

# America's Great Divide Between Rich and Poor

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In 1962, Michael Harrington's "The Other America" exposed the nation's dark side, saying:

"In morality and in justice, every citizen should be committed to abolishing the other America, for it is intolerable that the richest nation in human history should allow such needless suffering."

"But more than that, if we solve the problem of the other America we will have learned how to solve the problems of all of America."

Jack Kennedy was concerned enough to ask Walter Heller, his Council of Economic Advisor chairman, to examine the problem.

In his January 8, 1964 State of the Union address, poverty levels also got Lyndon Johnson to say his administration "today, here and now, declares unconditional war on poverty in America."

In fact, he barely scratched it. However, he got Congress to enact measures helping America's poor.

Inequality then was severe. Today, it's unprecedented and growing. Wealthy elites are richer than ever. Census data show around half of US households impoverished or bordering on it.

In fact, government data consistently over-estimate good news and understate the bad. As a result, unprecedented numbers of US households are impoverished under protracted Main Street Depression conditions.

Political Washington's austerity harshness causes greater harm. Shocking bipartisan indifference to human need and suffering is criminal.

In the world's richest ever country, poverty is highest among industrialized nations. Homelessness and hunger levels are unprecedented. Over 20% of US families haven't enough money to buy food and need help.

Over half of US children need food stamps to eat. Tens of millions have no health insurance. Those with it pay double the cost in other developed nations. Policies enacted under Obama assure tougher times ahead.

Unemployment approaches record highs. Manipulated government data hide it. Those employed work longer for less. Home foreclosures and bankruptcies affect millions. Adjusted for inflation, median income's no higher than in the 1970s.

In their book titled, "Winner-Take-All Politics: How Washington Made the Rich Richer," Jacob Hacker and Paul Pierson explained how unprecedented wealth transfers to America's rich destroyed middle class households. It also deepened poverty and created a permanent underclass.

Last September, Forbes magazine's annual report on America's richest 400 showed net worth soaring to over \$1.5 trillion, up 12% from 2010. At the same time, poverty and human need spiral higher.

### **Studies Show Shocking US Inequality**

Last November, The New York Times headlined, "Middle-Class Areas Shrink as Income Gap Grows, New Report Shows," saying:

A Stanford University study titled, "Growth in the Residential Segregation of Families by Income, 1970 - 2009," said households living in middle income areas declined sharply since 1970. Rising income inequality left once better off ones mostly low-income or poor.

In fact, data through 2007 were examined before today's economic crisis began. Conditions now are much worse. Study author Sean Reardon said income shifts have far-reaching implications for future generations if present trends continue. Children are especially disadvantaged without access to good schools, preschool, child care, and support networks.

Former solid middle class areas are now low-income or poor. Income differences have profound effects. One example shows up on standardized test scores. The differential between rich and poor children is 40% greater than in 1970.

Moreover, the gap between rich and poor college completion (a key predictor of future success) is 50% greater than the 1990s. Over half of children from higher income families finish college compared to less than 10% of those in lower income households.

According to Harvard sociologist William Julius Wilson:

"Rising inequality" produces a "two-tiered society....in which the more affluent citizens live lives fundamentally different from middle and lower-income groups. This divide decreases a sense of community."

In October 2011, the Congressional Budget Office (CBO) published after-tax income data from 1979 - 2007, saying it grew:

275% for the top 1%;

65% for the next 19%;

less than 40% for next 60%; and

just 18% for the bottom 20%.

Data were adjusted for household size differentials. However, inflation adjusted measures weren't provided. They show far greater differences between rich and poor. According to

Professor Paul Buchheit, America's top 1% tripled their after-tax income from 1980 - 2006, while the bottom 90% saw theirs drop over 20%.

“(O)ur economy,” he said, “allows a tiny percentage of us to take an inordinate amount of money from society, at an increasing rate.”

According to economists Emmanuel Saez and Thomas Piketty, America's income inequality was the highest in recorded history in 2007 before the current crisis began, and Census data way understate it.

One Dollar for Life/economics public school teacher Robert Freeman said “(b)etween 2002 and 2006, (an) astounding three-quarters of the economy's growth was captured by the top 1%.”

In his January 2010 Common Dreams article, he said it had “70% of all financial assets,” a record high. Moreover, the bottom 40% own nothing and have a combined zero net worth.

In December 2011, the Congressional Research Service (CRS) reported on income differentials from 1996 - 2006, saying inflation adjusted it grew 25%. However, averages obscure variations. America's poorest 20% saw income levels fall 6%, and if measured since 1979, it would have been much greater.

In contrast, top 1% earners saw incomes double from 1996 - 2006. Middle income ones experienced a 10% increase. In addition, income inequality as measured by the Gini coefficient increased 9% before taxes and 11% after-tax.

Capital gains and dividends most advantage richer Americans. Overall taxes in 2006 were less progressive than in 1996. Today, extremes are greater.

A 2011 Michael Norton/Dan Ariely study titled, “Building a Better America - One Wealth Quintile at a Time,” showed most Americans vastly underestimate today's wealth disparities.

They believe the richest 20% control about 59% of the nation's wealth. It's about 84%, say the study authors. In fact, it's over 90%, perhaps well over.

A January 2012 Indiana University/School of Public and Environmental Affairs study titled, “At Risk: America's Poor During and After the Great Recession” discussed enormous growing problems facing the nation's least advantaged.

Protracted economic weakness “inflicted long-lasting damage to individuals, families, and communities,” it said. It created a “near poor” and “new poor” underclass.

Long-term unemployment contributes greatly. Over four million Americans say they've been out of work over a year, the largest number since data collection began in 1948.

From 2006 - 2010, impoverished households increased 27% and keep rising. Young people and minorities between 18 and 34 have been hardest hit. Safety net protections are inadequate and eroding. Hard times getting harder affect greater numbers of people.

## **A Final Comment**

Wrongheaded policies assure growing misery while America's rich never had it so good.

That's the dilemma voters face in an election year when neither party offers solutions. Instead, they assure growing wealth disparity, greater poverty, and human misery.

Only grassroots activism can change things. OWS protests show promise. Nothing will happen easily or quickly.

The mother of all social justice struggles continues. It better because growing inequality and human need are too intolerable to accept.

Organized people power works. Using it can beat organized money. If that's not incentive enough, what is?

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