



Ever since the 1980's, the American economy has been under the spell of "trickle-down economics", a theory that produces feed-the-rich policies. They have made the rich vastly richer, and everyone else's earnings stagnant. But there's a geyser ready to blow, if we're smart enough to shift our attention from supply to demand.

ALTOONA, WI - For close to 40 years now, the American economy has been under the spell of [supply-side theory](#)

, better known on the streets as trickle-down economics. The theory is that expanding the economy's capacity to produce more goods is the best way to stimulate economic growth. In practice, that theory produces feed-the-rich policies — such as steep cuts in the income taxes corporations and the wealthiest Americans pay — aimed at encouraging private investment in businesses, production facilities and equipment.

Those policies have worked like a charm in one regard. They have made the rich vastly richer. With everyone else's earnings stagnating, the gap between America's rich and the rest has [grown dramatically](#)

by every statistical measure since trickle-down took hold of our economy. Trickle-down economics has been a colossal failure when it comes to producing shared prosperity. George H.W. Bush called it “

[voodoo economics](#)

” for supercharging the accumulation of national debt, but its biggest sin is that [America was growing together before the supply-siders took over and has been growing apart ever since](#)

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There are conspicuous reasons why the only thing trickle-down economics does well is produce income and wealth inequality. Feed the rich and they don't eat much of what they are fed. They store it away. They amass more wealth. Every dollar added to their net worth is a dollar out of circulation that creates no multiplier effect in the economy. Put more money in the pockets of everyday workers and consumers and they spend it. That creates demand. When someone wants to buy, someone else is eager to sell. The economy is stimulated.

"A New Economic Metaphor" - Blue Jean Nation

Written by Mike McCabe, Blue Jean Nation

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That's the fundamental flaw in supply-side theory. You can shower incentives on corporations and the superwealthy to supply more goods, but if no one is buying what they are making the new factories will be shuttered in no time. Demand drives economic growth, not supply. Shared prosperity doesn't trickle down, it springs from the ground up like a geyser.

Shifting from failed trickle-down economics to **geyser economics** means concentrating on stoking demand rather than trying to politically manipulate supply. Boosting wages is a good place to start. The federal minimum wage has been increased 22 different times, and every time supply-siders screamed that increasing it would be a jobs killer.

[Never worked out that way](#)

. The national gross domestic product (GDP) steadily grew through every minimum wage increase. And states that increased their own minimum wages have seen

[faster job growth](#)

than those that didn't. That's because workers earning more end up spending more. Good capitalists figure out how to supply what consumers are demanding. They scale up their operations to meet the increased demand, and that means hiring rather than laying off.

A critical next step toward geyser economics is overhauling our tax system. America effectively has [two tax systems](#), one for the rich and another for the rest. That needs to change. We don't need new taxes. We do need to make sure everyone pays the ones we already have. That will reduce the share of total taxes paid by low-income and middle-class Americans, leaving them with more to spend on other things. Demand will be further stoked.

Big business handouts are a favorite recipe in the trickle-down cookbook. Funny how so many of the handouts wind up hidden in [shell companies and tax havens](#) overseas and don't actually create any additional supply — or jobs — here at home. States have fallen in love with this recipe too. Wisconsin's corporate welfare office spends hundreds of millions of dollars a year, creates no noticeable economic stimulation and hardly any jobs, and [can't even seem to keep track](#) of how the taxpayers' money is spent.

For the sake of free market capitalism and shared prosperity, geyser economics is predicated on doing away with [crony capitalism](#). We're better off taking the money wasted on handouts to corporations and the ultrawealthy and investing it instead in things like affordable, debt-free education. An entire generation of young Americans is buried under a mountain of college debt. With them spending 20, 30, even 40 years paying off student loans, think of how many are putting off purchases of cars and houses and other such goods. Imagine what it would do for auto manufacturers, car dealers, home builders and realtors if we made education as affordable

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for today's youth as it was for us older folks. You don't think they'd gladly supply what legions of young Americans would suddenly be able to buy?

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