Social inequality in US hits new record

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The Internal Revenue Service issued a report last week documenting record levels of social inequality in the United States. According to the data released by the IRS, America's wealthiest 1 percent accounted for 21 percent of all income in 2005, while the bottom 50 percent earned just 12.8 percent of the total national income.

While the share of income taken in by the wealthiest 1 percent rose steeply—up three points from 19 percent in 2004—the share for the half of the population at the bottom of the economic ladder fell during the same period by 0.6 percent.

The IRS data, published in the *Wall Street Journal* last Friday, are based on "adjusted gross income" reflected in tax returns for 2005. This measure provides a starker and more accurate picture than other indices of the staggering polarization between wealth and poverty in America.

It records individual income after deductions for such expenses as alimony or individual retirement accounts, and includes capital gains, a major source of income for the very rich. It also breaks down the figures relating to the wealthiest social layers, spelling out the obscene levels of income raked in by the top 1 percent and top 0.1 percent, as opposed to other reports that lump this relative handful of multimillionaires and billionaires together with average figures for the top 10 percent.

The share claimed by this wealthiest layer has now surpassed the previous record recorded during the stock market boom of the 1990s. And, while the IRS has kept such data only since 1986, it is believed that the present percentage of the national income going to this layer is higher than at any time since the period that preceded the Wall Street crash of 1929 and the Great Depression.

Even George W. Bush is compelled to acknowledge the prevalence of social inequality in America. In an interview with the *Wall Street Journal*, the president said, "First of all, our society has had income inequality for a long time." By way of explanation, Bush, the offspring of a family worth many millions, declared, "Skills gaps yield income gaps."

The *Wall Street Journal* was more candid than the president, acknowledging that while the IRS did not spell out the source of rising income for the wealthy, the "boom on Wall Street has likely played a part."

The newspaper went on to point out the enormous accumulation of wealth on Wall Street itself, citing a recent study from the University of Chicago showing that twice as many Wall Street executives count themselves in the top 0.5 percent income bracket as their counterparts in other sectors of the economy. One of the authors of the study, Joshua Rauh, told the *Journal*, "It's hard to escape the notion" that the increasing monopolization of wealth at the top is a "Wall Street, financial industry-based story."

Summarizing the study, the *Journal* reported that "the highest-earning hedge-fund manager earned double in 2005 what the top earner made in 2003, and the top 25 hedge-fund managers earned more in 2004 than the chief executives of all the companies in the Standard & Poor's 500 stock index combined." The study also found "profits per equity partner at the top 100 law firms doubling between 1994 and 2004, to over $1 million in 2004 dollars."

The data released by the IRS indicated that the minimum annual income needed to make it into the top 1 percent rose 3 percent between 2000 and 2005 to $364,647.

On the opposite end of the social scale, the median income of tax filers had fallen 2 percent between 2000 and 2005 to just $30,881, with fully half of the population struggling to get by on less than that.

Earlier data released by the US Census Bureau established that every section of the population outside of the top 5 percent saw their real income fall between 2000 and 2005.

According to one recent study, while real income for the bottom 90 percent of the population fell by 11 percent between 1973 and 2005, those in the top .01 percent bracket, comprising some 14,000 households with annual incomes averaging nearly $13 million, saw their take increase by 250 percent over the same period.

What emerges from the data are the effects of a long-standing social policy involving a massive transfer of wealth from working people, the great majority of the population, to a handful of the super-wealthy, who have enriched themselves at the expense of the rest of society.

This is not merely an American, but rather a global policy that has been carried out on the backs of the working class of every country. A study released last week by the Boston Consulting Group found that the world's 9.6 million millionaires—comprising just 0.7 percent of the earth's population—now control $33.2 trillion in wealth—roughly a third of all the wealth in the world. According to the study, the world's wealthiest 0.1 percent—those with $5 million or more in financial assets—now owns 17.5 percent of global wealth.

Meanwhile, half of the world's population—some 3 billion people—live on less than $2 a day.

The social cost of this vast accumulation of wealth by the financial elite grows daily. A report issued last week by the Center for Economic and Policy Research and the Center for Social Policy at the University of Massachusetts in Boston found that 41 million working families in America—one in five—are unable to cover the costs of basic necessities with the money they earn working for low pay and no benefits.

The study found that many of these workers are ineligible for federal support in the form of child care assistance, the Earned Income Tax Credit, Food Stamps, housing assistance, Medicaid or the State Children's Health Insurance Program, and Temporary Assistance to Needy Families. Eligibility for such assistance has been steadily tightened by federal and state governments.

The demagogy of the current crop of Democratic presidential candidates about defending the "middle class" notwithstanding, these policies have been enacted by Democratic and Republican administrations alike. The growth of income inequality in America has continued unbroken since 1973, spurred by the high-interest-rate, recessionary policies enacted by Federal Reserve Board Chairman Paul Volcker—Democratic President Jimmy Carter's appointee—with the deliberate aim of driving up unemployment, slashing wages and unleashing a big business offensive against the working class.

It was under the Clinton administration that the top 1 percent set their previous record share of the national income—20.8 percent in 2000, Clinton's last year in the White House. This was up from about 14 percent when he first took office.

The increased concentration of wealth was fueled by the Democratic administration's deregulation of the financial markets, which spurred the financial bubble of the '90s that gave rise to much of today's financial elite. At the other end of the social ladder, the Clinton White House carried out a ruthless war against the working class and poor, carrying through its pledge to "end welfare as we know it" and slashing other areas of social spending.

From the beginning of the Bush administration, the Democrats have helped pass round after round of tax cuts for the rich, running into the trillions of dollars. Even a limited proposal to close a tax loophole that has allowed hedge and equity fund managers earning hundreds of millions of dollars a year to pay a lower tax rate than a bus driver or an office worker was shelved earlier this month by the Democratic Senate leadership, in deference to the party's well-heeled contributors on Wall Street.

The inequality that pervades every facet of American society inevitably finds its expression within the Democratic Party, which, while posturing as the party of the people, remains a political instrument of the ruling financial elite. Among the Democratic candidates, the three front-runners—Hillary Clinton, Barack Obama and John Edwards—are all millionaires.

Roughly half of the US Senate is made up millionaires, many of them Democrats. The House, meanwhile, is led by Speaker Nancy Pelosi, who in her latest financial disclosure forms reported that she and her investor husband conducted some 30 stock sales and purchases last year, many of them involving sums up to $1 million each. She also reported owning a California vineyard, valued between $5 million and $25 million.

The Democrats will do no more to reverse the growth of social inequality than they will to end the war in Iraq. In the final analysis, the explosion of militarism abroad and the destruction of working class living standards at home are two sides of a common political agenda aimed at funneling the wealth of the US and the world into the coffers of a financial oligarchy.