Study finds 90 percent of Americans would make 67 percent more without last four decades of increasing income inequality

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A new study from the RAND Corporation, “Trends in Income From 1975 to 2018,” written by Carter Price and Kathryn Edwards, provides new documentation of the profound restructuring of class relations in America over the last 40 years.

The study, which looks at changes in pre-tax family income from 1947 to 2018, divided into quintiles of the American population, concludes that the bottom 90 percent of the population would, on average, make 67 percent more in income—every year (!)—had shifts in income inequality not occurred the last four decades.

In other words, any family that made less than $184,292 (the 90th percentile income bracket) in 2018 would be, on average, making 67 percent more. This amounts to a total sum of $2.5 trillion of collective lost income for the bottom 90 percent, just in 2018.

Furthermore, the study concludes, that had more equitable growth continued after 1975 (a date they use as a shifting point), the bottom 90 percent of American households would have earned a total of $47 trillion more in income.

Given that there were about 115 million households in the bottom 90 percent of the US in 2018 population (out of a total of 127.59 million in 2018), that would mean that each of these households would, on average, be $408,696 richer today with this lost income.

To reach these conclusions, the authors break down historical real, pre-tax, income into different quintiles of the population (bottom fifth, second fifth, third fifth, fourth fifth, highest fifth). Looking at the period between 1947 and 2018, they divide the years based on business cycles (booms and busts of the economy).

Their data quantitatively expresses the restructuring of class relations that began at the end of the post-WWII boom. Facing intensified economic crisis, automation, and global competition, the US ruling class undertook an aggressive campaign of deindustrialization, slashing wages and clawing back benefits won in the previous period by explosive struggles of the working class, while simultaneously funneling money to financial markets, expanding the wealth and income of both the upper and upper-middle class.

As the data shows, while the bottom 40 percent of American households made significant percentile increases to their income, relative to the top 5 percent, for the 20 years between 1947 and 1968, in the 40 years from 1980 to the present, this trend was reversed. In 1980-2000, the bottom 40 percent of the population experienced a net income gain significantly below that of the top 5 percent. It must be noted that because these are percentile increases, the absolute differences between the gains of the rich versus the poor is far larger.

Furthermore, not included in this data is wealth. In the last 40 years, and especially the last 10 to 20 years, the stock market has become the principal means through which the top 10 percent of the population has piled up historic levels of wealth.

Significantly, the data from 2001 to 2018 shows a sharp slowdown in income gains for all sections of American society as per capita GDP growth slowed and US capitalism experienced a historic decline. However, while the *income* of the top 5 percent of the population may have only grown by about 2 percent between 2008 and 2018, the *wealth* of the top percentiles of the population exploded. For example, according to data from the Federal Reserve of St. Louis, the wealth of the top 1 percent of the population increased from almost $20 trillion in the first quarter of 2008, just before the worst of the financial crisis, to almost $33 trillion at the beginning of 2018.

By using the data, the authors come up with a set of counterfactual incomes based on what would be the different income brackets in 2018 without a shift in income distribution. The top 1 percent, instead of making on average $1,384,000 would make $630,000. The 25th percentile, instead of making $33,000 would make $61,000.

The authors of the study also make several other important observations by breaking down their data on the basis of location, education, and race.

For example, they note, "Racial income disparities below the median have declined over the last four decades. This has primarily occurred because White men in the bottom half of the income distribution are earning the same or less than in 1975." In other words, for the bottom half of the population, the bulk of the working class, there has been greater parity between sexes and races in terms of pay as white men's pay stagnated and pay for other sections of the working class slightly increased.

While black men in the bottom 25th percentile of the population only increased their income from $27,000 in 1975 to $30,000 in 2018, black men in the 95th percentile, the upper-middle class, increased their pay from $65,000 in 1975 to $128,000—effectively doubling it.

Regarding education, they note: "Because incomes for those without a college degree have not increased more than inflation over the last forty years, education is frequently touted as a solution to rising income inequality. However, even for college graduates, incomes failed to grow at the rate of the overall growth of the economy. Thus, the economic value of a college degree may largely be in avoiding the negative outcomes felt by those who do not have one. …"

This saliently expresses what a college degree has become for most Americans: a necessity to avoid extreme poverty but in no way a guarantee of a well-paying, stable job.

The authors also note that "Incomes in rural areas have neither kept pace with the growth in broader economy nor with urban and suburban areas," due to "a decline in the economic health of rural areas."

The stark class divide expressed in the report is not the outcome of a single politician or for that matter a specific party. Rather, it is the policy, collectively, of the entire ruling class, as American, and indeed global, capitalism entered a period of profound and protracted crisis. Desperate to ensure profits, capital has gutted the living standards of the working class while engrossing the coffers of those at the top through financial parasitism.

COVID-19 has only accelerated this process. Capitalism, to survive, must discard and cheapen the lives and livelihoods of the broad mass of the population. Workers, in order to survive, live, eat, have health care, jobs, a livelihood, time to think, relax, and exist outside of work, must get rid of capitalism and replace it with socialism.