On Tuesday, President Obama is expected to make inequality and limited upward mobility the centerpiece of his State of the Union address.

He’s not the only one talking about inequality. In the past month, Sen. Marco Rubio (R-FL) and conservative budget maven Rep. Paul Ryan (R-WI) have both addressed the issue – a departure for Republican politicians. And across the aisle, Democrats are reportedly making inequality their “top issue” in the lead-up to the 2014 midterms.

Just how bad is American inequality? How did we arrive at this new Gilded Age? And how might we create an economy of broadly shared prosperity?

To these and other questions, you’ll find interesting and useful answers in our Essential Reader...

Inequality in America: How bad is it? In 2011, Mother Jones published a series of charts capturing the depth of inequality in the US, which remains one of the best big-picture looks at the problem out there. We have greater inequality of accumulated wealth than income, and University of California sociologist William Domhoff’s "Who Rules America" provided the details. In The Atlantic, Max Fisher offered a map of global inequality that named the US among the most unequal wealthy countries, and Mark Gongloff reported in the Huffington Post about a study that found that we have the fastest growth in inequality in the developed world. Thomas Shapiro, Tatjana Meschede and Sam Osoro wrote a brief on the black/white wealth gap at the Institute on Assets and Social Policy, and Brookings’ Benjamin Harris and Melissa Kearny offered 12 facts about America’s struggling lower middle class.

I’m not poor. Why should I care? Richard Wilkinson and Kate Pickett argued in The Spirit Level: Why More Equal Societies Almost Always Do Better that greater inequality correlates with, and may cause, all sorts of social harms – from crime to obesity to alcoholism. John Crace interviewed the authors for The Guardian, and Wilkinson penned an article for CNN. A study conducted by Sir Michael Marmot, a professor of epidemiology at University College London, found that high levels of inequality cause stress and harm the health of both rich and poor. Justin Wolfers noted that higher inequality correlates with less upward mobility. A report by the UN found that higher levels
of inequality were accompanied by slower overall growth. World Bank economist Branko Milanovic found that it’s more “fun” to live in more equal societies.

How do we perceive inequality? Almost two-thirds of respondents to a January 23 Pew poll said that inequality is growing, but there were stark partisan differences over the causes and possible solutions. A now-classic study by Michael I. Norton of Harvard Business School and Dan Ariely of Duke University found that most Americans preferred Sweden’s much flatter income distribution to our own and also thought that our economic stratification was similar to Sweden’s. Yale psychologist Paul Bloom wrote in Salon about a series of studies that found children have an inherent attraction to what they perceive as fairness. Even capuchin monkeys have been shown to react with anger to unequal distribution of resources.

You may ask yourself, well, how did I get here? A variety of factors helps explain our spiraling levels of income and wealth inequality. Daron Acemoglu and James A. Robinson, the authors of Why Nations Fail: The Origins of Power, Prosperity, and Poverty, took the bird’s-eye view, connecting income inequality with vast differences in political power. Dylan Matthews wrote in The Washington Post that public policy is entirely responsible for the trend. University of Texas scholar Thomas McGarity linked growing inequality with deregulation. Economic Policy Institute’s Andrew Fieldhouse looked at how changes in the tax code have widened the gap between the haves and the have-nots. His colleague Lawrence Mishel chronicled the role of declining union membership in increasing many Americans’ economic security.

Do we just have to live with it? Nope. Jason Sattler rounded up five ways to reduce inequality in The National Memo. Back in 2003, the New America Foundation’s Ray Boshara proposed combating wealth inequality by giving a $6,000 ‘opportunity account’ to every baby born in the US. New York University economist Daniel Altman suggested replacing the income tax with a levy on accumulated wealth. Peter Edelman, Mark Greenberg, Steve Holt and Harry Holzer argued that expanding tax credits for the working poor with children would go a long way toward reducing inequality. Paying people a fair wage is an obvious approach, and Demos suggested it’s possible to do so for workers in the retail and fast food industries. Alan Berube of Brookings offered some ideas about what mayors of major American cities could do to narrow the gap.
Karl Polanyi shows that this system can never be equal. All the factors like tax rates or union membership are bandaids. We need a whole new conception of the money system that brings money back to local communities and ties its value to the productivity of local communities. This takes away the value of money from the control of large banks and global corporations controlling mining or extracting of commodities like gold or oil. We need a whole new conception of money that neither left nor right address right now. All else is bandaids playing within the coloring books lines setup by the merchant-bankers going back to the 17th century. We need radical change that takes our economic well-being and lives and ecosystem out of the hands of bankers.

