Anti-Meritocratic Economics in the Contemporary Era: The Issues with the Neoclassical Theory

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The Issues With Neoclassical Theory

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Picture this, countries divided by opinions. So much of the first world today is attentive to the political and economic questions. But unlike times of great change in the past, when singular people, like Plato or Martin Luther, lead the pack of philosophical change, now the people, connected by vast public networks and a rampant media sector, collectively argue and push change. They argue about the environment and they argue about the system that destroys it. They argue about the state of classism and they argue about the system that stratifies. They argue about poverty and they argue about the system which allows it. The goal of discourse in society has allowed for improvement and discovery throughout history. Though now discourse sets its eyes on the systems of order that society has put in place, and whether amendments are needed. With an internet culture allowing opinions to escalate to extremes on both sides of every argument, the bulk of opinions are simplistic and generalized. In a study of political opinion in the United States, the Pew Research Center (PRC) wrote that “America’s relatively rigid, two-party electoral system stands apart by collapsing a wide range of legitimate social and political debates into a singular battle line that can make our differences appear even larger than they may actually be.[1] No longer does society consider the full extent of the argument and consequences or benefits of a system change.

Currently one of the most prominent discussions within our first world societies regards issues with modern capitalism. The most popular arguments center around the present wealth gap, industry monopolization, and the seemingly undeserved success of the banking and market-making business. The validity of these arguments lies in statistics that support conclusions about an unbalanced monetary scale. For example, a minority of high earners hold

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[1] Dimock, Michael, and Richard Wike, “America Is Exceptional in,” 1.

the majority of wealth within most modern capitalistic economies such as the United States or the United Kingdom. This wage inequality in several notable capitalist countries, including the US and the UK, has increased dramatically over the last couple of decades.[2] Furthermore, multinational conglomerates and corporations maintain a steady controlling market share. For example, Amazon currently holds a 50 percent share of the entire online retail market in the US which many believe is enough for anti-trust lawsuits. One promoter of this domination is inflated US stock exchanges which are currently at all-time highs and have allowed companies to record market caps over one and two trillion dollars to match inflationary highs of the USD. These current price points do support the indication of an overall bubble: a sharp rise in asset prices that incurs further bullish mania and creates a sense of profit off the value of an asset and disregarding the earning capacity of that asset.[3] This is just one example of secondary markets being, in many cases, larger in capitalization than the sectors they serve to finance. All this record-breaking success simply furthers a divide between people/organizations that have money and people/organizations that need money. However, those that can view this divide assign the capitalistic system as the culprit when in fact it is the modern mutation of capitalism that is at fault.

To explain current inequalities it is always beneficial to consult history. The first derivative of inequality in history was simply the creation of social hierarchies within the first civilizations. For example, the domino effect which allowed for social stratification in ancient Mesopotamia was the polytheistic religion that governed belief, behavior, and, most importantly, status. In an economy and civilization dominated by agriculture, those who formed a tight

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[2] Rueda, David, and Jonas Pontusson, "Wage Inequality and," 355.
[3] Komáromi, György, "Which Stock Market," 5.

religious community were also the elite individuals of society who owned the land and didn't toil on it.[4] From the Mesopotamian era until the middle of the second millennium C.E. (with the exception of certain progressive empires, such as Rome, in the first millennium B.C.), while currency may have existed and may have found itself plentiful within higher classes, the main regulator of power, wealth, and respect was religion. However, after many movements of social and intellectual change, such as the Renaissance and the Enlightenment, the power of religious ideology lessened in favor of value-based societies. Still, the measure of social status remained currency and wealth. However, at that point, instead of a person's place in the social pyramid being based upon their connection to religion, a person's place was judged by the value they provided to the greater population. This coincided with the inception of capitalism, the modern theory, by Scottish political economist, Adam Smith, in the 16th century. Capitalism is the idea that trade and industry are privatized rather than controlled by the state. An economist during the late 19th and early 20th centuries named Werner Sombart theorized and divided the capitalist idea into stages of evolution which included early, high, and late capitalism.[5] Early capitalism characterized the beginning instances of the theory up until the Industrial Revolution: focusing on the original examples of privatization and commercialization which were the first of their kind.[6] However high and late capitalism after the turn of the century was characterized as periods of consolidation of capital production and the rise of social politics due to the freedom associated with privatization.[7] What Sombart means is that capitalism allowed for a revolution in the modern interpretation of social freedom. With the ability to conduct business and operate

