assets. This stipulation was enacted in 1921 and attempts to repeal it during the neoliberal period failed[106]; while it has ensured that $2.7 trillion in wealth gains acquired by the wealthy remained untaxed by 2021.[107]

Rather than wealthy individuals acquiring the same share of faster economic growth, they grabbed an increasing share of slower growth thanks to the massive drops in tax rates over the decades, culminating in the 2010s with the top individual marginal income tax rates dropping to around 35% (from around 70% in the 1980s).[108] With the passage of the Tax Cuts and Jobs Act in 2017, the corporate tax rate was further reduced from 35% to 21% (in addition to making dozens of other changes that amounted to a $1.5 trillion net tax reduction over a decade). U.S. congressional Republicans stated that the 2017 overhaul made the U.S. more competitive, while critics have said it didn't generate the promised economic growth and investment, and largely helped wealthy donors and corporate shareholders, thus deepening inequality.[109] By 2018 the oligarchs triumphed over working-class households as the effective tax rate for the richest 400 families fell to 23%, with the rate for the bottom half of households stuck at a higher 24.2%.[110]

Wealth Defense Gets More Sophisticated

Reflecting the new globalization of wealth in the neoliberal period, the wealth defense industry gained its first global professional organization when the Society of Trust and Estate Practitioners

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[104] "A Brief History of Estate Taxes," *Provizr*, 2021, https://www.provizr.com/resource-center/estate/a-brief-history-of-estate-taxes. Accessed 17 November 2021.
[105] "Carried Interest Wormhole," *NPR Planet Money*, 12 Aug. 2022, https://www.npr.org/transcripts/1117305695. Accessed 16 Aug. 2023.
[106] Bearup, George F. "Stepped-up Basics: A Short History and Why It's Back in the News," *Greenleaf Trust*, 8 Mar. 2022, https://greenleaftrust.com/missives/stepped-up-basis-a-short-history-and-why-its-back-in-the-news/#:~:text=Background%3A%20The%20step%2Dup%20in,became%20the%20law%20in%201916. Accessed 16 Aug. 2023.
[107] Saez, Emmanuel and Gabriel Zucman. "How to Get $1 Trillion from 1000 Billionaires: Tax their Gains Now," *University of California Berkeley*, 14 Apr. 2021, https://eml.berkeley.edu/~saez/SZ21-billionaire-tax.pdf, Accessed 17 Aug. 2023, p. 4.
[108] Sayer, 8.
[109] Davison, Laura. "Trump Tax Cuts Set Win Staying Power as Democrats Drop Plans, *Bloomberg Business*, 26 October 2021, https://www.bloomberg.com/news/articles/2021-10-26/trump-tax-cuts-set-to-win-staying-power-as-democrats-drop-plans. Accessed 19 November 2021.
[110] C. Collins, *Wealth Hoarders*, 49.

(STEP) was formed in London in 1990.[111] Even further was the evolution of the U.S. accounting sector from its neutral core business of domestic auditing and financial accounting to the lucrative business of high-fee-earning, multifaceted global consulting and tax services.[112] These characteristics added to the sophistication and effectiveness of the wealth defense industry as creators and facilitators of loopholes.

By the 21st century, the wealth defense industry evolved from purely auditing firms and into diversified accountancy firms with multiple fields of expertise. In fact, the income of the largest accountancy firms dropped from 53% in the 1990s to only 36% in the 21st century, with tax services and other consulting making up the remainder at 23% and 41% respectively.[113] In addition, STEP membership exploded, growing to 22,000 members in 95 countries by the 2010s.[114] With the release of the Panama Papers in 2016 and the Paradise Papers in 2017, it became more apparent that trillions of dollars were vanishing into a "hidden wealth archipelago" with the help of an increasingly aggressive wealth defense industry that sequestered vast amounts of wealth into dynastic trusts, anonymous companies, shell corporations, and offshore tax havens.[115] Finally, in 2018 a group of wealth defense practitioners in New Hampshire organized to lobby the state legislature to pass the New Hampshire Foundation Act that created a new hybrid financial institution for global wealth hiding: a non-charitable private foundation with no requirement for disclosing owners.[116]

Grits and Grats

During neoliberalism, the tax code grew into a convoluted system of loopholes and back doors that savvy tax attorneys could exploit on behalf of their wealthy clients to avoid taxes. For example, a loophole called the Grantor Retained Income Trust (GRIT) was pioneered by tax attorney Richard Covey and allowed wealthy individuals to gift assets to their heirs while still collecting income from those assets. The income would then be considered an expense and used to reduce the taxes paid by the heirs on the gifted assets. However, any gains that resulted from the investment of said gifted assets would pass to the heirs tax-free!

