

Inequality in America, inevitable result of dynamic society

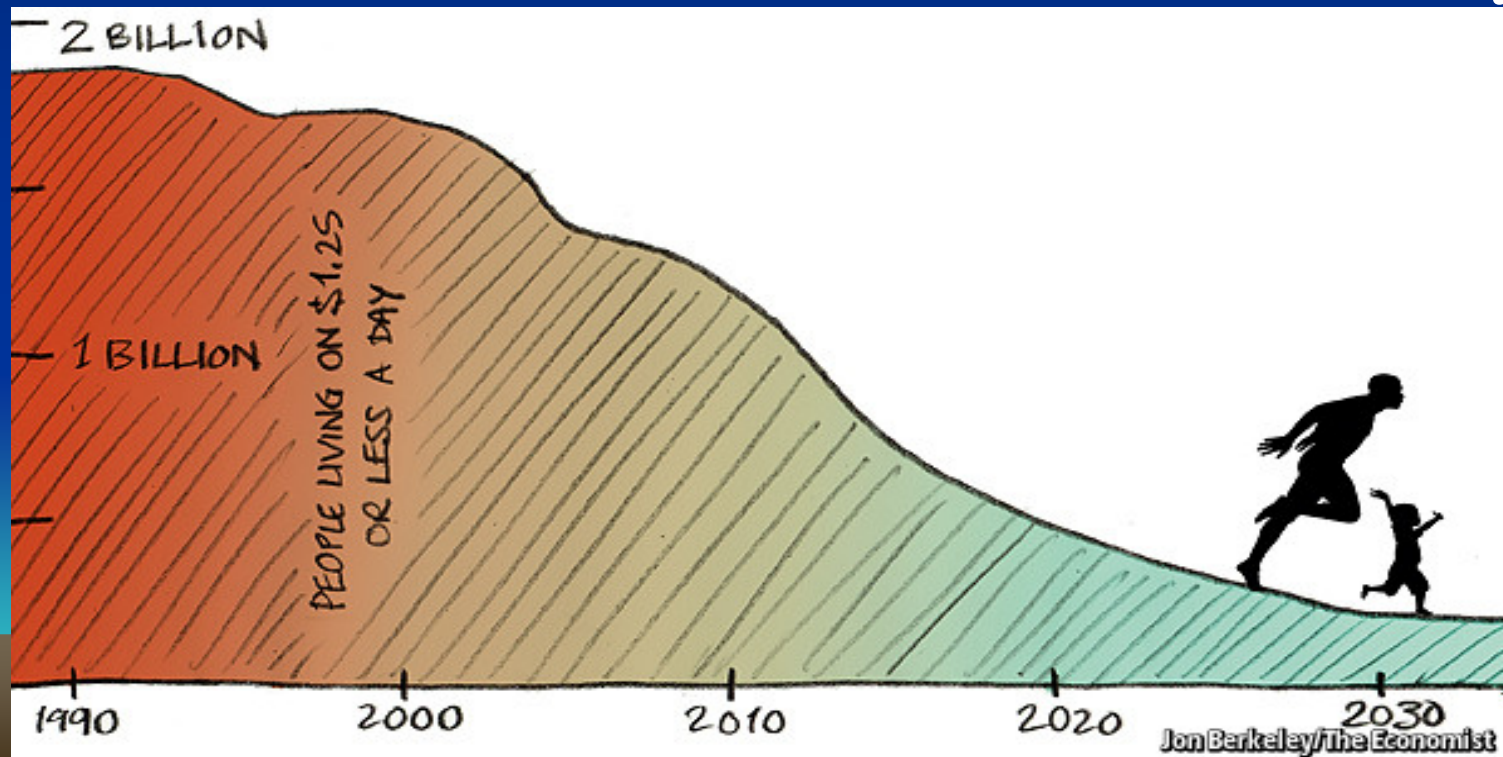
By Paul Gessing
Rio Grande Foundation



I don't really care about inequality...I
do care about poverty

The
Economist

The Economist: Towards the End of Poverty

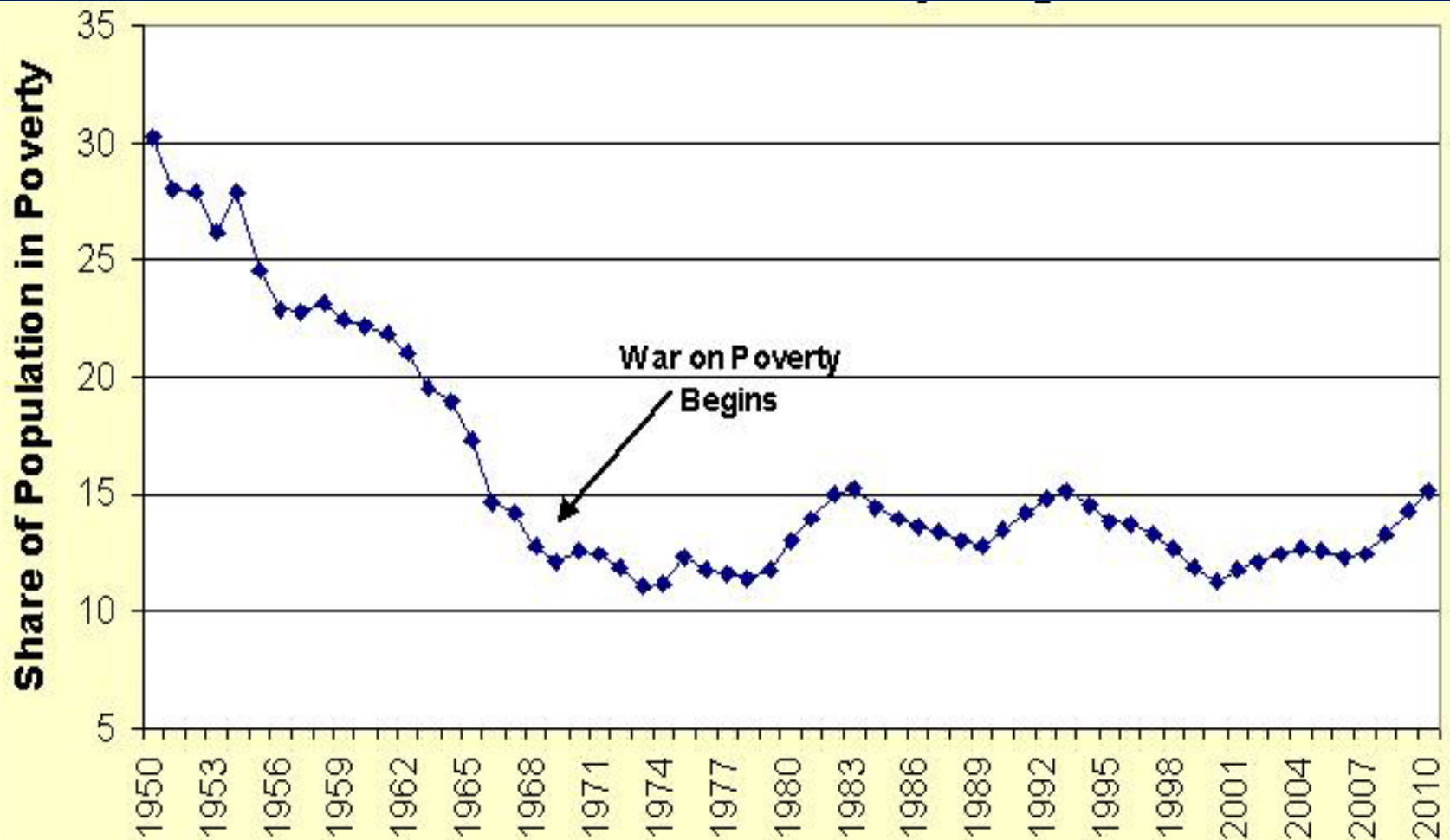


The Economist

- Consumption determines living standards;