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[4] McCorriston, Joy, "Textile Extensification, Alienation," 530.
[5] Brunkhorst, Hauke, Regina Kreide, and Cristina Lafont, *The Habermas Handbook,* 572.
[6] Brunkhorst, Hauke, Regina Kreide, and Cristina Lafont, *The Habermas Handbook,* 572.
[7] Brunkhorst, Hauke, Regina Kreide, and Cristina Lafont, *The Habermas Handbook,* 572.

privately, governing systems had less and less control over individuals and their roles or occupations. Capitalism was a revolutionary idea that weakened strict classism by offering those an opportunity for social movement. Capitalism marks the shift from monarchies to democracies throughout the world. And capitalistic privatization has inspired social movements to eliminate inequality and became the driving force behind the quintessential American Dream ideal. Geoffrey Hodgson for the Journal of Economic issues writes that under capitalism "new specialisms emerge to deal with the multiplying facets of the increasingly complex capitalist system. Workers with advanced and transferable skills, and with enhanced capacities to rapidly learn and adapt, are more and more at a premium."[8] Capitalist economies support this growth and merit-based compensation for occupations and thus, since Adam Smith, this ideology has sustained as the backbone of all major developed countries.

Between the 16th and 18th centuries, before Smith published his work, the macro-economic system which governed the most powerful western empires was mercantilism, the secret motive for imperialism. Mercantilism had to deal with the constant urge to minimize imports and maximize exports. Economists and theorists at the time believed that the value of any empire, country, or economy can be traced to their reliance on other empires, countries, or economies. By maximizing imperialistic control of the means of production, an economy can theoretically have zero imports and infinite exports thus controlling prices and minimizing risk. Overall, imperialism was the best use case for achieving a mercantile economy because it allowed an empire to control trade and production through brute force exploitation.[9] An example of how mercantilist ideas are still used today is the role of GDP in measuring economies by

[8] Hodgson, Geoffrey M, "Capitalism, Complexity," 475.
[9] Sweezy, Paul M., and Maurice Dobb, "The Transition from Feudalism," 153.

aggregating the production value in a country. In a different sense, mercantilism dealt with the cost of purchasing being more than the cost of producing. As such, the first form of capitalism, which followed mercantilism, is the classical theory; the first form of Smith's ideals in history. The classical theory worried about economic growth as a result of production costs. Though the main point of Mercantilism, that the classical theory accentuates, is the idea of cost-based valuation. For example, the value of a house within the classical theory would be based on the cost of resources needed to create that house. At this point in history, well beyond the era of religious hierarchical control, social stratification uses a measuring unit, currency, which is distributed based on the value one provides to society. Though now, under classical economics, social freedom is supported by the introduction of private ownership: a revolution not intended to destabilize value-based hierarchies but simply allow meritocratic participation in those value-based hierarchies.

Finally, we arrive at the most recent economic theory and the current form of capitalism that emerged around the turn of the century, the neoclassical theory. Within this system, economies are governed in full by the supply and demand model. Money/currency is still the unit of measure for value, yet now, instead of cost-based valuation, the determinant is market-based valuation. Because of the combination of privatized capital and complex markets, prices are regulated by historical fluctuation and sentiment rather than strictly on the merit of financial (or otherwise) effort.[10] In other words, the price of a good or service is determined both by its demand and its available supply. Instead of the house being worth the resources needed to build it, the house is worth a similar amount to other houses in the neighborhood: a precedent that is agreed upon by a market of house buyers and house sellers. What arises from the supply and