I think we should start with local economies. Create a local bank that lends to the community, and not outside of it. Locals put their money in the local bank and in return the bank invests in the community. We need to restart on a local level, forget about Washington DC, we need to go beyond a broken system that only works for bullies and thugs who steal from all of us.

A free society guarantees economic inequality. And as long as resources are limited the only way to create equality is to take away from those who have. However, Crony Capitalism is another story altogether. Those with power are rigging the game. We now capitalize the gains and socialize the losses on the back of taxpayers. If a small business fails it's capitalism at work. If Goldman Sachs is in trouble it gets help. There are many such examples where lobbying, special interest, corporate welfare, tax code has contributed to the inequality.

You only look at one side of the equation. Low income families have a broad array of income redistribution programs already available to them. There is welfare, Medicaid, earned income credits, food stamps, etc. Guess what, G.Sachs paid back whatever short term liquidity was provided by the government. It wasn't a free lunch. If Wall street wasn't shored up during the financial crisis, we would have had a very long and very deep DEPRESSION. It would have made the recession look like a day at the beach.

The financial crisis was caused by irresponsible bankers, mortgage brokers, real estate appraisers, Freddie, crooks and millions of individuals that took out mortgages they should not have. This was a failure of institutions and individual responsibility. The banks were not the only cause of the crisis. This constant beating of the drum that Wall Street and big business are all bad and that the "working class" are all victims is an anti intellectual oversimplification of the issue. If you want a solution to the problems of the poor start with broken families, fatherless children, lack of education, crime and drugs. You can transfer all the wealth of every banker on Wall Street and every corporate titan in America and it will have very little impact unless these basic issues are addressed at a micro economic level.

Crony capitalism has been going on since the beginning of civilization. Its does not make it right, but its a reality. What I am suggesting is that the solution to the problem needs to be multifaceted. The solution is taming political corruption...
and requiring individuals to take personal responsibility for their actions and lives. Politicians that preach the sermon of victimization are insulting their "constituency". It implies they have no ability to determine their fate.

The reasonable political right and left both have legitimate points. There is a reasonable middle ground. Why does each side insist on ideological purity? Its impeding progress. What is needed is real open minded discussion, not simple minded rants that poor people are all welfare queens or all one percenters and big corporations are unprincipled and greedy.

Siliconjim → Dude · a month ago

The blame game is a LAME GAME! If you really believe the family who had been renting all their life was to blame for the financial melt down because they took the chance on home ownership, then it is YOU who are clueless. Wall Street engaged in open fraud knowing that their government, bought and paid for by them, would NEVER do anything to them for their illegal activity. Instead, they brokered the largest gift ever given to so few people in the amount of $767 BILLION, with a "B". Why didn’t I get a tax and interest free loan of $767 BILLION when I had financial difficulties? I guarantee that I would have done more for the economy than those greedy bastards did with the money.

I get it that there needs to be a reasonable and sustainable solution. I agree that merely blaming Wall Street is ineffective. What is needed is to shrink the size of the companies doing business on Wall Street and to increase the number of those doing business there by a factor of five or ten. The same with the Big Banks. AND, we need to get the big banks out of the playing the market game. They have to pick a sector of the industry and live or die with it - just like all of us have to.

Then, we need to completely eliminate these industries from having ANY influence or input into government. Lastly, we need to closely regulate them to ensure that, the second they think of some scheme to corner the market, their backsides begin to hurt from the kicking they will get. The ones that can’t help themselves need to be jailed with the hardened criminals in the same facilities, eat the same food and enjoy the same recreational activities as their cellmates.

Then you will see some real change in the way Wall Street does business!