Although the U.S. Congress closed this popular loophole in 1990, it inadvertently allowed the creation of another loophole when it passed legislation that forbade the reduction in gift tax that the GRIT permitted.[117] Covey discovered that because legislation still allowed the wealthy to gift assets to their children, a wealthy client could still avoid gift taxes if they simply put their assets into a Grantor Retained Annuity Trust (GRAT). With a GRAT, a wealthy client can give

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[111] Collins, Chuck. "Exposing the Wealth Defense Industry," *Inequalit.org*, 12 January 2017, https://inequality.org/great-divide/shining-light-wealth-defense-industry/. Accessed 13 November 2021.
[112] Ajdacic, Lena, Eelke M. Heemskerk, Javier Garcia-Bernardo. "The Wealth Defence Industry: A Large-scale Study on Accountancy Firms as Profit Shifting Facilitators," *Taylor and Francis Online*, 21 September 2020, https://www.tandfonline.com/doi/full/10.1080/13563467.2020.1816947. Accessed 14 November 2021.
[113] Ajdacic, Lena et al., "The Wealth Defence Industry."
[114] Collins, C. "Exposing the Wealth Defense Industry."
[115] C. Collins, *Wealth Hoarders*, 15.
[116] Ibid., 74.
[117] Ernsthausen, Jeff, James Bandler, Justin Elliott and Patricia Callahan. "More Than Half of America's 100 Richest People Exploit Special Trusts to Avoid Estate Taxes," *ProPublica*, 28 September 2021, https://www.propublica.org/article/more-than-half-of-americas-100-richest-people-exploit-special-trusts-to-avoid-estate-taxes. Accessed 14 November 2021.

instructions to return the entire gift to themselves within a short time (usually two years).[118] Because the gift is returned, it incurs no gift tax, but if the GRAT's investments make large enough gains within the two years, the excess goes to heirs tax-free! With this scheme, a single gift could be shuffled around into multiple GRATs and create enormous wealth without being taxed.

The IRS attempted to ban GRATs through regulation, but in 2000 it lost a case in U.S. Tax Court against Audrey Walton (former wife of the brother of Wal-Mart Stores founder Sam Walton) over a pair of $100 million GRATs created for her by Covey, winning him a rare prize: the legal seal of approval for a tax shelter.[119] It its ruling, the Court found that while the 1990 law forbade the GRIT, it did not ban the GRAT. This ruling would lead to the creation of more GRATs throughout the proceeding decades, ensuring the transfer of millions in intergenerational wealth. These types of loopholes and convolution were indicative of Tax Policy and explain how the number of billionaires, despite dropping significantly in the 1990s, rebounded so spectacularly during the neoliberal period.

In Wealth We Trust

Trusts, entities that wealthy individuals use to pass assets to others and avoid estate taxes, are another way that the convolution component of Tax Policy facilitated billionaire wealth. This tool of tax avoidance received favorable treatment by state legislators in the U.S. and ensured that wealth could be hidden with impunity. The U.S. state of South Dakota repealed its rule against perpetuities (RAP) and allowed trusts to remain intact indefinitely within its borders. As a result, South Dakota became the top jurisdiction for the establishment of trusts and the South Dakota Trust Association emerged to become one of the chief lobbying arms of the wealth defense industry.[120] Then in 1993 this entity was incorporated as the South Dakota Trust Corporation and became a precursor to South Dakota's reputation as an international destination for the hiding of wealth via trusts.[121]

In 1995, the U.S. state of Delaware followed South Dakota's example and became the next state to allow wealth holding trusts to remain intact indefinitely. By the 21st century, several states followed and legalized the creation of permanent trusts (or ones that last for several lifetimes).[122] As more trusts became permanent, more estates were shielded from taxes indefinitely, which meant that more wealth could be untaxed and grown via intergenerational transfer.

The Shell Game

Like the trust, the shell company is another tool created for the purpose of hiding wealth from taxation, the difference being is that the shell company is formed as a corporate entity. These

[118] Mider, Zachary R. "Accidental Tax Break Saves Wealthiest Americans $100 Billion," *The Seattle Times*, 15 February 2014, https://www.seattletimes.com/business/accidental-tax-break-saves-wealthiest-americans-100-billion/. Accessed 30 November 2021.
[119] Mider, "Accidental Tax Break."
[120] C. Collins, *Wealth Hoarders,* 88-89.
[121] Ibid., 90.
[122] Sullivan, Paul. "The Ins and Outs of Trusts That Last Forever," *New York Times Magazine*, 5 December 2014, https://www.nytimes.com/2014/12/06/your-money/estate-planning/the-ins-and-outs-of-perpetual-trusts.html. Accessed 21 November 2021.

companies maintained convoluted ownership structures that obscure the true owners of assets. Their use proliferated during the neoliberal period as they were used by wealth defense professionals in a variety of ways. One way was to use the shell companies as a vehicle to manufacture fake business losses for the purpose of reducing tax liability. In 2005 the multinational services firm KPMG International (acting in complicity with banks to make and sell questionable tax shelters) was charged by the U.S. Department of justice for creating four bogus shelters that created $11 billion in fake losses, allowing wealthy individuals to avoid paying some $2.5 billion in taxes.[123] In actuality, when KPMG was caught in 2001, it had created as much as $84 billion in fake losses for 350 clients (while earning itself $124 million in fees).[124] And in 2007, the Swiss bank UBS had a role in helping 52,000 U.S. citizens evade taxes and hoard an estimated $20 billion in wealth, which led to UBS paying nearly $1 billion in fines to the U.S government.[125]
When using shell companies for fake losses became actionable, they could then be used to hide wealth via the acquisition of legitimate assets. According to a report from the New York Times in 2015, about $8 billion was spent each year for New York City residences that cost more than $5 million each, with just over half of those for shell companies that bought the residences to conceal wealth.[126] And because of their obscure ownership structure, these shell companies didn't even need to conduct operations. The International Monetary Fund (IMF) estimated that by 2019, 40% of all foreign direct investment (about $15 trillion) passed through "empty corporate shells" with "no real business activity" for the sole purpose of being scrubbed through off-shore banks and hidden anywhere globally.[127] U.S. states like Delaware were complicit in this shell game of tax avoidance as more than 198,000 corporate entities were formed in Delaware in 2017, reaching a total count of 1.3 million companies (nearly half of all U.S. corporations) generating $1.3 billion in annual revenue; equal to 28% of the state budget for a state of less than 1 million people.[128]

