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Introduction

It may seem utopian now, but just 50 years ago the income levels of working-class people and those of the rich were still growing at an equal rate. A family of four was able to get by on a single blue-collar income. Nowadays, the old adage “the rich get richer and the poor stay poor” has been proven true with hard data and yet the wealth gap keeps growing at an ever-growing rate. This change did not happen overnight. So what caused this steep decline of income equality in the U.S.? And how can this information be used to find a solution?

First and foremost, the research must provide a full, clear picture of the state of income inequality over the past five decades. Ideally, it should include known links to labor and finance policies implemented during this period of time. The hypothesis is that a clear link exists between regulations that stripped power from the unions and the ever-growing wealth gap.

Source Entries

Citation #1

> Jacobs, David. “Rising US Income Inequality Was Fueled by Reagan's Attacks on Unions, and Continued by Clinton's Financial Deregulation.” Work in Progress, 3 Feb. 2016, https://workinprogress.oowsection.org/2016/02/03/rising-us-income-inequality-was-fueled-by-reagans-attacks-on-unions-and-continued-by-clintons-financial-deregulation/.

Summary

David Jacobs' paper is centered on the impact of President Raegan's policies on wealth distribution and income equality. Jacobs uses official Department of Labor data to demonstrate that, before the 1980's, wealth inequality was not increasing. The author further argues that the growing wealth gap can be directly traced to Raegan's deregulation of financial markets and his efforts to reduce the power of organized labor. These two factors are most notable because they are still holding back the Labor Movement from efforts to reverse (or at least reduce) the growing wealth disparity in the US. Firstly, the deregulation of financial markets incentivized companies to focus on profit instead of scale and efficiency. Companies that previously specialized in manufacture or sales were now laying off staff and focusing on purely financial undertakings. Simply put, the rich did not need the workforce to get richer anymore. On top of that, Raegan attacked labor unions, which decreased the bargaining power of the middle and working classes in the job market.

Reflection

After studying David Jacobs' paper, it is impossible to disagree with his conclusions. Looking at the data - namely the graphs representing average wages in the past 100 years among different social classes - it is plain to see that wealth inequality began to grow just after Raegan's policies went into effect. I found it disturbing that this tendency, while being so plain to see, is still getting worse to this day. I think that reinforces the author's main idea, mainly because almost every other domestic policy has been altered since the 1980's, yet the problem persists. If I could speak to Jacobs, I would ask if he thought there is a link between the conservative rhetoric he mentioned (about the "benefits of deregulation and trickle-down economics") which continues to this day, despite a multitude of evidence to the contrary. Are these policies being pushed despite their net negative effects, only to benefit the wealthy? And was this always the case?

Quotation(s)

The author demonstrates a degree of objectivity by noting that, while President Raegan started the decline of wealth equality, it was further exasperated by President Clinton, a self-proclaimed liberal. Jacobs writes "A somewhat surprising result concerns President Clinton's policies, which also enhanced inequality. Although Clinton was a Democrat and this party is less sympathetic to neoliberal market solutions than Republicans, Clinton was exceptional. Immediately before his presidency Clinton chaired the Democratic Leadership Council. This association was dominated by "New Democrats" who opposed collective bargaining and other center left policies. As president Clinton endorsed globalization by signing into law the NAFTA free trade agreement between the U.S., Canada and Mexico. Clinton also supported a change to a neoliberal market driven welfare system and he further deregulated the financial industry."

Citation #2

Horowitz, Juliana Menasce, et al. "Trends in U.S. Income and Wealth Inequality." Pew Research Center's Social & Demographic Trends Project, Pew Research Center, 17 Aug. 2020, https://www.pewresearch.org/social-trends/2020/01/09/trends-in-income-and-wealth-inequality/.

Summary

This paper, released by researchers at the Pew Research center, demonstrates how wealth inequality continues to grow during both periods of stagnation and periods of growth in the overall economy. To prove this, the authors trace wealth and income data collected during the Great Recession of 2008, as well as data from the following decade, during which the economy boomed like never before. In both instances, the wealthy managed to increase their profit margins. Meanwhile, the gap in income between upper-income households and middle/working-class households kept growing. Most importantly, the paper shows that regardless of how much wealth top-earning families gain, it does not "trickle down" to middle-class and working-class families.