Kristi Jalics → Dude · a month ago

Our schools need to do a better job of educating about personal finance. Side note, you are making it too difficult to comment.

Anthony Bellia → Dude · a month ago

I am in agreement with what you wrote yet the we have rigged the game and in the process killing the middle class...

Inequality is not inherently unfair or immoral. The real problem is that our economy is unsustainable. Any economy with ever-rising inequality is bound to crash in a Global Financial Collapse - exactly what we are experiencing.

We have been creating labor saving devices for at least 300 years - it’s what the industrial revolution has been all about. So why is it a surprise that we have an unemployment problem? A common answer is it was ever thus - the poor we will always have with us; whenever workers are displaced by technology, there are other jobs they can find; there is nothing wrong with an honest exchange of goods or labor in a transaction between free agents, etc.
But what if these truisms are not true?

You can now buy a robot for under $25,000 that can do many things, and there is a free, open source set of programs for it. Why would anyone hire a human worker to do any job that Maxwell the robot can do?

Whenever technology advances so a capital investment in automation is cheaper than employing human workers, more workers get displaced by machines. But the profits made by the new robots go to the owners of the robots, not to the workers the robots have displaced. This can be stable for a long time, with displaced workers getting other jobs. But eventually they find no other jobs available. There is nothing they can do that cannot be done cheaper by a machine. They are permanently unemployed. Not all jobs need be eliminated. Just enough of them.

The economy crashes when this happens because the displaced workers can no longer buy what they formerly produced. Some of the robots who displaced them are also stillled because there is no way to sell their output. The robots make a profit for their owners only if they are at work producing output. We must get those unemployed robots back to work!

How? By insuring that what the robots can produce can be purchased. Which means getting money into the hands of the workers they have displaced. Which means, for capitalism to survive, that income must be redistributed to them from the robot owners. This can be done with a progressive income tax and extended Social Security that provides everyone with a Citizen’s Dividend, a minimum amount that a person can live on.

Will some choose to live on it? You bet. But so what? We can eliminate minimum wage, unemployment benefits, welfare administration, etc. And most people will want more, and will work to get it. And they will be able to. The economy will thrum.

These "truisms" are not true. Good one! We need to remove the interest bearing money system at the core of this endless relentless system. There are alternatives in history. The debate about the natural inequality created by markets has been going on since the Tudors. It was noticed at the very beginning before there were any regulations or any state participation in business. The 19th century struggles yielded other solutions besides just Marxism. But, they are not talked about nor taught in US universities. Perhaps, that is because they are actually feasible and most people would adopt them. That is not what the merchant-bankers wanted then when they setup economics departments at Oxford. Nor do they want it today with all their money in our Ivy League schools, tax-exempt money that is, for public service, not private service! Perhaps the DOJ needs to be embarrassed into going after them finally.

I really don’t understand this “inequality” mantra. What should be discussed is lack of “opportunity” and how we can create an economy that enables opportunity. I just cant agree with the implication underlying the use of the word “inequality”.

Since when should equality of outcome be the benchmark for a productive and fair society? Is everyone born with the same ability, energy and drive? There is always this underlying tone when the word inequality is used that implies that successful people are unfairly taking from others and that the less successful have a right to take from the more successful until they feel equal. What defines “equal”? Who gets to define equality?

Should a doctor that spends decades in school and training be paid the same as a doorman? Are their responsibilties the same? Are people no longer required to take responsibility for the outcome of their lives? Is the guy that got straight As and went to Harvard Law supposed to feel guilty about working 90 hrs a week and making $750k
per annum? Should the cashier at Home Depot that skipped high school and studied poetry in college expect to live in the same kind of house as the Harvard Law graduate?

I hate to say this, as I always considered myself to be a fairly liberal person, but is today’s progressive movement suggesting that we move toward socialism or Marxism? I would suggest that people think long and hard about where they are going with all of this “inequality” stuff. Be careful of what you ask for, you might just get it.