All in the Family (Office)

Adding to the convolution of trusts and shell companies are family offices. Family offices are special non-profit entities that came to prominence in the early 1980s and are the result of wealthy families bringing financial, legal, and investment services in house for their personal and private use.[129] These family offices are exempt from most SEC regulation and reporting, fall outside the rules and limitations of commercial financial institutions, and operate on a completely different and separate legal plane than other entities.[130] As such, they thrive on secrecy thanks to laws that make it easier to hide their wealth from public disclosure, as evidenced by the anonymous cash

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[123] Browning, Lynnley and Colin Moynihan. "A Surprise in Tax Case on KPMG," *New York Times Magazine*, 28 March 2006, https://www.nytimes.com/2006/03/28/business/a-surprise-in-tax-case-on-kpmg.html. Accessed 28 October 2021.
[124] C. Collins, *Wealth Hoarders*, 77.
[125] Ibid., 113.
[126] Story, Louise and Stephanie Saul. "Stream of Foreign Wealth Flows to Elite New York Real Estate," *New York Times*, 7 February 2015, https://www.nytimes.com/2015/02/08/nyregion/stream-of-foreign-wealth-flows-to-time-warner-condos.html. Accessed 15 November 2021.
[127] C. Collins, *Wealth Hoarders*, 112.
[128] Ibid., 82.
[129] Ibid., 94.
[130] Tait, Allison Anna. "The Law of High-Wealth Exceptionalism," *Alabama Law Review*, 18 June 2019, https://ssrn.com/abstract=3406070, Accessed 20 November 2021, 1002-1008.

purchase of the largest shopping center in Des Moines, Iowa by a California-based family office in 2019.[131]

Family offices continued to be an integral tool for accumulating wealth and avoiding taxes during neoliberalism. And while not all family offices worked on behalf of billionaires, the amassing of wealth via these entities still exacerbated the income inequality that made billionaire proliferation likely. After the 2007-2008 Financial Crisis, family offices swung into action to protect their unregulated status by forming a lobbying arm called the Private Investor Coalition and worked to secure exemption from the Dodd Frank Act of 2010.[132] These unregulated family offices began to encroach on public markets by reducing their stake in hedge funds and increasing their share of investments in bonds and equities to 16% and 28% respectively.[133] By 2019 the global number of family offices increased to 7,300 (up from only a couple of hundred in the 1980s) and managed an estimated $5.9 trillion for families with wealth over $9.4 trillion (with the U.S. possessing 42% of these family offices at 3,100).[134]

KISS: Keeping It Seriously Serpentine

Like a winding and twisting snake, the U.S. tax code is anything but straight forward and is a master class in convolution. With individuals being taxed at different rates, they can reduce their effective rate through a myriad credits and deductions, which take time to itemize if they choose to do so.[135] The idea of simplifying the tax code is politically difficult to make a reality, especially with the level of cronyism that effects Tax Policy. Intuit, the makers of the digital tax preparation platform TurboTax, and the tax preparation service company H&R Block, have lobbied for years to derail any move toward a simplified system where taxpayers are offered prefilled returns by the IRS.[136] Intuit and H&R Block spent more than $2 million and $3 million respectively on lobbying in 2016, much of it spent to pass legislation that would permanently bar the government from offering taxpayers prefilled returns.[137]

Tax Policy as a driver of billionaire wealth is intertwined with the previous drivers and helps financiers, shareholders, and rentiers compound their existing wealth. As such, Tax Policy acts as a double-edged sword that either stifles billionaire wealth or grows it. For example, during the 1990s, companies saved far less of their profits and the U.S. government was able to tax all productive corporate behavior so much that it came close to paying off all its debts for the first time in 160 years.[138] This trend ran parallel with the number of billionaires falling sharply towards

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[131] C. Collins, *Wealth Hoarders*, 107.
[132] Ibid., 105.
[133] C. Collins, *Wealth Hoarders*, 110.
[134] Ibid., 97.
[135] Gill, Dee. "Why It's So Hard to Simplify the Tax Code," *Chicago Booth Review*, 14 Feb. 2018, https://www.chicagobooth.edu/review/why-its-so-hard-simplify-tax-code. Accessed 14 Aug 2023.
[136] Huseman, Jessica. "Filing Taxes Could Be Free and Simple. But H&R Block and Intuit Are Still Lobbying Against It," *Pro-Publica*, 20 Mar. 2017, https://www.propublica.org/article/filing-taxes-could-be-free-simple-hr-block-intuit-lobbying-against-it. Accessed 14 Aug 2023.
[137] Huseman, "Filing Taxes."
[138] Davidson, Adam. "Why Are Corporations Hoarding Trillions?" *New York Times Magazine*, 20 January 2016, https://www.nytimes.com/2016/01/24/magazine/why-are-corporations-hoarding-trillions.html. Accessed 20 November 2021.

