

US income gap widest since 1917

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19 August 2009

The social chasm separating America's financial oligarchy from working people, the vast majority of the population, is wider than at any time since 1917, according to the latest statistics from the Internal Revenue Service.

The income gap between the top 10 percent and the bottom 90 percent has reached "a level higher than any other year since 1917 and even surpasses 1928, the peak of the stock market bubble in the 'roaring' 1920s," according to an analysis of the data published earlier this month by University of California economist Emmanuel Saez.

Saez's report, entitled "Striking it Richer: The Evolution of Top Incomes in the United States," shows that the real increase in the concentration of wealth has taken place at the pinnacle of the social pyramid—the top 1 percent, with annual incomes of \$400,000 and above.

The figures released by the IRS are from 2007. They indicate that for most of the top 10 percent (families with incomes of \$110,000 or more), there was little change in terms of income growth and share, but the top 1 percent increased their share of the national income to 23.5 percent, compared with 22.8 percent in 2006.

Between 2002 and 2006, this social layer, consisting of one out of 100 American households, accounted for 65 percent of income growth nationwide. This trend has held for the better part of the past decade.

During the period 2002-2007, the top one percent saw an annual growth in income of just over 10 percent annually. During the same period, the bottom 99 percent saw an increase of only 1.3 percent per year, falling well below the rate of inflation. As a result, the top one percent accounted for two thirds of income growth over the six-year period.

Bringing this income stratification into still sharper focus provides a staggering indication of the

concentration of wealth in the US. The top .01 percent of the population, (less than 15,000 families) saw its share of total income rise from 5.46 percent in 2006 to 6.04 percent in 2007 (compared to just 0.9 percent in 1979). This 2007 figure amounts to roughly double the total combined income for the bottom 20 percent, some 30 million families.

As Saez comments, "2007 was an incredibly good year for the super rich."

It was also, of course, the year preceding the greatest financial collapse since the Great Depression of the 1930s. This was no mere coincidence. The accumulation of obscene amounts of wealth by this tiny minority is a major factor in the bankrupting of the country and the plunging of the entire world into economic crisis and misery.

Professor Saez points to the dramatic changes in the economic landscape since 2007, noting that real income is falling across the board. He points out that in previous recessions, the income share of the top 1 percent has tended to decline because business profits, capital gains and stock option returns tend to fall faster than average income.

"Based on the US historical record, falls in income concentration due to recessions are temporary unless drastic policy changes such as financial regulation or significantly more progressive taxation are implemented and prevent income concentration from coming back," Saez writes.

The present crisis, however, is not just another recession. Rather, it signals the final collapse of the post-World War II global capitalist order, which depended on the economic supremacy of the United States. The ruling elite, not just in the US but in all the major capitalist countries, aims to resolve this crisis through a drastic reduction in the income and social conditions of the working class, accompanied by attacks on basic democratic rights and an increasing

turn to military aggression.

As part of this global process, the working class in the US has already suffered severe blows. Some 30 million are jobless or relegated to involuntary part-time work, while wage-cutting is rampant.

At the other end of the social spectrum, wealth accumulation continues unabated. Seven of America's top ten CEOs took home total compensation of \$100 million or more last year, according to a report by the independent research group The Corporate Library. This compares to just three who pocketed that much the year before.

Topping the list (which includes the heads of seven major oil companies) is Stephen Schwarzman of Blackstone Group LP, the private equity firm, who took in \$702.4 million—nearly \$2 million a day.

Meanwhile, Wall Street has set aside tens of billions of dollars for annual bonuses, with 2009 set to be the most lucrative year yet for the bankers and financial traders.

The Obama administration has no intention of imposing the kind of financial regulation or tax increases on the rich that Saez suggests could lessen social polarization and the concentration of wealth. On the contrary, all of its policies have been directed at bailing out the banks and the financial elite, while demanding that workers accept drastic pay and benefit cuts, the destruction of their jobs, and a series of counter-reforms in health care and other essential social programs.

Commenting on the controversy over Wall Street pay and benefits last week, White House spokesman Robert Gibbs defended the bankers' plundering of the economy, telling the press "I don't think the American people begrudge that people make big salaries, as long as they're not jeopardizing the good will of the public in doing so."

The only alternative to the destruction of working class living standards to maintain the wealth of the financial aristocracy is a socialist one. It requires a break with the Democratic Party and the building of an independent mass political movement of the working class fighting for an end to the domination of society by the financial parasites of Wall Street.

The banks and finance houses must be taken out of private hands and placed under public ownership and the democratic control of working people. The vast

fortunes accumulated by the CEOs and financial speculators should be reclaimed to pay for jobs, education, health care, housing and other vital social needs.

The return of income polarization to the level of 1917 has profound significance. That was the year of the October Revolution in Russia, marking the first time that working people took political power and initiated the task of placing society on socialist foundations on a worldwide basis. The social gap that now dominates US society, and indeed the entire planet, cannot continue without producing an explosive resurgence of class struggle and a new period of social revolution.

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