

Rachel's Environment & Health News

#286 - What We Must Do -- Part 16: Where Has All Our Money Gone

May 19, 1992

They tell us we can't afford to prevent pollution; clean technology is beyond our means. We can't get off oil and coal, even as they parboil the planet. Solar energy could save us, but we can't afford it. Alternatives? Nuclear power is all we can afford, they say.

They say we can't afford to re-build the light-rail mass transit our cities enjoyed in the 1920s and 30s. We can only afford more highways, trucks, and traffic jams, plus 45,000 highway deaths per year. We can only afford sickening smog; healthy air costs too much. Cancer prevention? No funds. The money's tied up in hospitals and hospices, chemotherapy and crematoria.

Most people can't afford wholesome food; they will have to get by on processed junk bulked up with fats and sugars laced with chemicals and pesticides. We CERTAINLY can't afford farms that support families. Economics, don't you know.

We can't afford to manufacture durable, serviceable items made from biodegradable raw materials, items we could dismantle and recycle and which wouldn't poison the planet when discarded. More throw-away poisonous plastic crapola is all we can afford.

Decent education for the many? We can barely afford it for the few. For a majority, proper preventive health care is beyond reach; simply unaffordable. That's just the way it is; times are tough. Decent housing for all? Too expensive, we're told. A million or so homeless is the best we can do.

We must close the libraries just as, some time ago, we shut the mental institutions and turned the people out. Necessary business decision. The cost of compassion had gone through the roof. The treasury is strapped. Government has gone broke. There's just no money, we're told.

Where has all our money gone? MIT [Massachusetts Institute of Technology] economist Paul Krugman offers this summary:[1] "The basic story of the US economy between 1977 and 1989 is that there was fairly substantial economic growth, but most families saw little increase in their real incomes. They may have been able to consume more per person, but this was only because they both worked harder [longer hours] and had fewer children. So where did the growth in the economy go? The answer is that most of it went to a few well-off families," Krugman says.

The Congressional Budget Office elaborates on this theme: Between 1977 and 1989, average family income after taxes increased by 9 percent-- from about \$27,000 in 1977 to nearly \$29,500 in 1989. True, by 1989 there were more families: In 1977 there had been 81 million families; in 1989 there were 102 million families. But there was substantial growth BEYOND what was produced by increased population. Where did the growth go? "Of the \$250 billion aggregate [annual] increase in income beyond that accounted for by population growth, 70 percent went to families in the top 1 percent of the income distribution...."[2] Now we're getting somewhere.

Who are these top 1 percent? To join them, your annual income must be at least \$325,000. Their AVERAGE annual income is \$550,000.

"In 1990 the typical chief executive officer of an American manufacturing company with annual sales of about \$250 million was paid \$633,000 in salary and other forms of compensation. In Japan and in major countries of Europe the figure was roughly half that." [3] Ah, so.

"In terms of income alone, those at the high end of the distribution experienced huge gains during the decade of the 1980s, as the top 1 percent saw average family income grow by 75 percent, from \$312,206 in 1980, to \$548,970 in 1990 (both figures in 1990 dollars); while all those families falling in the bottom 90 percent saw average income grow by just 7 percent, from \$27,451 to \$29,334.... Families in the bottom 10 percent saw their average

income decline during the 1980s, from \$4791 to \$4295." [4]

The richest 1 percent of American households owned 37 percent of all private net worth in 1989, up from 31 percent in 1983. In other words, in round numbers 1 percent of the people now own 40 percent of all private assets--an astonishingly unequal distribution of wealth and, of course, of power. By 1989 the top 1 percent (834,000 households with about \$5.7 trillion of net worth) WAS WORTH MORE THAN THE BOTTOM 90 PERCENT OF AMERICANS (84 million households with about \$4.8 trillion of net worth). The top 1 percent owns a disproportionate share of many kinds of assets: they own 49 percent of all publicly-held stock; they own 62 percent of all business assets; they own 78 percent of all bonds and trusts; they own 45 percent of all non-residential real estate.[5] "According to the Congressional Budget Office, the richest 20 percent of families took MORE THAN 100 PERCENT of the growth in average family income [that occurred between 1977 and 1989]. How could that be? The bottom 40 percent of the population actually lost ground," says a NEW YORK TIMES editorial.[6]

From 1977-1989, the real [per-person] earnings of non-supervisory workers declined 12 percent, according to the 1991 ECONOMIC REPORT OF THE PRESIDENT. Young male workers without college degrees--which is to say, a majority of entrants into the labor market--experienced real wage declines of 15 percent to 20 percent between 1977 and 1989.7

In 1990 the average weekly wage for a production or non-supervisory worker bought 20 percent less than in 1972, according to the 1991 ECONOMIC REPORT OF THE PRESIDENT.[8]

In 1980, corporate chief executive officers made roughly 40 times the average income of average factory workers. By 1989 C.E.O.'s were making 93 TIMES AS MUCH.[9]

The U.S. Census Bureau sets \$12,195 per year (or \$6.10 per hour, 40 hours a week, 50 weeks a year) as the wage needed to pull a family of four out of poverty. (This annual salary is expressed in 1990 dollars and is adjusted for inflation.) In 1979, 6.5 percent of workers earned below the poverty line; by 1990 the number had grown to 10.5 percent. In 1990, 14.4 million full-time workers earned incomes at or below the poverty level.[10]

In 1978, 75 percent of Americans were living in households earning \$18,000 to \$55,000--a standard definition of the middle class; by 1990, only 60 percent of Americans lived in such families. The middle class has shrunk dramatically, according to Syracuse University economist Timothy Smeeding and University of Michigan economist Greg Duncan.[11] And it continues to shrink today.