the end of that decade. What one can glean from this is that the loopholes inserted in the tax code, the resulting convolution, and the cronyism that ensured the status quo contributed to a permissive environment that made billionaires proliferate more by the 21st century. By that time, the top 1% in the U.S. was holding over $25 trillion in wealth, which was more than all the goods and services produced in the U.S. economy in 2018 and much more than the $2 trillion needed to improve U.S. infrastructure over ten years.[139] Collectively, American businesses had $1.9 trillion in cash just sitting around as opposed to doing anything productive, a state of affairs unparalleled in economic history.[140]

Labor Takes the Lowest Priority

And finally, the driver of Labor Exploitation is exemplified by the U.S. economic, social, and political trends during neoliberalism. Labor Exploitation's components of labor devaluation, erosion of labor power, and worker displacement all worked to ensure that this driver contributed to the massive capital accumulation that created so many billionaires during the last four decades.

The War on Labor

At the start of neoliberalism, a political environment emerged that was less hospitable to U.S. workers. If fact, policies meant to curb the rising inflation of the 1970s coddled capital accumulators at the expense of labor. In 1983, with the Social Security Reform Act, Reagan instituted a payroll tax increase on Social Security and Medicare hospital insurance.[141] This increase would not affect financiers, rentiers, or shareholders, who did not receive pay from a payroll the way regular working Americans did.

With the advent of 21st century, labor's perceived value by society would further slide as state legislatures undertook numerous efforts to undermine wage and labor standards, with four states passing laws restricting the minimum wage, and 16 imposing new limits on benefits for the unemployed.[142] States then passed laws stripping workers of overtime rights, repealing or restricting rights to sick leave, undermining workplace safety protections, and making it harder to sue one's employer for race or sex discrimination.[143] Finally, states pursued legislation to ban local cities and counties from establishing minimum wages and rights to sick leave and to make it harder for employees to recover unpaid wages (i.e., wage theft).[144] These acts by federal and state governments constituted a devaluation of labor that was unprecedented in the decades before neoliberalism.

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[139] Pulliam and Sawhill, 10.
[140] A. Davidson, "Why Are Corporations Hoarding Trillions?"
[141] Krugman, Paul. "The Great Taxer." *New York Times*, 8 June 2004, https://www.nytimes.com/2004/06/08/opinion/the-great-taxer.html. Accessed 5 November 2021.
[142] Lafer, Gordon. "The Legislative Attack on American Wages and Labor Standards, 2011–2012," *Economic Policy Institute*, 31 October 2013, https://www.epi.org/publication/attack-on-american-labor-standards/. Accessed 25 November 2021.
[143] Ibid.
[144] Ibid.

The Era of Lost Wages

Further exemplifying the devaluation of labor was the slide to the bottom that represented worker compensation. The tendency to provide workers with lower pay (when adjusted for inflation) and fewer benefits since the 1980s has left U.S. working households with next to nothing despite increased labor output, higher labor intensity, and a constant worsening of employment conditions.[145] The U.S. federal minimum wage stood on par with the poverty level in 1980 but had fallen by 30% below the poverty level by 1990.[146] Even worse, the buying power of this federal minimum wage would fall significantly during the neoliberal period, from around $9 in the 1980s to below $6 by the 21st century.[147]

Even worse, when compared with their increasing levels of productivity, workers received less compensation during the neoliberal period. By the start of the 21st century, there was already a 25% gap between productivity and a typical worker's compensation, but this gap exploded during the next decade, inching towards 50%.[148] And finally, the amount that labor was receiving as a percentage of national personal income was steadily shrinking. In the U.S., labor's share of national personal income would plummet for the bottom 90% of Americans, beginning its decent from 58% in 1980 to a paltry 46.6% by 2015.[149]

A Time for Dis-Union

During neoliberalism, labor power eroded as unions lost much of their power as job-walkouts plunged and the strike was no longer a viable weapon.[150] When Reagan broke the air-traffic controllers strike in 1981, he effectively de-legitimized striking unions and recast union busting actions as "acts of patriotism."[151] The air-traffic controllers union was more than an ordinary union: it was a white-collar union which had the character of a skilled professional association and was an icon of middle class rather than working-class unionism and its defeat had a dramatic effect on the condition of labor across the board.[152] This effect was obvious as unions started losing more than 50% of their litigation against companies that unlawfully terminated workers during union election drives.[153]

The loss of legitimation that came from the court losses was compounded by the decline of union membership. Union members as a percentage of all employees was on a steady decline throughout the neoliberal period, dropping from over 20% in the 1980s to well below 15% by the 21st century.[154] The loss of solidarity that came from fewer members meant a loss of collective power. As such, it became less likely that unions could secure benefits for the members that remained.

