INEQUITABLE DISTRIBUTION OF WAGES CONTRIBUTE TO LACK OF JOBS AND CONTINUING RECESSION

The equation is not so very tough to discern:

- Lower GDP means less jobs, higher GDP means more jobs
- 70 percent of the GDP in US depends upon active purchase of consumer commodities
- Low wages and stagnation of wages affecting millions of workers suppresses consumer demand
- Low consumer activity leads to low GDP
- Low GDP means lack of jobs and appropriate wages
- Lack of jobs and appropriate wages mean lack of purchasing power of the masses
- Lack of purchasing power of the common American leads to reduced consumer activity
- Reduced consumer activity leads to low GDP
- Low GDP means lack of jobs and appropriate wages ....

Many economists are fond of blaming the American consumer for believing in fictional housing prices, which apparently hit the bottom, and reality, with bursting of the housing bubble. But it is not so. The prices of pre-recession housing were real enough, both for those who purchased and for those who sold. They gave and received real money at those rates. So, how can rates which were a part of reality, be fictional? It might be fictional for economists, but for those who actually gave and received, pre-recession housing rates were part of concrete reality. Many economists blame the average American for funding their consumer activities on apparently inflated pre-recession housing prices. This is quite a misleading approach, for if somebody received a loan on a certain assessed rate of a property, then the rate was real enough, for the loan was not fictional. What actually hurt, was that to take maximum advantage of the hysteria following the mortgage mess, unscrupulous employers shed jobs and cut wages apparently to “survive” by dangling the boogey of recession. The top management (few in number) got richer; the average American worker (the consumer class) got poorer, and went jobless in huge numbers. Consumer activities hit record lows, and that started the vicious cycle continuing the recession. It is greed of company managements that fuels this recession and lack of jobs, and unless inequitable distribution of wages within companies is properly addressed, the situation will continue. If you possess even the slightest doubt about the opinions expressed in this article, consider the following verifiable information from recent industry reports as well as the landmark report published by the by Institute of Policy Studies termed *Executive Excess 2010: CEO Pay and the Great Recession*.

- In the 1970's, the average American CEO earned around 30 times the pay of an average American worker
- In 2009, the average American CEO earned 263 times more than the average American worker

General industry trends of inequitable distribution of wages over the years has had a direct effect on purchasing power of employees that translates to purchasing power of the masses, and reduced both GDP and jobs, as purchasing power, jobs, and GDP go hand in hand. If this situation is not fairly addressed, then the chances of recovery from the recession remain bleak. Though I am largely talking common sense here, incidentally, I did pass my paper on economics in the University, and understand the basics fairly as I had deep interest in the subject. Possibly only having understood fundamentals, and not having specialized in the discipline, allows me to still retain a measure of common sense greater than those who continually make wrong predictions.

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