

# Gap Between Rich and Poor is Widening: The US Poverty Report and Obama's "Economic Recovery"

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*The poverty report released Wednesday by the US Census Bureau is another shattering refutation of the Obama Administration's claims to be overseeing an economic "recovery" and working to improve the lives of ordinary Americans.*

*The report revealed that the ranks of those classified by the government as poor remained at record highs in 2011, while the gap between rich and poor widened further. Some 46.2 million people remained below the official poverty line in 2011, the highest number in more than half a century. The 15.0 percent poverty rate, essentially unchanged from 2010, was the highest since 1983.*

The impact of poverty is particularly devastating for the young. One in five American children was poor in 2011. The poverty rate of young adults age 25-34 living with their parents, based on their own income alone, was 43.7 percent.

All of these figures grossly underestimate the real level of poverty, since the government's poverty threshold, set at an annual income of \$23,021 for a family of four, is absurdly low.

The Census data showed that median household income, adjusted for inflation, fell by 1.5 percent from the previous year. The figure was 8.1 percent lower than in 2007 and 8.9 percent lower than its peak in 1999. The income of the typical US family in 2011 fell for the fourth straight year and sank to levels last seen in 1995.

A major factor in the further fall in household income was a decline in wages. Average weekly wages for non-supervisory workers fell 0.3 percent after adjusting for inflation. The impact of the nationwide campaign of wage-cutting was reflected most clearly in a 17.3 percent jump in the number of workers in the lowest income group holding down full-time jobs.

The National Employment Law Project recently reported that 58 percent of new jobs during the Great Recession were low-wage, paying between \$7.69 and \$13.83.

The wage-cutting drive was initiated by the Obama administration, which imposed an across-the-board 50 percent cut in the wages of newly hired workers as part of its 2009 bailout of General Motors and Chrysler.

The growth of income inequality to record levels in 2011, the second year of the so-called recovery, underscores the real character of the supposed rebound. The Gini coefficient, which measures the level of social inequality in a country, grew at the fastest rate on records dating back to 1993.

The aggregate share of income declined for the middle and fourth quintiles of US households. It increased 1.6 percent for the highest quintile, and within that quintile, the share of aggregate income for the top 5 percent increased 4.9 percent. The top 1 percent of earners saw a 6 percent rise in income.

The second and third quintile of Americans now account for only 23.8 percent of the nation's income, the lowest since the Johnson administration in the 1960s.

The picture presented by the report as of the end of last year, more than three years since the Wall Street crash and three full years after the coming to power of the Obama administration, was one of increasing social distress for the masses of people and expanding wealth for those at the very top. Nevertheless, the Obama administration seized on the fact that the poverty rate remained unchanged from 2010 to hail the report as a vindication of its policies.

Aside from the callous indifference to the plight of the working class reflected in such statements, they do contain an element of truth. The social disaster reflected in the findings of the Census report is not simply the result of impersonal economic forces, but very much the outcome of the policies of the Obama administration, whose entire focus from day one has been to protect and increase the wealth of the US corporate elite at the expense of the majority of the population.

Even as he expanded the bailout of Wall Street begun under Bush, Obama rejected out of hand any government programs to create jobs—such as public works projects—or any serious measures to provide relief to the unemployed, those facing foreclosure or the shutoff of utilities, or the growing ranks of the poor and malnourished.

On the contrary, he oversaw the destruction of nearly 700,000 government jobs and brutal cuts in social services.

He allowed hundreds of thousands of long-term unemployed to exhaust their jobless benefits. According to one estimate, a decline of \$36 billion in unemployment benefits in 2011 added 0.3 percentage points to the poverty rate.

In 2012, Obama and both parties in Congress escalated their attack on jobless pay—in the midst of the worst jobs crisis since the Great Depression—slashing extended benefits from a maximum of 99 weeks to a maximum of 66 weeks. There is every indication that the federal extended unemployment benefit program will be allowed to expire at the end of this year, regardless of which party wins the November election.

This will be part of an intensification of austerity measures, intended to impose the full cost of the crisis of the capitalist system on the working class.

Meanwhile, trillions more in public funds will be pumped into the financial markets to prop up the banks and hedge funds and bolster the stock market and corporate profits. This is the significance of the announcement Thursday by the Federal Reserve of a new round of dollar-printing to supply Wall Street and corporate American with virtually free money.

The Census report underscores the failure not just of one administration or one party, but the capitalist system that is served by both big business parties. The contest between Obama and Romney, between the Democrats and Republicans, offers no alternative to the working class.

Ending the cycle of mass unemployment, wage-cutting, poverty and social inequality requires a struggle to break the stranglehold of the financial elite over society and replace the capitalist system, which subordinates social needs to private profit, with socialism, which utilizes the wealth created by the working class for the common good.

The working class must build its own political movement, based on a socialist program, to fight for a workers' government. This is the program being advanced in the elections by the Socialist Equality Party and its presidential and vice presidential candidates, Jerry White and Phyllis Scherrer.

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