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[145] Streeck, Wolfgang. *Buying Time: The Delayed Crisis of Democratic Capitalism*, 2d ed, Verso, 2017, p. 53.
[146] Harvey, *Neoliberalism*, 25.
[147] Kotz, p. 24.
[148] "The Productivity-Pay Gap," *The Economic Policy Institute*, August 2021, https://www.epi.org/productivity-pay-gap/. Accessed 12 November 2021.
[149] Bivens, Josh and Heidi Shierholz. "What Labor Market Changes Have Generated Inequality and Wage Suppression?" *Economic Policy Institute*, 12 December 2018, https://files.epi.org/pdf/148880.pdf. Accessed 2 November 2021.
[150] Wartzman, Rick. *The End of Loyalty: The Rise and Fall of Good Jobs in America*, Public Affairs, 2017, p. 253.
[151] Ibid., 236-238.
[152] Harvey, *Neoliberalism*, 25.
[153] Wartzman, 238.
[154] Kotz, 28.

For example, the percentage of private sector workers with pensions fell during the 1980s and inflation adjusted weekly earnings fell to their lowest point since the 1960s, with 40% of union employees losing the cost-of-living adjustments from their labor contracts by 1985.[155]

If government action against or a lack of solidarity among workers wasn't enough to undermine unions, businesses found that misinformation and subterfuge could be just as useful. In anticipation of a Congressional vote in 2009 on the Employee Free Choice Act, which would instruct corporations to recognize and bargain with unions if a majority of their employees signed a card expressing their desire to be represented by a union, the corporate community launched a multimillion-dollar media campaign that sought to undermine the bill. Using new lobbying coalitions (with misleading names like the Workplace Fairness Institute and the Coalition for a Democratic Workplace) the campaign advanced the narrative that the legislation would take away a worker's right to vote for or against unionization in a secret ballot, a claim that was especially galling and hypocritical because it was the corporations working to block such elections.[156] As of this writing, the Act has yet to pass Congress. These types of actions against unions contributed to a loss of labor power that made it easier for businesses to consolidate power over workers and extract a higher share of profits from their increased productivity.

The Advent of the "Gig Economy"

Capital accumulators were finding more ways to practice labor power erosion during neoliberalism. Independent contractors, temporary workers, and on-call labor was a way to obtain the services of these individuals without the expense of benefits or job security that full-time workers could demand. By the 21st century the internet expanded the market access for these types of workers by the employers that exploited them. By 2009, the term "Gig Economy" was coined by journalist Tina Brown to describe this type of labor market.

The Gig Economy took off thanks to the digitization of services through platforms created by the technology sector. These digital platforms give employers greater control of these types of labor markets as well as generating massive wealth for their owners. The projected gross volume of the global Gig Economy is expected to reach $455.2 billion by the end of 2023.[157] And this outsized economic power is being used to influence policymaking and erode worker protections for gig workers that regular workers received after the Great Depression, creating a feedback loop where enhanced economic power leads to more political power, with gig workers being increasingly short-changed.[158]

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[155] Wartzman, 238.

[156] Domhoff, G. William. "The Rise and Fall of Labor Unions In The U.S.," *Who Rules America?* February 2013, https://whorulesamerica.ucsc.edu/power/history_of_labor_unions.html. Accessed 16 November 2021.

[157] Djurovic, Ana. "27+ Gig Economy Statistics for a Wealthier Year – 2023," *GoRemotely*, 31 Mar. 2023, https://goremotely.net/blog/gig-economy/#:~:text=7.,cross%20the%20%24455%20billion%20mark.&text=The%20global%20gig%20economy%20is%20expanding%20significantly%2C%20judging%20from%20its,the%20%24455%20billion%20revenue%20estimate. Accessed 13 Aug. 2023.

[158] Fischer, Amanda. "The Rising Financialization of the U.S. Economy Harms Workers and Their Families, Threatening a Strong Recovery," *Washington Center for Equitable Growth*, 11 May 2021, https://equitablegrowth.org/the-rising-financialization-of-the-u-s-economy-harms-workers-and-their-families-threatening-a-strong-recovery/. Accessed 13 Jun. 2022.

The Exodus of Employment

The component of worker displacement emerged in the early 1980s when the offshoring of U.S. manufacturing jobs was pushed by trend setters like General Electric CEO Jack Welch. In the late 1970s, Welch, widely respected by other corporate chieftains, argued that since public corporations owed primary allegiance to stockholders, as opposed to employees, companies should seek to lower costs and maximize profits by moving operations wherever is cheapest, and his manufacturing plants and parts suppliers both followed his example.[159] As a result, while employment in the U.S. economy increased 2.6% from 104.5 million to 107.2 million workers between 1980 and 1985, employment of operators, fabricators, and laborers declined 15.9% from 20.0 million to 16.8 million.[160]

The grim reality of this worker displacement was hammered home in 1984 when the Bureau of Labor Statistics (BLS) began to officially define and track displaced workers when businesses terminated their positions permanently.[161] The passing of the Worker Adjustment and Retraining Notification (WARN) Act in 1988 solidified this new reality as it mandated that companies provide advanced, sixty-day notice of plant closings and mass job cuts.[162] Capital already had unprecedented ease of global movement, but with worker displacement capital could leave the U.S. and find labor anywhere in the global market.

