

Economic Inequality

A speech by Miriam Hawley

Most of us in this room probably grew up as I did, in a shared expectation that kids could, and probably would do better than their parents, and that almost anyone could eventually work their way out of poverty by hard work. And that people who did work hard could earn enough to pay the rent or the mortgage and put food on the table. I'm old enough to remember the depression, when work was scarce, but when the national goal was to provide jobs and save people's homes from foreclosure (this was my personal experience – I'm old enough to remember that my parents revered FDR, who, with his federal home programs, saved them from losing their home when my dad was out of work.)

So – is this perception, that hard work, including doing well in school, would pay off, one that you shared in your youth? I wonder if our own experiences won't help paint the picture of what has happened in our economy. How many here grew up in poverty? How many here have done better than their parents, economically? How many graduated from HS? How many had parents who graduated from HS? How many graduated from college? How many had two parents who graduated from college? Grad school? And our parents?

So, many actually did do better, economically, than their parents. Now, how many of us have all our kids doing better than we did, economically? Just some of our kids?

And, let's recognize that here in Berkeley, at the First Congregational Church, most of us are comfortable, economically, and socially, even privileged. But why, and why not our kids?

So, what's going on?

The answers are sometimes complicated, but many are clear. For one thing, we now have what's been called a PERFECT STORM, and it's economic inequality. The extraordinary portion of our resources in the hands of a few people is greater than ever before.

THE INCOME GAP between the rich and all the rest of us is greater now than at any time since the 1930's, and has been rising for the last 40 years. FOR EXAMPLE, The share of incomes received by the top 1% of the population was less than 10% in the late 1940s, and it is now 20% that is, the top 1% receive 20% -- 1/5th! of all income received in the U.S.

THERE ARE GREAT DISCREPANCIES BETWEEN THE SALARIES OF THE RICH AND THE POOR: Hedge fund managers make well over \$1,000 an hour and a minimum wage worker makes \$7.25 an hour.

When wealth, not just income, is considered, the picture is one of equally striking inequality, if not more so. Wealth includes, of course, income plus assets of all sorts – stocks, bonds, real estate, etc.

The share of total household wealth for the top ONE TENTH OF ONE PERCENT OF OUR FELLOW AMERICANS was 22% in 2012 That is, well over 1/5 of wealth of in our country is held by one tenth of a percent of the population.

Another way to look at it – the wealthiest 160,000 families own as much as the poorest 145 million – so wealth is about 10 times more unequal than incomes.

Inequality goes hand in hand with the collapse of intergenerational mobility – the poor stay poor: and along with poverty come poor health, alcoholism, obesity, gambling, petty criminality SO, many of our seemingly-intractable social problems are related to inequality.

Of course, such a situation affects every facet of our lives – literally, the well-being of our political and social, as well as our economic well being. AND THE FUTURE OF OUR KIDS

What's it like to be poor today? Well, many people are working more than one job, commuting long distances in order to afford housing, and still not making ends meet. This is not good for family life, and the kids are suffering.

I once was a member of the AC Transit Board, where I learned first-hand about the needs of many people riding the buses. I spoke with one woman who, under “welfare to work” rules, had to get a job, even though her two kids were very young. So, she worked a minimum wage job as an “associate” in a department store, and spent her earnings on child care. She got on a bus at dawn to take the kids to a home – based child care. She worried that they spent too much time watching TV there, but she could afford it.

THEN she got on another bus to get to work. At night, the routine was repeated. She was tired, with too little energy to invest in the children. The theory is that people are better off participating in the work force – but I really don't buy that generalization. IS IT really better for the mother I just described to spend her day selling stuff in a department store rather than staying at home with her children? With her workday, she certainly don't have the time or energy to do all the things we know help kids flourish, that enrich their lives and expose them to the experiences they need to grow intellectually and socially. Too often, she's just too tired. Too tired to enjoy her kids, and yes, sometimes she's bitter.

Why has this come about – why has inequality become so much greater since the 1970s? Here are some reasons suggested by FORTUNE Magazine – a publication that can't be considered populist:

- Tax structure: taxes are less progressive
- Competition from cheap labor from abroad has contributed to low, and stagnant wages
- It's easy to get into debt due to a lack of protection from predatory lending for mortgages, home equity loans, tuition
- The decline of labor union membership

Then there's a political factor that isn't mentioned in the FORTUNE article: **the Citizens United Decision, those with money gain a huge political advantage. So-called “social welfare” organizations aren't required to disclose their sources of funding, thereby allowing those with more money to gain even more political advantage. And, citizens with the most money have the greatest political leverage, without a doubt.** The result is seen in some of the reasons FORTUNE puts forward: For instance, taxes are less progressive BECAUSE of the huge political advantage held by the people with the money. And even Fortune magazine cautions that extreme inequality is BAD FOR BUSINESS. E.g. retailers now are bracing for a miserable holiday shopping season – all but those catering to the rich, that is. Inequality is bad for business, bad for society, and for our political system.

ASK: What could help?

- **Consumer protection**

- **Repeal the Supreme Court decision, that money is speech**, either by new appointments to the court or by constitutional amendment
- **More financial regulation**, regulation of interest rates charged on loans – a recent study found that student loan debt, for example, has resulted in a loss of home sales of \$83 Billion/year, or 8% of all home sales, lost.
- **Unionization**
- **Public financing of elections**
- **Full disclosure of political contributions**. As Reich points out, now not even stockholders know what their companies contribute to politics.

Reich was asked “how do we make change?” He answered: between 1929 and 1981 inequality diminished. During that time unionism took hold and grew. Union membership has fallen from 35% of private sector workers in the 1950’s to 7% today. There is no longer a countervailing force.

But he is not pessimistic. He believes there’s an army of people waiting to be mobilized for economic change. We need the leadership. We can’t wait for it – we need to work now.