California: a case study in inequality

Don Knowland
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A series of recent reports have highlighted the growing inequalities in wealth and income in the midst of an economic "boom" in California. The release of these studies prompted the *Los Angeles Times* to say that California had entered a new "Gilded Age," where "the income gap between the rich and poor is wider than at almost any time in history and magnified by sudden wealth and lavish living of a growing elite."

But it is not just the officially poor who are being left far behind. Even middle-income families, those earning near the median income level of $44,000 per year, are straining to make ends meet. Poor and middle income families haven't languished this far behind in California since the Roaring 20s, on the eve of the Great Depression.

These studies show that the disparity between rich and poor is widening faster than in any other state in the US. Third world poverty exists virtually side by side with an opulence imaginable by only the very few. For example, Silicon Valley billionaire Larry Ellison, who founded the software company Oracle, lives on a 22-acre medieval Japanese-style retreat, which houses a fleet of exotic cars and planes. Just a few miles down the road high-tech assembly workers cram into ever smaller living quarters because of ballooning rents.

A report by the California Policy Institute documents this increasing concentration of wealth at the top of the income ladder. From 1993 to 1997, the annual income of the top 1 percent in California grew by 57 percent to $845,000. That of the middle quintile grew only 1.8 percent to $24,177. While the income of the poorest 20 percent of families increased 10 percent during that time period, that still represented a 13 percent drop from 1989 and a whopping 22 percent less in real dollars than in 1969. With prices rising for many necessities such as housing, even these increases do not represent any real increase in living standards.

A United Way study concludes that the middle class is shrinking—over half of households in California have a net worth less than $25,000. Yet California, with under 10 percent of the national population, has well over 10 percent of the 3.5 million US households that had over a $1 million net worth in 1998. In Silicon Valley, competition to reach a billion dollars in net worth is the avowed aim of the high-tech moguls who make the Valley's investment and production decisions. But the high-tech "boom" has not generated high-tech factory jobs paying anything like the level of wages once seen in the old low-tech industries.

A report issued by the California Budget Project concludes that a two-parent family of four needs at least $44,880 a year just to make ends meet. In the San Francisco Bay area, the state's most expensive place to live, the figure is $53,736. The figures do not allow for saving for retirement or children's college education. They do not include expenses many people must incur to function, such as auto insurance, which is legally required in California to operate a car, and which may cost anywhere from $80 to $200 a month, depending on residential area. The figures are also based on renting rather than buying a home, and home prices are back to their pre-recession 1990-91 peak. Home ownership is out of reach for a majority of families.

Families in the $20-40,000 income range in California are not making ends meet, they are going without. A $24,000 income leaves no room to purchase basics such as health insurance or new clothing. The California Budget Project's report concludes that "the poverty threshold [defined by the US government as $16,700 for a family of four] is an obsolete measure that fails to take into account the reality of modern [California] families."

Yet the Oakland-based group Children Now reports that one in four children in the state overall are faring even worse—officially living in poverty. One in three children are poor in 13 of 58 counties in California. Twenty-seven percent of Latino families live below the poverty line; 24 percent of black families.

Poverty is endemic, if not increasing, in the southern San Joaquin Valley, the heartland of California's huge agricultural industry. Many agricultural workers continue to live the equivalent of an old-South sharecropper existence in tarpaper shacks, plywood shanties and wooden boxcars with no running water. But the poverty is not just in the fields—many families have moved into the burgeoning Valley cities such as Bakersfield and Fresno to avoid the high prices and deteriorating social services of the Los Angeles and San Francisco Bay areas. Fresno is now the sixth poorest school district in the nation, barely trailing East St. Louis and Detroit.

Fully 40 percent of the state's poverty is located in Los Angeles County. The greater Los Angeles region is the fourteenth biggest economy in world. The recession of the early 90s hit the region late, but very hard. The remaining steel mills, tire and automobile plants that had produced thousands of union jobs in south central and southeast Los Angeles in the 1950s through 1970s closed. Aerospace and defense industries faced huge cutbacks.

The economy began its "recovery" in the mid-1990s. Employment in the entertainment industry grew by 50,000 jobs before leveling off in 1998. It, along with low-wage light manufacturers such as furniture and toys, apparel, trade and oil refining, became the area's base industries. With the recovery also came burgeoning demand among the top 20 percent of the population for maids, nannies, cooks and gardeners.