Oh lord. The Marxists are out again. There is nothing inherently wrong with inequality. So long as it arises from a voluntary system, free from coercion, then market interactions are representative of value created. Period. If I build a computer and sell it to you for money, I now have money which I wanted more than the computer and you now have a computer which you wanted more than the money; it’s a mutually beneficial arrangement. It is no more moral for you to hire a uniformed thug to steal some of my money back than it is for me to do the same to get back a part of your computer. Therefore Steve Jobs is no more obliged to give his poorest customers money back than his customers would be to giving back parts of their ipods.

2013 has been one long pep rally for the middle class, with the occasional pat on the head to the “working poor.” Not everyone can work, due to health or circumstances, and there simply aren’t jobs for all who need one. What should we do about them? No one answers. Right now, we have a ludicrous situation where self-described progressives wave the banner for the bourgeoisie, describing the hardships of those with incomes roughly in the $40k range. That’s not progressive -- it’s class elitist. Right now, we hear daily calls to “Save Social Security” -- but only for retirees, not for the disabled (even though many of the disabled, and their families, have paid into Social Security Disability Insurance for years). That’s reprehensible. The bottom line is that it’s impossible to save the middle class without shoring up the poor. This generation looked at the policies that took the US to its height of wealth and productivity, from FDR to Reagan, and chose to reverse course.

Isn’t the real issue - opportunity? Inequality can create opportunities, if the environment is right.

To the contrary, inequality creates an environment where a few can hoard opportunity and create a feudal society that can be as suffocating as a socialistic society that supports mediocrity. Libertarians who argue in favor of inequality miss the fact that it creates a sort of crony capitalism without the level playing field that they idealize.

And where will this $6000 per baby come from, exactly? And how will it not cause inflation? And why would anyone want to give money to a baby who will not need that money at all?

This entire premise is completely made up. Income inequality exists to the degree it does in the USA because the USA is so wealthy. While it’s true there are tiny groups of white Europeans living in nations the size of Massachusetts who are also rich, but yet more evenly so, no one here wants to pay what they do for milk, gas, housing, and everything else that is dirt cheap in the USA by comparison.

It’s all a lie. The poor gain wealth more slowly, as they always have. But, again as
always, people achieve more wealth as they age. At least that’s how it’s been for the last fifty years. Now that government has spent the future money of everyone currently living on earth, that just might change.

The one element of truth that exists in this article is: Government policies create income inequality. It’s true. See: The bailout. The Stimulus. And making generations of people completely dependent on government.

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Naive. The poor don’t gain wealth today. Rather than outline the "whys" of it, I’ll just say that we deliberately cut the rungs off of the ladder out of poverty, so the number of desperately poor in the US has continued to climb. Meanwhile, US jobs continue to flow out of the country. We have millions of low wage workers right now who are a single job loss from losing everything, with no way back up. How do you get a job without a home address, phone, bus fare? The way things are right now is very, very different from the way they were 50 years ago! And your nonsense about "making people dependent on government" is contradicted by the facts. We pay taxes to provide a full range of services, and every person in this country benefits from those services.

Who cut the rungs off the ladder? Who exactly did that? Where does this group of one percenters gather to scheme to find ways to oppress the 99 pct?

The problem of the middle class and lower class are myriad, but its not the "one percent" that is holding people down. If the system here is so terrible why do I see so many people coming here that don’t even speak the language and within one generation their sending successful highly educated kids to great schools?

I don’t want to imply that the exception is the rule, but I think the path up the ladder starts with strong family units and education. Without that family ladder it doesn’t matter how much is spent, success and progress will be elusive.

The number of people desperately poor has not climbed. Rather, the definition of desperately poor has been widened so as to include more and more people. And everyone is always one horrible thing away from losing everything. That’s just life. There’s never been a time on earth when people lead such cushy, healthy lives. Fifty years ago? Smallpox, polio, measles... Please.


Where was I wrong?

In your expression of rhetoric rather than current condition.