Offshoring picked up steam as the Internet increased global connectivity. The Internet boom in the 1990s ensured that offshoring was no longer limited to manufacturing as firms were given instant access to educated workers all over the planet, allowing enormous service companies and small businesses alike to hire Web designers in Thailand, graphics specialists in India, and seismologists in Pakistan.[163] The trend of offshoring of U.S. jobs was made worse by the 2007-2008 Financial Crisis. In the two years after the meltdown that triggered the Great Recession, American corporations slashed U.S. payrolls by a net of 500,000 jobs while hiring 729,000 workers overseas.[164] The success for companies using the offshoring strategy is apparent. By the end of that decade, nearly half (47 percent) of the revenues of the 500 largest U.S. public companies came from outside the U.S.[165] And while the unemployment rate hovered above 9 percent, U.S. corporate profits hit an all-time high of $1.659 trillion.[166]

Through its components of labor devaluation, labor power erosion, and worker displacement, Labor Exploitation was an effective contributor to billionaire wealth as it created an environment that enabled financiers, shareholders, and rentiers to accumulate massive wealth at the expense of

[159] "Where America's Jobs Went," *The Week*, 11 January 2015, https://theweek.com/articles/486362/where-americas-jobs-went. Accessed 11 November 2021.
[160] Lopez, Linette. "The White House is Only Telling You Half of the Sad Story of What Happened to American Jobs, *Business Insider*, 25 July 2017, https://www.businessinsider.com/what-happened-to-american-jobs-in-the-80s-2017-7. Accessed 8 November 2021.
[161] Wartzman, p. 239.
[162] Ibid.
[163] "Where America's Jobs Went," *The Week*.
[164] Ibid.
[165] Ibid.
[166] Ibid.

laborers. In an economic system like the U.S., it is expected for the owners of capital (who provide the means of production) to attain surplus capital resulting from the sale of goods and services on the market. But during the neoliberal period, very little of this surplus went to workers as their wages stalled, their collective power shrunk, and their jobs disappeared, all while billionaires proliferated.

Cumulative Effects of the Institutional Drivers and the Current State of Billionaire Wealth

In the present decade, Financialization, Shareholder Culture, Crony Capitalism, Rentierism, Tax Policy, and Labor Exploitation all function in an interrelated, cohesive, and synergistic whole to create advantages for the wealthy to practice capital accumulation, which in turn continues to facilitate the processes that raise U.S. billionaire wealth to higher levels. Financialization and its components enabled wealth to be pushed upward, allowing more individuals to become billionaires. More U.S. billionaires had derived their wealth from finance than any other industry by March of 2021.[167] Derivatives trading surged by 40% in 2020, which was more than triple the rise in volume in 2019.[168] Amid the COVID-19 crisis, the global market for shadow banking assets was estimated at $50 billion in the year 2020, but is projected to reach a size of $72 billion by 2027.[169] At the start of the 2020s, debt proliferated as the domestic debt held by the Private Sector reached its highest point ever at over 215% of GDP.[170]

In the beginning of the 2020s, the economic and ideological tools of Shareholder Culture are as prolific as ever. Political discourse in the U.S. now portrays the economic interests of the very rich as synonymous with American values and has vilified investments designed to reduce income inequality and uplift Americans out of poverty. Right-wing talking points about "the death tax" and "makers and takers" are being used to propagandize far too many "working-class" Americans into voting against their own economic self-interest.[171] Meritocracy narratives of deservedness are just as prevalent as ever, and an ideological echo chamber known as “Market World” encourages the wealthy to help those less fortunate only by amassing more wealth for themselves.[172]

Despite an increased perception of billionaire benevolence and sham philanthropy, Forbes Magazine reported that billionaire philanthropic giving hasn’t kept pace with their enormous gains in wealth. Despite the country’s richest people getting far wealthier in 2020 (thanks to a

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[167] “Billionaires by the Numbers,” *Americans for Tax Fairness*, 18 March 2020, https://americansfortaxfairness.org/billionaires/. Accessed 1 December 2020.
[168] Langton, James. “Derivatives Trading Soars in Response to Pandemic: WFE,” *Investment Executive*, 19 May 2021, https://www.investmentexecutive.com/news/research-and-markets/derivatives-trading-soars-in-response-to-pandemic-wfe/. Accessed 2 Mar. 2022.
[169] “Global Shadow Banking Industry (2020 to 2027) – Key Market Trends and Drivers – ResearchAndMarkets.com,” *BusinessWire*, 16 February 2021, https://www.businesswire.com/news/home/20210216005747/en/Global-Shadow-Banking-Industry-2020-to-2027---Key-Market-Trends-and-Drivers---ResearchAndMarkets.com. Accessed 1 March 2022.
[170] “Domestic Credit to Private Sector.”
[171] DeVega, Chauncey. “Upper-class traitor Chuck Collins on how "wealth hoarding" will create more Trumps,” *Salon.com*, 13 April 2021, https://www.salon.com/2021/04/13/upper-class-traitor-chuck-collins-on-how-wealth-hoarding-will-create-more-trumps/. Accessed 17 November 2021.
[172] Giridharadas, p. 30-31.