In the last year the high-tech speculative mania has hit the Los

Angeles area, which venture capitalists and Internet incubator outfits have newly dubbed the "tech coast." This is centered on the so-called merging of the entertainment content produced by the entertainment industry personnel with the Internet, a phenomenon reflected in the proposed AOL/Time-Warner merger.

But while huge sums of money are tossed about in virtual ventures, the official Los Angeles County unemployment rate remains at 5.8 percent, double that of San Francisco. Moreover, as the festering official poverty rates in the Los Angeles area demonstrate, most of the jobs generated have been at minimum wage (which generates an annual income just under $12,000), or slightly above minimum.

Last week a homeless agency reported a larger increase in the number of families living on the streets. Those who lose a job or face a financial setback fall through the frayed safety net of welfare and other social service cutbacks. A clothing relief agency reported earlier this month that upward of 60 percent of students come to school every day in the Los Angeles City School District with inadequate clothing.

Although wages have stagnated, rents have increased. By 1998 the county average for a two-bedroom apartment reached $762, or 64 percent of the monthly minimum wage. Upward pressures on rents increased particularly during 1999 and continue unabated.

In many Los Angeles working class and immigrant areas overcrowding has become a critical problem. For example, according to the State Department of Finance, the southeast Los Angeles cities of Maywood, Cudahy, Huntington Park and Bell Gardens (areas, along with Compton and south central Los Angeles, with the lowest rents) have densities of 20-25,000 people per square mile. These are the highest population densities in the United States outside of Manhattan, Brooklyn, the Bronx and a few other areas in metropolitan New York and New Jersey. Over the last decade population is up 10 percent in these areas, but the housing stock is down. Single family homes greatly outnumber apartment buildings. Two or three families often share a single living space. Illegal subdivisions and garage conversions are common.

In the midst of this crowding, children find it difficult to study. Domestic violence and other psychological stresses increase markedly. The population pressures put additional strains on already deteriorating public services, such as schools, parks and libraries in municipal areas already bereft of funds. These conditions are typical of many other poor and working class areas throughout Los Angeles County.

Poorer areas are particularly subject to deficient health care. According to the Health Atlas of Southern California, recently released by the Southern California Study Center at the University of Southern California, more than 25 percent of families in southern California as a whole lack health insurance; 50 percent of naturalized citizens and 56 percent of noncitizens don't have it. In Los Angeles County alone 2.7 million people are uninsured , 700,000 of them children. Those with coverage must typically contend with the limited choices and treatments available through managed care.

Those without coverage typically face more frequent and severe health problems. According to the Health Atlas, uninsured persons are three times more likely not to seek treatment for diabetes or hypertension. Those seeking treatment face physical and other access problems, including to emergency centers or public clinics, both of which have faced county funding cutbacks. In the private arena, during the 1990s the number of emergency hospitals in the Los Angeles area dropped by 20 percent, and the number of trauma centers by 60 percent.

Many families also lack provisions for child care. The California Child Care Resource & Referral Network, an association of agencies in all 58 counties that provide referrals for child care, reports that child care is in extremely short supply, especially for the crucial infant and toddler years. There are six children of working parents for every licensed child care spot available in Los Angeles County; statewide, five children for every slot. A parent who earns the state's median income ($39,000) must spend a fifth of it on child care. Minimum wage earners spend more than half the minimum wage to pay for child care; "low-income" families earning under $30,000 per year, 22 percent.

It is only eight years since riots engulfed large portions of the poorer areas of Los Angeles County in the wake of the acquittal of the Los Angeles police officers that beat Rodney King. As the recent articles on social inequality by the *Los Angeles Times* show, there is increasing concern in corporate and political circles that the terrible conditions that produced the 1992 explosion have only worsened. For example, labor economist Stanford Jacoby of the University of California at Los Angeles stresses the risks of increasing social instability. Lynn Karoly, the senior economist at Rand Corp., a Santa Monica think tank, has warned that these inequalities will grow even wider in a downturn, threatening "social unrest."

Skyrocketing rents and the unequal distribution of wealth became the key issues in the recent San Francisco mayoral election. A write-in candidate forced long-time Democratic Party kingpin Willie Brown into a runoff election. In his inauguration speech last month Brown was compelled to make hollow promises about providing "affordable housing and a livable wage."

On the eve of the new millennium this is the state of affairs in California, the most populated state in the richest country on earth. Contrary to widespread claims of unbounded prosperity, growth and opportunity, California fully embodies the worldwide and worsening inequalities and the deterioration of living standards for masses of people that are the hallmark of global capitalism.