

# Wealth and poverty in America

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Two reports this week underscore the shocking growth of social inequality in the United States. The historically unprecedented concentration of wealth in the hands of a few people is the corollary to mass poverty on a scale not seen since the Great Depression.

On Wednesday, *Forbes* magazine released its annual tally of the 400 richest Americans, whose combined net worth has soared to \$1.53 trillion, up 12 percent since last year. To even make the list, it was necessary to have a fortune of at least \$1.05 billion, more than ten thousand times the median net worth of an American household.

Among those at the top of the list were some of the standard corporate executives and Wall Street speculators: Microsoft CEO Bill Gates (\$59 billion, up from \$54 billion last year); hedge fund manager Warren Buffett (\$39 billion); Oracle CEO Larry Ellison (\$33 billion); the Walton family, owners of WalMart (ranging from \$20.9 billion to \$25 billion); etc.

Particularly noteworthy is the fact that the sector with the largest representation by far in the ranks of the super-rich was “investors,” that is, individuals whose primary occupation is speculating in financial markets. There were 96 such individuals on the list, compared to only four for manufacturing.

Typical of this social layer, utterly parasitic in its relationship to society as a whole, was hedge fund manager John Paulson, who ranked 17, with a wealth of \$15.5 billion. *Forbes* commented on the “Paulson paradox”—the fact that Paulson’s personal fortune has soared 25 percent even though the main hedge fund he operates has fallen 30 percent due to bad bets on Bank of America and other stocks. Last year, Paulson took in a personal *income* of \$4.9 billion.

The increasing wealth of this layer is a direct product of the infusion of trillions of dollars into the financial system, orchestrated by the Obama administration. Three years after rampant speculation led to the greatest

world economic crisis in generations, the speculators are doing better than ever.

Vast wealth on one side is accompanied by mass impoverishment on the other. Also on Thursday, the US Census Bureau released its “American Community Survey,” a detailed breakdown of poverty, income and other metrics for different areas of the country, including the main states and cities.

Thursday’s report followed figures released earlier this month showing that the number of Americans living in poverty—defined as about \$22,000 for a family of four—soared to 46.2 million last year, its highest level on record. The official poverty rate is 15.1 percent, or one out of every six people. The child poverty rate is 22 percent.

In certain regions of the country, the growth in poverty—and the level of inequality—is even more shocking. In New York, the home of Wall Street and a city where the cost of living is far higher than in many parts of the country, the official poverty rate increased to 20.1 percent last year. Among children, the poverty rate soared nearly 3 percentage points in one year, to 30 percent. This is two years after the supposed “recovery” began.

Paulson’s personal wealth of \$15.5 billion was approximately equal to the total net income of the bottom 20 percent of the New York City Metropolitan area, or about 1.6 million people.

In Detroit, the center of the collapse of manufacturing in the United States, the poverty rate was 37.6 percent. *More than half of all children in the city—or 53.6 percent—live in poverty.* For the state of Michigan as a whole, the poverty rate rose to 16.8 percent. Median income has fallen 19.3 percent, by nearly one-fifth, since 2000.

In California, 6 million people were living below the official poverty line in 2010—16.3 percent, up from 15.3 percent a year before. Similar figures are present in

virtually every state.

Soaring poverty is driven by an unprecedented jobs crisis, the scale of which is masked by the official unemployment rate of 9.1 percent. The employment-to-population ratio has collapsed over the past several years. To cite one example: only 55 percent of young adults aged 16-29 were employed last year, down from 67.3 percent in 2000 and at its lowest level since World War II.

Three years ago this month, the collapse of Lehman Brothers set off a financial crisis that has plunged the world into a new depression. At the time, on the eve of the inauguration of Obama as president of the United States, the *World Socialist Web Site* explained that there would be no “socially neutral” response to the crisis, that the reaction of world governments, led by the United States, was dictated by the interests of the corporate and financial elite which controls the entire political system.

The present conditions are a product of the response of the ruling class to this crisis. They are a damning indictment of the entire political establishment and the capitalist system that it defends.

Now, under conditions of a renewed economic slump, with world economic growth stalling and Europe on the verge of financial collapse, the response of the ruling class is to escalate the campaign of austerity.

In the United States, the Obama administration is spearheading an unprecedented attack on social programs, releasing this week a proposal to cut hundreds of billions from government health care spending. Over the next two months, Washington will be consumed by a discussion over how far it can go in undermining and ultimately dismantling Medicare, Medicaid, Social Security and other social programs.

On Thursday, Treasury Secretary Timothy Geithner stressed that the turmoil in the markets meant that it was necessary to proceed with redoubled energy in implementing these measures. He worried whether Washington would be able to address the “long-term challenges of growth and competitiveness and fiscal sustainability”—in other words, tax reform to lower corporate taxes and sharp cuts in every program that benefits the working class.

The working class, in the United States and internationally, must advance its own program in response to the crisis of capitalism. This must begin

with the understanding that nothing can be gained except through mass struggle. It is necessary to break free from the stranglehold of the official trade unions and political subordination to the Democratic Party.

There is no solution to the crisis in the interests of the working class that does not begin with an attack on the wealth and power of the corporate and financial aristocracy. This requires the expropriation of the vast fortunes of the Fortune 400 and the rest of the ruling elite. The financial institutions and corporations they control must be taken over and run democratically in the interests of social need.

In the face of the ruthless offensive of the ruling class, the fight to achieve even the most minimal reforms poses revolutionary tasks—the independent industrial and political mobilization of the working class in mass struggle, aimed at the conquest of political power and the socialist transformation of economic life.

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