Reflection

This is a truly large-scale project, consisting of multiple studies conducted by the government, as well as Pew Research's own team. I was impressed by their rigorous methodology, even in the survey data, which is often not as solid. The researchers explain that "the American Trends Panel (ATP), created by Pew Research Center, is a nationally representative panel of randomly selected U.S. adults. Panelists participate via self-administered web surveys. Panelists who do not have internet access at home are provided with a tablet and wireless internet connection." I believe this approach leaves no doubt as to the validity of the data. Likewise, the data leaves no doubt as to the accuracy of their conclusions. The only question I have left after reading this study is why do less than half of Americans consider wealth inequality a top priority, when almost 90% agree it is a growing problem?

Quotation

No single statistic can tell the whole story, but the Pew Research team managed to produce one that is sure to surprise most people. "Upper-income families were the only income tier able to build on their wealth from 2001 to 2016, adding 33% at the median. On the other hand, middle-income families saw their median net worth shrink by 20% and lower-income families experienced a loss of 45%. "(p.2)

Citation #3

> "How Economic Inequality Harms Societies." TED, uploaded by Richard Wilkinson, 14 Nov. 2013, www.ted.com/talks/richard_wilkinson_how_economic_inequality_harms_societies/transcript?language=en.

Summary

This is a TED talk by Professor Richard Wilkinson, a renown social epidemiologist, author and activist. In it, Wilkinson demonstrates a direct correlation between the wealth inequality levels of different countries and the quality of life of their respective societies. He clearly shows the link between income inequality and multiple societal issues such as mental illness, violence, social mobility, and life expectancy. Wilkinson continues to reiterate that the link exists beyond all doubt, with over 200 international studies concluding the same things. Most importantly, he offers solutions based on tested models. Because wealth inequality exists on some level in every country, some nations have implemented policies aimed at curbing the problem. Professor Wilkinson argues that, at this point in history, we have more than enough data to be certain that some of these policies are effective.

Reflection

I fully agree with Richard Wilkinson's vision of income inequality. It is especially compelling considering that he demonstrates how it harms all of society, not just the poor. Today's billionaires claim raising wages would be catastrophic to their bottom line. But even Henry Ford, one of America's first and greatest businesspeople, understood the fallacy of that. He famously ordered his employees be paid $5 per day (an amount far above the average pay at the time) when faced with low productivity and high turnover rates. As a result, not only did the turnover stop and productivity double, but also sales skyrocketed as Ford employees began to be able to afford automobiles. In my opinion, this source confirms that I chose a worthwhile research question. To better understand the topic, I will need to research some of the studies mentioned and investigate the specifics of his data.

Quotation(s)

Wilkinson concludes his Ted talk by stating that "we can improve the real quality of human life by reducing the differences in incomes between us. Suddenly we have a handle on the psychosocial well-being of whole societies, and that's exciting."

Conclusion

While my initial hypothesis turned out to be true, it is actually only a part of the truth. Though class inequality has always existed in America, the rate at which incomes grew was nearly equal for working-class, middle-class and wealthy people alike until the 1980s. However, the wealth gap has never grown as quickly as it does now. And the attacks on unions that started in the 1970s were not the only factor that led to today's wealth gap.

One thing was especially surprising – the problem persists regardless of the overall state of the economy. During the year when the world's economy came to a screeching halt due to the COVID pandemic, USA's 700 billionaires nearly doubled their collective net worth, gaining $3.9 trillion, while the working class lost $3.7 trillion in income. In 2021, the gap is still growing even while the economy is booming as we recover from the pandemic. Working class income levels remain unchanged even during the so-called "hiring crisis", yet the wealthy continue to grow their income.

I believe if all working-class people conducted the same research, we would see a new Labor Movement form within months. The disparity and injustice of it all has never been this clear, and the working class has never had more leverage than we do now. As Richard Wilkinson explained in his TED talk, a more equal society is beneficial for everyone, including the wealthy. So, in his own words, if we all have access to this information "Suddenly we have a handle on the psychosocial well-being of whole societies, and that's exciting."