Inequality is not the elephant in the room, it is merely the necessary product of the elephant in the room which is capitalism -- an economic system that subordinates...
elephant in the room, which is capitalism -- an economic system that subordinates human need and the planet's ecological health to the "need" of a relatively few number of individuals to accumulate profit. It is a system to which Republicans and Democrats are absolutely wedded and determined to preserve, and it will remain in place until one of two things happen: 1) The planet's natural resources have been consumed and/or destroyed; 2) The current system is brought down and replaced with one that is sane, humane, egalitarian and sustainable. You can call it socialism or not, and while I don't pretend to know how we get there, I am certain of this: One prerequisite is that working people break completely and decisively with the Republican and Democratic parties. A new perspective is necessary, embodied in a new political party (or coalition of parties) that will fight to do away with capitalism before it literally does away with us. And we are running out of time.

NotARedneck • 2 months ago

“We have greater inequality of accumulated wealth than income”

This is really the elephant in the room. The right wing (and economic libertarian inspired) approach to economics since 1980 has been to make it easier for the wealthy to keep most of their income and pay little tax. What of course happens is that they soon run out of things to consume and start acquiring assets. This puts massive inflationary pressure on the value of these assets and they are soon priced out of reach of the poor and middle classes. Stocks, land and buildings, art, precious metals, gems, collectibles and the right to avoid the hoi polloi have all gone through the roof. Income is only taxed when these assets are sold and of course, they don't want to sell them - ever.

Meanwhile, incomes have stagnated since VERY little of this wealth was used for real investment. This is the opposite of the way things were from 1935 to 1975. However, the full story is not being told. The indexes of inflation are being understated because they don't take into account this asset inflation. Most Americans are far worse off than they were a few decades ago. Incomes didn't stagnate, they dropped about 40%. Everyone feels this and then blames each other rather than the 1% who engineered this mess to their advantage.

DHFabian • NotARedneck • 2 months ago

One change: Today, when lib media discusses inequality, the "class war," etc., they're talking only about the gap between the middle class (incomes over roughly $45k) and the rich. What wiped out the whole "98% vs. the 2%" nonsense is that the gap between the middle class and the rest of us keeps growing. The poor and middle class have been deeply pitted against each other, which does ensure that we won't be able to correct the post-Reagan agenda that so gravely damaged the economy. Sorry if it sounds hyperbolic, but the fact is that we embraced the same attitude found in Nazi Germany -- that only those who are of current use to employers deserves to live. Pretty harsh, in a country that shipped out the bulk of our working class jobs. The fact that Americans can and do die as a direct result of poverty (usually by freezing to death, or being attacked on the streets) stands as proof of how far this country has fallen. Unlike past generations that experienced similar crises, there will be no united push-back by the poor and middle class this time.

chrissycrunch • NotARedneck • 2 months ago

Just since 1980? We just going to forget the 1970's? Because some economic stuff went on there that might be worth remembering.

EachAccordingToHisNeed • 2 months ago

Both of our political parties are business parties which give the average American little voice. We need new political parties that are of, for, and by the people. We need parties that will stand up to the business parties and put quality of life issues before business issues. The business community has to much influence in society and we need to
change things so that working class people have more of a voice. We do not want to end up living in the hellish Utopia of neoliberalism.

Tony Brooklyn • 2 months ago
http://sphotos-a.ak.fbcdn.net/...

Deb Wingert • 2 months ago
Giving cash and tax breaks to babies means more population in an over-populated planet. We need access to jobs, on the job training, and pay commensurate with the work effort. We need caps on executive compensation, and elected officials should have to have ALL income reported publicly. Only this will take our necks out of the teeth of those in power that have stripped us from our opportunity to begin with.

Jamie Lawenda • 2 months ago
bring back tax deductions for interest on credit cards- which are making the middle class drown- increase tax percentage charged on investment accounts- so they are taxed higher than income- for ten years- and give a higher deduction for mortgage interest- so that you don't have so much out of pocket expenses all at the same time.- and make wealthy tax rates higher- so if you make more than 1 million you pay 40% on the first million.

JC • 2 months ago
There's only one way to remove income inequality. Remove monetary incentive from elected government service.

Banish all campaign donations above $2000, and then only by individuals. Participation by corporations or non-profit organizations (ie CHURCHES) is outlawed. Outlaw PACs, Lobbyists, and Lobbying firms. Place strict term limits on congress.