soaring stock market), billionaires were hoarding even more wealth than ever.[173] Foundations like Gates, Rockefeller, and Ford were sitting on endowments of nearly $1 trillion, but even that is dwarfed by the *$12 trillion* held by the top 0.1% of households. And things are only getting worse. Food shortages and unemployment are at record highs, yet billionaires managed to add over $400 billion to their collective holdings since the COVID-19 crisis began. Yet, as of 2021, the ultra-rich have barely increased their giving at all when compared with past amounts.[174]

The development, leveraging, and maintenance of mutually advantageous relationships between business leaders, their agents, and government officials for the main purpose of accumulating wealth looks to be a permanent trend in the 2020s as Crony Capitalism becomes more widely accepted in the U.S. In 2020 for example, businesses in California that control the digital platforms of the gig economy dumped $200 million into lobbying to influence the passing of Proposition 22, which exempts businesses from classifying gig workers as regular employees.[175] Thus further preserving their wealth while exploiting their labor. Government confluence with the financial sector occurred when the Federal Reserve went even further in 2020 than it had during the last Financial Crisis to subsidize the financial sector with trillions of dollars in free money (a credit expansion far larger than any other rescue assistance), thus assuring speculators that they would be rescued again during the next crisis (little of this was understood by the U.S. public or by many of their representatives in Congress).[176]

The lack of transparency associated with Crony Capitalism was made obvious when, in 2020, the global Financial Secrecy Index had downgraded the U.S. rating because of the passage of the aforementioned New Hampshire Foundation Act.[177] What's worse, the Index ranked the U.S. as the world's second largest tax haven, overtaking Switzerland with only the Cayman Islands ranking higher.[178] And while U.S. banks worked to clean up their act by outsourcing their shadow transactions to smaller banks in unregulated secrecy jurisdictions, criminal vulnerability within the U.S. remains very real due to the anonymous shell companies and unregulated institutions like trust companies and family offices located in places like South Dakota and Delaware.[179] Now family offices have become a tool for wealthy families to impinge on investment banking and private equity, thus becoming a disruptive force on Wall Street due to their secrecy, lack of regulation, low scrutiny, and minimal notoriety.[180]

In the short span of the 2020s, Rentierism has put billionaire wealth on an accelerated trajectory. As digital platforms move toward dominance (if not already achieving it) the pressure to continue

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[173] "The Forbes Philanthropy Score 2021: How We Ranked Each Forbes 400 Billionaire Based On Their Giving," *Forbes*, 5 October 2021, https://www.forbes.com/sites/hanktucker/2021/10/05/the-forbes-philanthropy-score-2021-how-we-ranked-each-forbes-400-billionaire-based-on-their-giving/?sh=758a4d10457b. Accessed 27 November 2021.

[174] Davis, Alan. "America's billionaires have a hoarding problem," *Fortune*, 14 July 2020, https://fortune.com/2020/07/14/billionaires-philanthropy-coronavirus-crisis/. Accessed 20 November 2021.

[175] Siddiqui, Faiz. "Uber, Other Gig Companies Spend Nearly $200 million to Knock down an Employment Law They Don't Like — and it Might Work." *Washington Post*, 26 October 2020, https://www.washingtonpost.com/technology/2020/10/09/prop22-uber-doordash/. Accessed 21 November 2021.

[176] Tabb, "The Present in History."

[177] C. Collins, *Wealth Hoarders*, 74.

[178] C. Collins, *Wealth Hoarders*, 115.

[179] Ibid.

[180] Ibid., pp. 98-99.

growing, accumulating, and subsuming competitors to maintain the top position increases.[181] The present surge of companies that describe themselves as "Uber-for-X" or "X-as-a-service" are extracting rent through the capture of revenue with these platforms, acting as gatekeepers to the Internet where data is commodified (like fossil fuels or precious metals), and turning social interactions and economic transactions into "services" provided by their platforms.[182] Martin Wolf, senior economics writer for the *Financial Times*, gives a prescient description of Rentierism in the 2020s as "an economy in which market and political power allows privileged individuals and businesses to extract a great deal of rent from everybody else."[183] And In 2020, they did exactly that as the COVID-19 pandemic plunged the world into a global recession. It was a time that global billionaires added $3.9 trillion to their wealth while workers globally lost $3.7 trillion in earnings.[184] In the U.S. a third of the $4.3 trillion in billionaire wealth gains since 1990 came during the first 13 months of the pandemic![185]

There has not been enough time in the 2020s for new Tax Policy to emerge. It is the Tax Policy of the previous decades that will influence billionaire proliferation for now. But the Organization for Economic Cooperation and Development (OECD) estimates that the causal effect of the major tax cuts given to the wealthy over the previous decades has (as expected) led to greater income inequality, as measured by the share of pre-tax national income going to the top 1%.[186] And U.S. President Joe Biden will likely be unable to roll back his predecessor's 2017 Tax Cut, as resistance comes from within his own party and from business groups like the U.S. Chamber of Commerce, the Business Roundtable, and corporate groups who are lobbying intensely against attempts to roll back the benefits.[187]

