

# New reports show social inequality is deepening in US

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Several new indices of wealth and income in the United States released last week illustrate how deeply polarized American society has become along class lines in the past four decades.

The bottom half of Americans made on average \$16,200 in 2014, including supplemental benefits like food stamps and other benefits. More importantly, this bottom half of America has had flat incomes since 1980, when the annual average among the bottom half was just \$16,000.

Meanwhile the top 1 percent of income earner have seen their average yearly incomes triple. In 1980, the top 1 percent of the population made \$428,200 a year, but in 2014 they made \$1,304,800. The average top percentile income earner makes double in a year what an average worker in the bottom half of society makes working their entire life.

The data is yet another depiction of how several decades of class war against workers have reorganized income in the United States. Job cuts, wage cuts, retirement cuts, and medical care cuts have left large sections of the working class practically penniless. Meanwhile, nearly all income gains made are going to the super rich.

It is notable that this data concerns income, not wealth. Because much of the money made by individuals is bound up in stocks and other financial assets, wealth disparity between the majority of the population and the rich is greater than income disparity.

These numbers come from new data from economists Thomas Piketty, Emmanuel Saez, and Gabriel Zucman. Details of their research was published this week in the *New York Times* after the economists gave the paper's reporters a closed presentation on the data, which is adjusted for inflation and is in constant 2014 dollars.

According to these figures, the top 1 percent of income earners have gone from earning 10.7 percent of the national pre-tax income in 1980 to earning 20.2 percent in 2014. Meanwhile, the bottom 50 percent of the population have gone from earning 19.9 percent of the nation's income in 1980 to only receiving 12.5 percent of it in 2014. That is, half of the population receives just over 10 percent of the country's income.

In a second study released last week, a group of sociologists and economists found that only half of 30-year-olds today earn more than their parents did when they were 30-years-old. For comparison, in 1970, 92 percent of 30-year-olds earned more than their parents when their parents were the same age.

The data comes from the Equality of Opportunity Project spearheaded by economists and sociologists at Stanford, Harvard, and the University of California, Berkeley.

While a portion of their data can be attributed to the post-war boom, which raised incomes for an earlier generation of Americans, the data also shows that there has been a significant decrease for the younger generation today. If the trend continues, in the near future the majority of 30-year-olds would be making less than their parents did when they were the same age.

The data was also broken down by state. While every state saw falling income mobility between today and the 1940s, some of the worse off states were centered in the former industrial hearth of the United States. Michigan, for example, had one of the sharpest declines, as did Illinois, Indiana and Ohio. Another section of the country that was particularly hard hit was the Pacific Northwest, whose timber and resource-based economy has collapsed in the past three decades.

The information when broken down by gender

revealed that the decline may be even steeper than it seems. When looking just at 30-year-old men, only 41 percent of them made more than their fathers did at a similar age. This even starker trend among males shows that the numbers, as a whole, would be worse had women started off with equal wages as men. In other words, the data is skewed by the fact that many women from the older generation did not work and that the inequality between male and female wages were greater 40 years ago compared to today.

Raj Chetty, one of the lead economists behind the project, told the *Wall Street Journal*, “Wages have stagnated in the middle class. When you’re in that situation, it becomes very hard for children to do better than their parents.”

Chetty’s team argued that they did not see any way to reverse the trend without an unrealistically high percentage of growth.

In a similar vein, the *Wall Street Journal*’s annual monthly survey of economists stated that it would be highly unlikely for the US to gain much more than 50,000 new manufacturing jobs by 2020.

James Smith, an economist at Parsec Financial, told the *Journal*, “Manufacturing employment is now back to 1941 levels and falling. This is a global trend and not at all specific to the U.S. It is caused by labor productivity growth.”

The United States is not just experiencing unprecedented inequality; it is also facing an unprecedented period of economic stagnation. Furthermore, this process is not specific to the US—growth stagnation is an international phenomenon.

Growth in technology should have a liberating effect, allowing people to work less for higher pay and a higher standard of living. However, under capitalism, where the huge companies are run for the private profit of a handful of billionaires, it has the effect of deepening inequality and increasing unemployment.

The IRS also released a statement on December 1 noting that in 2014, the top 400 individual income earners in the United States made 20 percent more than the top 400 income earners made in 2013. While part of the change is reflected in year-to-year changes in how to best register stock market-derived income, it none-the-less reflects the sustained boom in wealth for the ultra-rich.



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