[10] Bellofiore, R., and Piero Ferri, *Financial Keynesianism,* 3.

demand model is vast and important secondary markets which regulate and control price. Stock and equity markets have existed since Roman times, however, in the modern era, they have a rippling effect on the overall economy. For instance, shifty business practices by the financial services industry crashed the secondary housing market which then crashed the world economy in 2008. The NYSE and NASDAQ both have a trading volume of over 100 billion USD each day [11] which indicates the severely high relevance of the prices which market participants serve to regulate. Overall, fluctuations in financial markets now affect economic stability even though they don't measure economies in more aspects than price points. Neoclassical economies are characterized by this highly active secondary market and overall market-based valuation techniques. What this causes is a shift from value-based economics fueled and measured by money to monetary-based economics within which hierarchical class is associated with the financial presence in the market rather than value production. This is not the goal of capitalism but an evolution in the private capital gains freedom that capitalism offers.

There are three main issues with the neoclassical theory which have changed the value formula of economies. The first is the power that secondary equity markets are allowed to hold over overall economic stability within the supply and demand model. Exchanges and the market-making industry provide little value to the whole of society but still control a vast majority of the wealth and capital in the country. Secondly, neoclassical economies allow for the misinterpretation of business and sector values. As the supply and demand markets become active, an economy can shift from set prices for goods and services to inflated prices which reflect the perceived value of sectors but neglect truly essential ones. Finally, neoclassical economies support an extreme wealth gap because privately wealthy individuals are allowed to

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[11] "U.S. Equities Market Volume," 1.

occupy a seemingly non-essential role in society that seems to value them above others, the pure capitalist. Within modern neoclassical economies, there is no form of value-based meritocracy between people and organizations.

The weight of opinions that exists currently around the role of the economic system in inequities lies on the two extremes of the political spectrum. The PRC writes that in the United States, there has been an "increasingly stark disagreement between Democrats and Republicans on the economy, racial justice, climate change, law enforcement, international engagement and a long list of other issues."[12] Those who simultaneously support the right-leaning parties in their respective countries generally agree that capitalism in its current form, the neoclassical theory, correctly and meritocratically rules social and monetary stratification. Analogous to this perspective is the one on the other side of the spectrum; people who support the most left-leaning parties in their respective countries argue that capitalism as a whole is the culprit for the current monetary inequity between people and organizations. This dichotomy of progressives who are opposed to capitalism in full, and conservatives who support a corrupt version of capitalism are all that stand in the way of herd cognizance about the issues of neoclassical economics. A blinding effect results from these two intellectual camps negating each other. The amount of resolutions passed in the US congress is down 8% percent over the last roughly 10 years because of increased disagreement between political spheres.[13] Both arguments lie in consolidated but insufficient evidence that incorrectly reflects the reality of the monetary inequality that causes value inequity: anti-meritocratic economics.

[12] Dimock, Michael, and Richard Wike, "America Is Exceptional in," 1.
[13] "Statistics and Historical Comparison," 1.

In the contemporary era, the progressive mindset focuses on the idea of equality and equity as it relates to poverty, injustice, and the equity of opportunity for all. They exist because their goals clash with current political and economic systems and thus authorize their movements of change and their fights to reform. Nearly 65% of democratic-leaning citizens in the United States support socialism over capitalism.[14] Progressives believe that the general idea of capitalism can't support equality because privatization allows for unfair business practices and the inequity of opportunity between social and monetary classes. Beyond allowing for private businesses in the first place, capitalism allows businesses to act in their own public market that is only regulated but not controlled by the government. Larger businesses can gain unfair capital advantages over smaller ones. In the context of the tech sector, David Dayen of The Atlantic writes that "these problems have only grown worse with the coronavirus pandemic, as smaller businesses succumb to the economic damage, and changing patterns in teleworking and retail accelerate in ways that make Americans more reliant on technologies produced by a few firms."[15] As those businesses build monopolies, they are able to pay out smaller wages to their employees. The main inciter of this is the simple fact that under capitalism, the business or the business owner controls the means of production and thus has an unfair amount of control over those who work for them as well as those who they service. Modern wealth inequality in modern capitalist nations is the consequence of larger and larger corporations that grow because lowering wages services their bottom line. In the developing world, for example, businesses have significantly lowered the wages they pay so that they can compete with businesses in developed nations.[16] An era of profit over value has arisen with the role of the capitalist being at the front of