In 1989, there were 790,000 taxpayers who reported an adjusted gross income of \$200,000 or more [total reported: \$409 billion]. They paid taxes at the rate of 24.1 percent on adjusted gross income. Just 10 years earlier there had been only 94,000 people this rich. In 1979 they had paid a tax of 45.3 percent--so during the 1980s, taxes on the rich were cut roughly by half.

What about the super-rich, those with annual incomes of more than \$1 million per year? Their numbers increased nearly 100-fold, from 642 in 1970 to 3601 in 1979 to 61,987 in 1989. In 1989 their adjusted gross income was \$159 billion, on which they paid taxes of \$39 billion, for a tax rate of 24.7 percent. Back in 1979, millionaires paid 50.2 percent tax on their adjusted gross income.[12] Another tax on the rich cut by half.

Eighty percent of the nation's households have not gained ground on inflation since the 1970s. Median family income in 1990 was \$29,943, or \$1000 less than it was in 1973. For all but the 20 percent of households with incomes above \$80,000 annually,

income has stagnated. [13] The dream has gone bad.

Writing in 1830, Alexis de Toqueville began his observations on the young nation, DEMOCRACY IN AMERICA, by saying, "Nothing struck me more forcibly than the general equality of condition among the people." All that's gone now. And with it our dream of prosperity--or, more importantly, SUFFICIENCY--for all. What to do?

A surtax of 20 percent on people making \$200,000 or more today would raise \$82 billion for the treasury. A more modest surcharge on those with incomes between \$100,000 and \$200,000 would bring the total gain to more than \$100 billion. Restoring the 1979 tax rate of 50.2 percent on people with incomes over \$1 million would yield \$40 billion more.

That would give the treasury \$140 billion more each year. A lot could be done with that. Rebuild mass transit; build housing; care for the sick; reopen libraries; educate people about disease prevention, self-care, and the importance of nutrition; cut crime and drugs by creating full employment the way they do in enlightened countries, making jobs to give people a sense of dignity and worth; offer loans to rebuild the industrial infrastructure with clean technology to PREVENT pollution. The money the nation needs is there. We simply have to recognize what we must do: seize the day.

--Peter Montague

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[1] Unpublished memo by Paul Krugman, Economics Department, Massachusetts Institute of Technology, Cambridge, Mass., dated March 30, 1992, pg. 3.

[2] CBO STAFF MEMORANDUM; MEASURING THE DISTRIBUTION OF INCOME GAINS (Washington, D.C.: Congressional Budget Office, March, [1992],) pg. 2.

[3] John Burgess, "Big Bucks for Executives Finds Some Favor Abroad," WASHINGTON POST, October 20, 1991, pg. H1.

[4] David Oshinsky, "What Became of the Democrats?" THE NEW YORK TIMES BOOK REVIEW, Oct. 20, 1991, pg. 1, quoting Thomas Byrne Edsall and Mary D. Edsall, CHAIN REACTION; THE IMPACT OF RACE, RIGHTS, AND TAXES ON AMERICAN POLITICS (N.Y.: W.W. Norton, 1991).

[5] Sylvia Nasar, "Fed Gives New Evidence of 80's Gains by the Richest," NEW YORK TIMES April 21, 1992, pg. 1.

[6] "The Rich Get Richer and What to Do About It," NEW YORK TIMES April 19, 1992, pg. 10.

[7] 1991 REPORT... quoted in Paul Krugman's March 30, 1992, memo cited above, pg. 3.

[8] Jodie T. Allen, "Why Our Economic Alarm is Sounding," WASHINGTON POST, October 27, 1991, pgs. C1, C2.

[9] Kevin P. Phillips, "Reagan's America, a Capital Offense," NEW YORK TIMES MAGAZINE June 17, 1990, pg. 26.

[10] Jason DeParle, "Report, Delayed Months, Says Lowest Income Group Grew Sharply," NEW YORK TIMES May 12, 1992, pg. A15.

[11] Richard Morin, "America's Middle-Class Meltdown," WASHINGTON POST Dec. 1, 1991, pgs. C1-C2.

[12] Letter to the editor: Victor Perlo, "Who the Rich Are and What They Should Pay," NEW YORK TIMES Dec. 1, 1991, pg. 10.

[13] Louis Uchitelle, "Trapped in the Impoverished Middle Class," NEW YORK TIMES Nov. 17, 1991, Section 3, pgs. 1, 10.

Descriptor terms: mit; paul krugman; poverty; middle class; timothy smeeding; greg duncan;