

60 million Americans living on less than \$7 a day

US income figures show staggering rise in social inequality

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A recent analysis of Internal Revenue Service tax data sheds further light on the enormous gap that has grown between America's wealthy elite and the masses of working people over the last quarter of a century. The examination of IRS figures was conducted by the *New York Times* and reported in its November 27 article, "'04 Income in U.S. Was Below 2000 Level" by David Cay Johnston.

The article begins by noting that total US income in 2004—the latest year for which tax information is available—was \$7.044 trillion, down from more than \$7.143 trillion in 2000. The decline was attributed to two factors: the stagnation of median household income—which fell by 3 percent, or about \$1,600, between 2000 and 2004—and the fact that the earnings of the richest Americans have not yet caught up with the peak reached before the Internet bubble on Wall Street burst in 2000.

Incomes in 2004 rose by an average 6.8 percent but the vast bulk of the increase went to the richest one-tenth of 1 percent of all Americans—living in some 130,500 households with an average income of \$4.9 million—who saw their incomes rise by 27.5 percent over the course of one year. During the same period the income of the poorest one-fifth of the population—some 60 million people—rose by only 1.8 percent.

The sharp rise in income for the wealthiest Americans—due in large measure to the Bush administration's cuts in capital gains taxes, corporate profit rates not seen in nearly 40 years and the recovery of the stock market—has led to a further concentration of wealth in the hands of the super-rich. According to a separate study by University of California-Berkeley economist Emmanuel Saez, the richest one-tenth of 1

percent of Americans took in 9.5 percent of all pretax income, or about \$679 billion in 2004, excluding unreported income.

Referring to this elite group, the *New York Times* article notes, "those very top households, which include about 300,000 Americans, reported significantly more pretax income combined than the poorest 120 million Americans earned in 2004, the data show. This is a sharp change from 1979, the oldest year examined by the I.R.S, when the thin slice at the top received about one-third of the total income of the big group at the bottom."

This staggering fact reveals a great deal about the economic and political processes that have unfolded over the last quarter century. While the portion of national income controlled by America's corporate and financial elite declined in the aftermath of the Great Depression and stabilized during the postwar period, over the last 25 years a massive social transformation has occurred and the share of the national income now controlled by America's social oligarchy is at the highest levels since 1929.

The *Times* article goes on to note, "Over all, average incomes rose 27 percent in real terms over the quarter-century from 1979 through 2004. But the gains were narrowly concentrated at the top and offset by losses for the bottom 60 percent of Americans, those making less than \$38,761 in 2004." It continues, "The bottom 60 percent of Americans, on average, made less than 95 cents in 2004 for each dollar they reported in 1979, the analysis of IRS data showed. The next best-off group, the fifth of Americans on the 60th to 80th rungs of the income ladder, averaged 2 cents more income in 2004 for each dollar they earned in 1979.

“Only those in the top 5 percent had significant gains,” the newspaper notes. The average income of those on the 95th to 99th rungs of the income ladder rose by 53 percent, almost twice the average rate. The largest gains, however, went to those at the very heights of American society. “A third of the entire national increase in reported income went to the top 1 percent—and more than half of that went to the top tenth of 1 percent, whose average incomes soared so much that for each dollar, adjusted for inflation, that they had in 1979 they had \$3.48 in 2004,” the *Times* article says.

The last 25 years has seen an enormous transfer of wealth from working people into the hands of America’s economic elite. With the full backing of both the Democrats and Republicans, corporate America responded to the decline of its competitive position in the 1970s by launching an unrelenting attack on the jobs and living standards of the working class that continues to this day. The enrichment of those at the top has come at the direct expense of the vast majority of the working population in America, whose share of national wealth has plummeted.

At the other pole of society is an increasingly impoverished working class, including some 25 percent of all workers who labor for poverty wages. The *Times* article notes that the bottom fifth of all taxpayers earned below \$11,166 and their average reported income was only \$5,743 each. Because the IRS includes a single individual or a married couple in its definition of a “taxpayer” the poorest 26 million taxpayers account for the equivalent nearly 48 million adults and about 12 million dependent children. According to the *Times* analysis, this means the poorest 60 million Americans have reported incomes of less than \$7 a day!

The official poverty line in 2004 was \$27 a day for a single adult below retirement age and \$42 a day for a household with one child—although the real cost of attaining basic necessities is far higher. The *Times* article notes that the IRS income data does not include the value of government benefits like food stamps, earned-income tax credits and subsidized medical care. But the social programs for the poor—including federal welfare assistance—have largely been wiped out or curtailed and what programs do remain are not sufficient to lift families out of poverty.

It is often noted that 3 billion of the world’s poorest

people live on less than \$2 a day. In the US, where the cost of living is far higher, \$7 a day is only enough to guarantee a life of destitution. The fact that 60 million people live in such dire poverty—and tens of millions more could face the same fate if they lost their jobs or confronted some other financial catastrophe—is a damning indictment of American capitalism and the free market model it touts around the world.

The levels of social stratification and inequality in the US are incompatible with genuine democracy. Political life in America is completely subordinated to the needs of a financial aristocracy whose pursuit of ever greater levels of personal wealth constantly collides with the social needs and democratic rights of the broad masses of people in the US and internationally. The needs of this elite—for further wars of conquest, tax cuts, the elimination of social programs and a drastic reduction of living standards—cannot be imposed, in the final analysis, without recourse to authoritarian means.

The social transformation that has occurred over the last 25 years has coincided with a shift to the right by both big business parties and in particular the abandonment of any program of social reforms by the Democratic Party, whose leading personal, such as House Speaker Nancy Pelosi and leading presidential contender Senator Hillary Clinton, are themselves multimillionaires. Insulated from the majority of the people and unwilling and unable to respond to their needs and concerns, the leading members of the incoming Democratic majority in Congress have already made it clear that they will not roll back the Bush-era tax cuts that have helped bring unimaginable wealth to their real constituents.



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