[14] Hartig, Hannah, "Stark Partisan Divisions," 1.
[15] Dayen, David, "America's Monopoly Problem," 1.
[16] Hodgson, Geoffrey M., "Capitalism, Complexity," 475.

this maximum margin's charge. Similarly, private wealth that is allowed under capitalism creates an uneven playing field in terms of education, occupational prospects, and living conditions. Private schools, costing well beyond what the income of the majority affords, offer education much better than underfunded public schools. The pursuit of college is similarly expensive and thus those people that complete it are overwhelmingly born of the higher socio-economic classes. In the UK for both secondary school and university, the average tuition is not much less than the median income, and a clear barrier to entry exists. However, that set of metrics in the UK and other democratic, capitalist powers is nothing compared to the dispersion in the US with the average college tuition being several thousand more than the median income in the country which means that well less than fifty percent of earners in the US could ever have enough money in one year to pay for college if they did not need to pay any other expenses. With better education and a platform of wealth, those people are also opened to better job opportunities and more lucrative careers. Finally, this inequality of wealth creates a disparity in living conditions between those who can afford health care, housing, and food, and those who can't.

However, this perspective forgets multiple things about the capitalist system. First, many of the issues that are used to attack capitalism are the result of injustices that exist beyond economics such as the presence of systematic racism and sexism in our current world. The wealth gap, wage gap, and the overwhelming presence of poverty can be traced to prejudice against certain groups of people. The systems which raise and select people for the workplace make prejudicial decisions about people based on their background and gender because they feel it is a bad investment: an ideal/prejudice that can only grow as it remains intact.[17] Second, unlike the argument of the progressives, the capitalist system actually supports individuality in its ideal

[17] Carnoy, Martin, "Race, Gender," 208.

presence and the absence of an omnipotent governing body supports individual freedoms and the equality of opportunity. Capitalism supports both the freedom of individuals in creating their own political opinions because of little government control, while simultaneously supporting the freedom of individuals to participate in capitalism by creating their own business or marketing their services to employers. Even those that are poor within a capitalist economy have an advantage over those that are poor in other systems because the idea of a free market is more advantageous to individuals and not only businesses.[18] It is the rise of capital markets, private centralization of money, and the flow of money that allows for the suppression of social movement and small business development.

Next is the wealthy conservative opinion: modern economics supports a value-based stratification of wealth and capital. They are generally oblivious to the problem that is the current wealth gap.[19] Those people and organizations who provide more value are currently distributed more wealth and capital. Because the government doesn't interfere with capital markets, there is freedom and individualism that allows for the American Dream (or the equivalent in other countries). Conservatives focus on the individual and his/her/their interaction with society: the harder you work or the more skill you have, the better your quality of life will be. The ideals of private freedom emphasized in capitalism support freedom and equality in terms of wealth and opportunity. All people have the same opportunity to find jobs and educate themselves if they work hard enough to. Similarly, all those have the same freedom to earn money by becoming a capitalist themselves and creating a business.

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[18] Cohen, G. A., "FREEDOM, JUSTICE," 3.
[19] "Political Typology," 1.

Similar to the progressive perspective, this base of opinions is flawed. Firstly, in modern times, the barriers to entry for the majority of occupations are beyond the reach of exclusively hard workers. The overwhelming amount of lower-wage workers has heavily demanding jobs whether they be physical labor or unbearably long hours. Even in the 1970s, a downward linear regression between hours worked and pay could be easily made and interpreted.[20] Furthermore, for those who are able to get higher-paying jobs, the hours are generally shorter. And the barriers to entry for their jobs were the length of one's education, one's previous socioeconomic status, and in many cases, due to prejudice, one's background, and gender. Those people who match multiple prerequisites are set to succeed over others from the minute they become sentient and enter society. While this centers around the social hierarchies alone, the question arises, what does it take to become successful in the modern world, and is that canon in any way meritocratic?