In the 2020s, the wealth defense industry has become even more critical in its service to billionaires seeking to keep as much of their wealth as possible. As of 2021, the number of wealth defense professionals within U.S. tax, estate, and trust law reached 90,000, serving clients at private banks, wealth management firms, and as staff at many family offices.[188] The STEP is as strong as ever, with its website reporting that its U.S. arm has grown to 17 branches with U.S. members totaling 6% of its global membership. And the South Dakota Trust Association now represents more than a hundred trust companies and represents a growing state-based wealth defense industry with 500 people in its employ managing over $350 billion (up from only $57 billion in 2010).[189]

The use of loopholes by the wealthy shows no signs of slowing in the 2020s. In August 2020, a survey of filings from 70 randomly selected S&P 500 companies showed that more than half had executives and top shareholders that were using GRATs to hold a total value of shares of more than

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[181] Sadowski, "The Internet of Landlords," 1.
[182] Ibid., 4-5.
[183] Tabb, "The Present in History."
[184] Sadowski, Jathan. "The Internet of Landlords Makes Renters of Us All," 8 Mar. 2021, https://resources.platform.coop/resources/the-internet-of-landlords-makes-renters-of-us-all/. Accessed 11 Nov. 2020.
[185] Collins, Chuck. "A Third of the Wealth Gains Since 1990 Have Come During Pandemic," *Inequality.org*, 15 April 2021, https://inequality.org/great-divide/billionaire-pandemic-profit-surges/. Accessed 26 November 2022.
[186] Tabb, "The Present in History."
[187] Davison, "Trump Tax Cuts."
[188] C. Collins, *Wealth Hoarders*, 57.
[189] C. Collins, *Wealth Hoarders*, 88.

$12 billion.[190] Households in the top 0.01% (with wealth of $5 million or more) are on track to transfer over $15.4 trillion in intergenerational wealth by 2030, as part of an estimated total transfer of $68 trillion over the next 30 years.[191] The creation of shell companies for the purpose of hiding wealth has kicked into high gear, cumulating as a process that has metastasized to a very advanced stage due to the accelerating concentration of wealth and power during the preceding decades.[192] And finally, the unregistered family offices, with their aforementioned forays into the adventurous world of finance are deploying several different tools and bringing in enormous pools of anonymous and unregulated private capital in the trillions of dollars![193]

As digital platforms proliferate throughout the present economy, Labor Exploitation has become easier for the businesses that own these platforms. Companies like Uber and DoorDash scored a major legislative win with the passage of Proposition 22 in California. Through the legalization of a new form of serfdom-as-a-service, these businesses hope to finally turn a profit off their precarious workforce.[194] It is no surprise that in the present decade the median worker's pay is 4.2% lower than it should be if labor's share of income were equal to what it was 1979.[195] What's worse, by 2020, worker productivity had increased by 61.8% since the start of the neoliberal period while worker compensation had only increased by 17.5%.[196]

The cumulative effects of these institutional drivers on the current state of billionaire wealth have been vast. By June 2020, 640 billionaires held more than $3.5 trillion of U.S. wealth combined, indicative of a global trend where the 26 wealthiest billionaires in the world had as much wealth as the bottom half of humanity.[197] The uneven distribution continued even as the economic recovery from the COVID-19 Crisis began in 2021, with half of U.S. households having zero or negative wealth while the total wealth of all U.S. households equaled about a hundred trillion dollars (or more than three-quarters of a million dollars for every household if divided equally).[198] By 2021 the number of billionaires surpassed 700 in total. And per the Federal Reserve, the top 10% of households (as of October 2021) now hold MORE THAN TWICE the wealth as the rest of the country combined![199]

Future Research on Billionaire Wealth

This study has highlighted (from a macroeconomic perspective) the patterns that represent how the six institutional drivers have contributed to capital accumulation that leads to billionaire wealth. For future research, this analysis can be narrowed down to the meso-economic level with an analysis of the distinct areas of economic activity in the U.S., or sectors. It can also be expanded

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[190] Steverman, "The Hidden Ways the Ultrarich Pass Wealth."
[191] C. Collins, *Wealth Hoarders*, 104.
[192] Ibid., 78.
[193] Ibid., 99.
[194] Sadowski, "Renters of Us All."
[195] Fischer, "The Rising Financialization," 4.
[196] *Economic Policy Institute*.
[197] C. Collins, *Wealth Hoarders*, 104.
[198] Tabb, "The Present in History."
[199] "Distribution of Household Wealth in the U.S. since 1989." *U.S. Federal Reserve*, 1 Oct. 2021, www.federalreserve.gov/releases/z1/dataviz/dfa/distribute/table/. Accessed 1 Dec. 2021.

out to the global level through an analysis of major economic, social, and political trends. To better assess which drivers are most relevant to billionaire wealth proliferation, these analyses will prove useful.

This study has also highlighted the institutional nature of billionaire wealth that has been solidified over the last four decades of neoliberalism. Further research into the connection between the six institutional drivers and billionaire wealth proliferation can lead to policy solutions that can reverse this trend for the good of society. Each of the institutional drivers can also be studied to see if more descriptive evidence exists on the effects of billionaire wealth in conjunction with other societal issues like reduced job quality, sliding democracy, rising authoritarianism, increased government corruption, and greater climate injustice. This research would be useful in mapping out a blueprint for future actions, which would be critical if society is to experience the trends of economic growth, more economic stability, reduced poverty, improved access to infrastructure and services, and a thriving middle class.

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