

The Changing Gap between USA Gross and Net Income as an Institutional Phenomenon

Kirk Douglas Johnson, Goldey-Beacom College, USA.

Abstract. The author examines changes to the working rules affecting US Households. In particular, shifts in health care legislation, the privatization of higher education funding and personal pensions and shifts between Federal and Regional taxation have significantly altered the standard of living for wage earners. In the last three decades, we have witnessed a profound shift in labor property with the devolving of risk onto individual laborers.

The convergence of these several trends lends itself to developing an alternative definition of Income on which to assess economic outcomes. The author identifies an alternative to Gross Median Income in the form of resources available at the household level as a result of labor earnings; Spendable Earnings. This choice is based in the Wisconsin tradition of transaction analysis (Commons through Samuels) creating opportunity sets for economic agents.

Individually, each trend encroaches on the value of labor property as measured by the opportunity set wages can buy. Using this model, the author explores the cumulative effect of disconnecting Household Spendable Earnings from Gross Median Income. Societal perceptions of policies, law, economics and economists have deteriorated with this disconnection between economic reality for wage earners and economists' assessments of outcomes.

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