In answering the question of a value-based meritocracy and whether it exists in our modern era, we must study both statistics and our recent history to determine the extent to which monetary-based hierarchies have overturned value-based hierarchies. Between organizations, a rise in the financial influence of secondary markets, along with other sectors analogous in economic involvement, and the misinterpretation of value have grown to highs because of neoclassical economics. While this rise evolves from private freedoms that are allowed under capitalism, it perverts the ideas of capitalism and creates an economy driven by profit which leads to unfair criticism of the original capitalist theory. Between people, a rise in the wealth gap and the increasingly important role of the capitalist in society and economics have similarly grown because of neoclassical economics. This causes a clear shift from a value-based

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[20] Hall, Robert E., Rep. *WAGES, INCOME, 6.*

hierarchical system to a monetary hierarchical system that rewards market participation over merit while simultaneously suppressing those freedoms which the capitalist ideal affords the individual.

The flow of value, and its unit of measurement: money, in an economy, is the end all be all of economic prosperity. Besides the purpose of making a profit and accumulating wealth, businesses and artisans exist to provide goods and services to the general population. The consumer is meant to purchase and participate in enjoying these goods and services. Now the role of the secondary markets is similarly basic but less necessary. Beyond the ideas of profit or business financing that secondary markets mainly provide in the modern world, their purpose is to evaluate, assign, and distribute value through monetary price points. The commodities market may allow one to trade the price of an apple and make a personal profit, but their participation is meant to help the market find the correct price for an apple. Without the intervention of governing bodies, markets are needed to police prices for goods and services and value business accordingly so that the consumer-producer relationship can work. These rules about the roles of economic participants are designed so that each participant can work in their own self-interest and still service the economy’s regulatory needs. However, in the modern era, secondary markets and the financial services industry no longer correctly complete their task of distributing value and regulating prices. This industry, and the sectors that service it, now work in a game-like fashion to explore the possibilities of value and disregard the main goal. No longer is value distributed between businesses/goods based on statistics about the merit of quality and regulation being a passive but real result, instead value is distributed based on speculatory agreements that seemingly show greater acknowledgment of regulatory power and yet shun its importance.

An initial capitalist model would not allow secondary markets to have power because regulation of value and price are assigned accordingly by the government. Yet neoclassical economies are not the same as the capitalist ones taught in economics courses which state that there are three economic participants: consumers, producers, and the government. The markets are both proprietary for the age and not fully integrated into those teachings of economic theory. The introduction of the supply and demand model as the driving and controlling force of the economy is the perpetrator of this change to the landscape of economic participants. Neoclassical economies in the modern world are products of system change that have grown slowly but surely over the past few centuries.

In this first facet surrounding the market participant, neoclassical economies are not meritocratic because markets allow for the misinterpretation of true business values and the market-making industry is distributed more capital than it should for its role. The value of an entity/business in theoretical neoclassical economics is related to the revenue it receives and the costs it incurs to operate. However, things are much different in real neoclassical economies: in a time of market dominance, the capital investor is prioritized. As previously discussed, because the market has become less of a regulator and more of a forum for speculatory arguments that are needed to increase investment gains,[21] value is tied to the market maker and investor opinion rather than business profitability and size. Businesses that can garner support from a prospective perspective one the ones that will be valued higher in the market and also higher in perceived economic importance. This priority can be seen in a collective dependence on haphazard public equity markets that are often supported by government investment.[22] There are a plethora of

