US social inequality in two graphs

Income gains after recessions increasingly go to the wealthy

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Two recent scholarly articles document persistent growth of social inequality in the United States, and the degree to which this social polarization has taken place behind the backs of the population. Their findings are summarized in two charts that, presented together, vividly depict the state of social relations in America.

The first article, published last week by Bard College economist Pavlina Tchernova, shows that the wealthiest sections of society have captured an ever-greater share of income gains in periods following economic downturns. This process has culminated in the present economic "recovery," in which the top 1 percent of income earners has captured nearly all gains in income.

The article, which appeared in the latest issue of the *Journal of Post Keynesian Economics*, noted that 116 percent of all income gains in the period 2009-2012 went to the wealthiest 10 percent of the population. This figure, based on data from economists Thomas Piketty and Emmanuel Saez, means that the bottom 90 percent of the population actually experienced negative income growth over the same period. The article also noted the fact that the top one percent of the population has accumulated 95 percent of all income gains since 2009.

Although the figures for the post-recession "recovery" are unprecedented, Tchernova shows that income gains have become increasingly unequal after every recession since the post-war era, reaching particularly acute levels during the 1980s.

The share of income gains going to the bottom 90 percent during the period of 1982 to 1990 fell to 20 percent, from an already historically low 55 percent from 1975 to 1979. The share received by the bottom 90 percent fell even further to 2 percent from 2001-2007.

The growth of social inequality in the aftermath of recessions has been facilitated by successive administrations, but this process has reached a new peak under Obama, who has actively promoted wage-cutting by corporations, such as Chrysler and GM during the auto bailout, while providing trillions of dollars in free cash to Wall Street.

This pervasive growth of social inequality, which is at the root of enormous changes in society, has taken place largely behind the backs of the population. A recently released study by Harvard University and Chulalongkorn University in Thailand shows that most people have only a very faint idea of the enormous levels of social inequality that persist around the world.

Researchers asked random survey participants in 16 countries to estimate the ratio between the annual income of a typical CEO at major corporations and the annual income of a typical factory worker, and then asked them what they thought the ideal ratio ought to be. Although in every country respondents believed that the ratio was higher than it should be, they also significantly underestimated the actual level of social inequality.

American respondents believed that CEOs of S&P 500 companies make 30 times that of an average worker, more than 10 times less than the actual ratio of 354. However, while extreme, this was not especially high relative to other countries included in the study, of which seven were also off by a factor of at least 10, including the Czech Republic, Denmark, Israel, Norway, Spain, Sweden, and Switzerland.

The real level of social inequality has been assiduously concealed from the population precisely during the period when it has grown the most. While Americans' current perceptions of income inequality generally reflect the conditions that existed in the 60s, the gulf between the rich and poor has soared since then.

The study is a testament to how much the growth of social inequality has been obscured from the population by the media and political establishment, which seeks with all the means at its disposal to obscure and conceal this process in order to facilitate it.

The study also demonstrates a broad opposition to social inequality. Respondents from every country believed that income inequality between CEOs and workers was between 1.5 and 5 times what they believed it should be. This points to a deep-seated, if as yet not fully developed, opposition to inequality amongst the world's population.

This was the conclusion reached by the study's authors. Coauthor Dr. Michael I. Norton told *Harvard Business Review*, "My coauthor and I were most surprised by the extraordinary consensus across the many different countries in the survey … Despite enormous differences in culture, income, religion, and other factors, respondents in every country surveyed showed a universal desire for smaller gaps in pay between the rich and poor than the current level in their countries."