[21] Janeway, William, *Doing Capitalism, 91.*
[22] Janeway, William, *Doing Capitalism, 90.*

businesses traded publicly which consider themselves pre-revenue (a simplistic term to designate a business in the early stages of growth and thus operating below the bottom line) yet still hold market capitalizations in the billions, above many businesses that operate with high revenue and low costs. And it extends beyond pre-revenue businesses: corporations that are larger in size, and thus considered economically important, yet maintain fine margins and have complicated revenue patterns are still valued higher as investable options than other entities. Another obvious conclusion that can be made is that market makers control more capital currently than they should in value-based hierarchies. As previously mentioned, the role of regulating price and value was the job of the government in traditional capitalist economies; thus the capital distributed to the regulatory section of the government under that model should be similar if not equal to what the market makers are given because of this transfer of responsibilities. However, in the United States currently, the financial services industry alone is worth a couple hundred times the budget of the government departments and agencies which regulate the economy. One example of this size and economic dependence is the role of the financial services industry in the United Kingdom. The financial services industry represents over 7% of the country's GDP and thus there are worries about the overall economic effect of Brexit which locks the UK from the financial services passport: the legal ability to do business in Europe.[23] This all culminates into the realization that the addition of markets is anti-meritocratic and does not support value-based hierarchies that are sustainable and healthy.

To reiterate, the value of a business within a theoretical neoclassical economy is tied to its profit and business model. However, even this version of value, which still so certainly exists within a monetary-based hierarchy rather than a value-based one, is currently less than fully

[23] Moloney, Niamh, "Financial Services, the EU," 3.

existent. The truth is that whether a neoclassical economy operates correctly or inefficiently, as it does now, there is an allowance for extremely predatory business building. As businesses get larger and control more and more market share, their value in both theoretical and real neoclassical economies will keep rising and the true value of the business will be lost. As businesses become rewarded for solving puzzles of profitability and pushing the boundaries of revenue, they also solidify their power over other less market-educated businesses. Big businesses have power over the prices of the goods or services they sell and their competitors

Monopolization and big, predatory businesses are the results of the neoclassical theory alone rather than previous forms of capitalism or Smith's original intent. As opposed to cost-based valuation which remains fixed in time and prevents overvaluation or inflated prices, market-based valuation can fluctuate according to the judgment of market participators. This overvaluation and the picture it portrays is why many would conclude that "democracy reinforces economic growth."[24] While this democratic approach may eliminate the fear that government-controlled prices will be unjust, if there are fewer market participants on the producer side of the price argument, their power is greater in influencing and controlling price levels. According to the tenets of the Neoclassical Price Theory, the participants on the buy and sell-side of every good act as the citizens of a voting territory whose purpose is pushing for a certain price on that good; thus if there is a smaller amount of "voters" on one side, those participants have a large amount of power in deciding on a price.[25] Even steady and small demand for a good or service can be inflated to much higher levels because monopolization allows producers the power to raise the equilibrium price unprevented.

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[24] Anker, Thomas Boysen, "Corporate Democratic Nation-Building," 6.
[25] Strader, Jay Matthew, "The Impact of Neoclassical Price Theory," 10.

A system in which prices and business value is decided meritocratically would entail hierarchies of businesses that assume a reasonable role in supply and demand markets. The previously mentioned issue of market controlling businesses can come about naturally because of newly created markets or coincidental business failings. However, businesses can, and in many cases do, also attack and rope in more and more market share themselves until they act as that market controlling business. This can be done in a number of ways, though the most notable is through takeovers and investing. It is the balancing of investment in human capital with physical capital that can make an economy and business successful within the classical theory, but it is the ability to use that capital and interact with world markets that help one succeed within the neoclassical theory.[26] By capitalizing on the very secondary markets that the neoclassical theory provides, a loophole in the theory is revealed. Generally, the system of supply and demand does provide self-regulation and theoretical assurance of "economic homeostasis,"[27] however, in reality, monopolization and predatory business practices are much easier to enact and much harder to control.

Thirdly, similar to pre-revenue businesses being overvalued in equity markets, corporations that operate within exciting and revolutionary sectors maintain higher valuations than businesses in more essential but less innovative sectors. In other words, being the first company to introduce an innovation will afford you a higher market share than being the second company to introduce that same innovation.[28] Considering the fact that every type of good or service is important in both making a society function and an economy work, then businesses that operate within essential sectors should be valued high on monetary hierarchies and in equity

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[26] Barro, Robert, N. Gregory Mankiw, and Xavier Sala-i-Martin, "Capital Mobility in," 15.
[27] Hou-Shun, Lieu, "The Concept of Economic," 51.
[28] Banbury, Catherine M., and Will Mitchell, "The Effect of Introducing," 162.

markets. However, since innovation sparks new and undiscovered markets which are easiest to capitalize on early, financial emphasis is placed on businesses angled towards those markets. Simply put, new markets have fewer competitors and so each competitor in that market can have a higher market share.[29] This causes business creators to steer clear and those markets suffer from low production and supply.

This shift from essential markets to innovative markets can be seen over the past few centuries. A very clear difference can be made between an era when the production of essential goods, such as farming, were the largest industries, and innovation was centered around improving those businesses. Though with the rise of technological innovation being supported by neoclassical secondary markets, those essential services are not the booming industries. Technology that does not benefit the human condition nor improve societal functions is valued as the future and as highly investable businesses. For example, industrial services do not retain the same attention as consumer services.[30] The deeper reason why this occurs is the profit margins within businesses that deal with essential goods or services are much lower than the increasingly simple and digital products that do not require physical production. Within established industries there is less room for extreme product refinement, innovation, and price reduction, thus the markets are more stable and less attackable.[31] The ability to create these new, virtual, and complex markets allows businesses to reach top-line revenues by simply not participating in the necessary markets created by the human condition.

The present wealth gap in the US, UK, and neoclassical economies alike, is a result of the changes in occupational options and their value in society. The role of the capitalist is a result of

[29] Banbury, Catherine M., and Will Mitchell, "The Effect of Introducing," 166.
[30] Eggert, Andreas, Jens Hogreve, Wolfgang Ulaga, and Eva Muenkhoff, "Industrial Services," 662.
[31] Banbury, Catherine M., and Will Mitchell, "The Effect of Introducing," 163.

the creation of supply-demand and equity markets within neoclassical economies. This stems from a newer theoretical perspective that the separation of ownership and control is a problem.[32] As the financial presence of the market-maker industry and the size of equity markets grow, the compensation for those who work in the financing sector grows larger and larger. The wealth gap is thus a result of the shift in where compensation is distributed: from socially essential workers to the capitalists. The first indication of this is the fact that CEOs' pay in the United States has grown over a thousand percent since 1978 and they are paid over three hundred times more than the typical worker.[33] Furthermore, this vast hoarding of wealth among the top one percent spirals into the prevention of equality of opportunity. The allowance for wealth inequality means that economies take their focus off the goal of equality of opportunity which results in a wealth gap.[34] Those that are extremely wealthy can give their children an extremely better platform for success in the modern world; just one more example of how the world is built on monetary-based hierarchies rather than value-based ones.

Solving this hierarchical issue is a question of how far deep into the economic system the changes must be implemented. Regulatory struts must be placed across the sphere of public and governmental economic policy. Their goal would be to limit the power of secondary equity markets and better control the prices of all goods and services beyond the self-regulation that is currently in place. Furthermore, there must be larger barriers to entry for investment in innovative markets without sacrificing the importance of innovation to society. This could be done by classifying each innovative change as either innovation in essential services–thus giving the green light for high market valuations–or innovation that creates whole new markets–thus

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[32] Hovenkamp, Herbert, "Neoclassicism and the," 375.
[33] Mishel, Lawrence, and Jori Kandra, "CEO Pay Has Skyrocketed," 1.
[34] Ekmekci, Ozgur, "Equality of Outcome or," 9.

having a more regulated set of investment barriers. However, as long as the supply and demand system of neoclassical economics is employed in the most powerful economies there will be no form of value-based hierarchies. Instead, an anti-meritocratic set of monetary-based hierarchies that value nonessential goods and services will be king in all forms of social and organizational stratification.

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