- 2/3rds of the fall in poverty between 1990-2010 was due to economic growth;
- China saw greatest decline in poverty over the period and saw massive increase in inequality.



US Poverty Rate

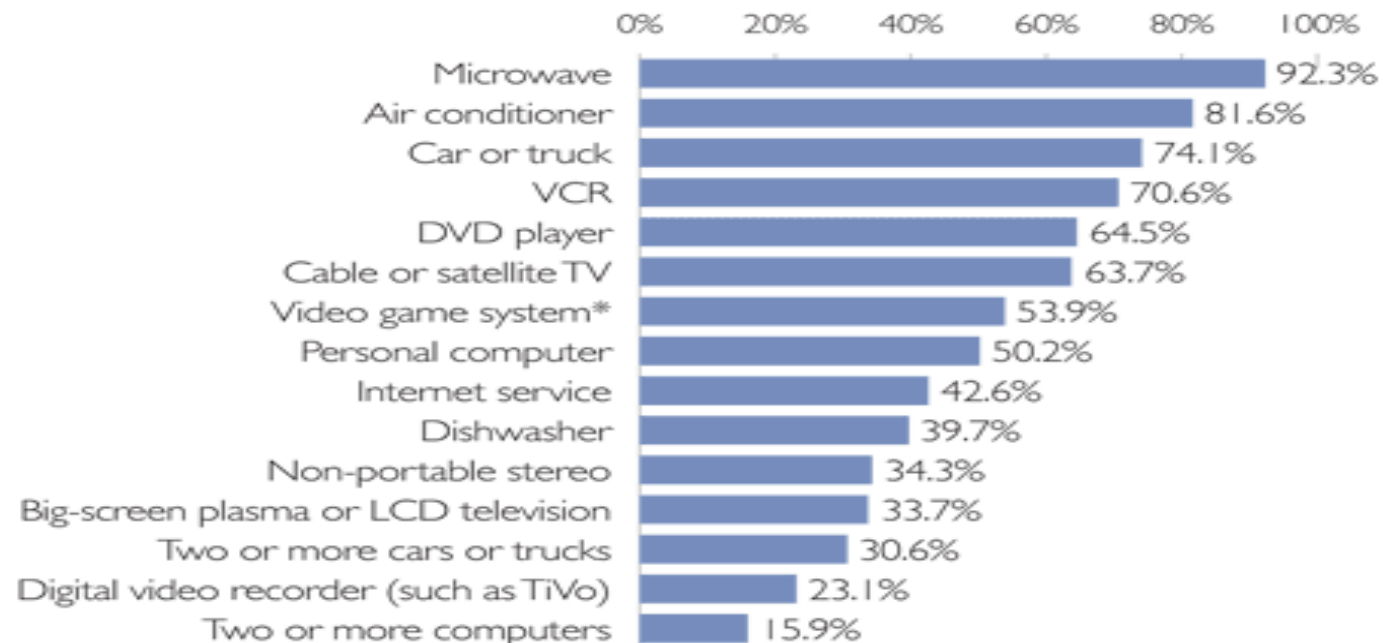


Source: Census

Overall Living Standards or Inequality?

Amenities in Poor Households

Percent of Poor Households Which Have Each Item



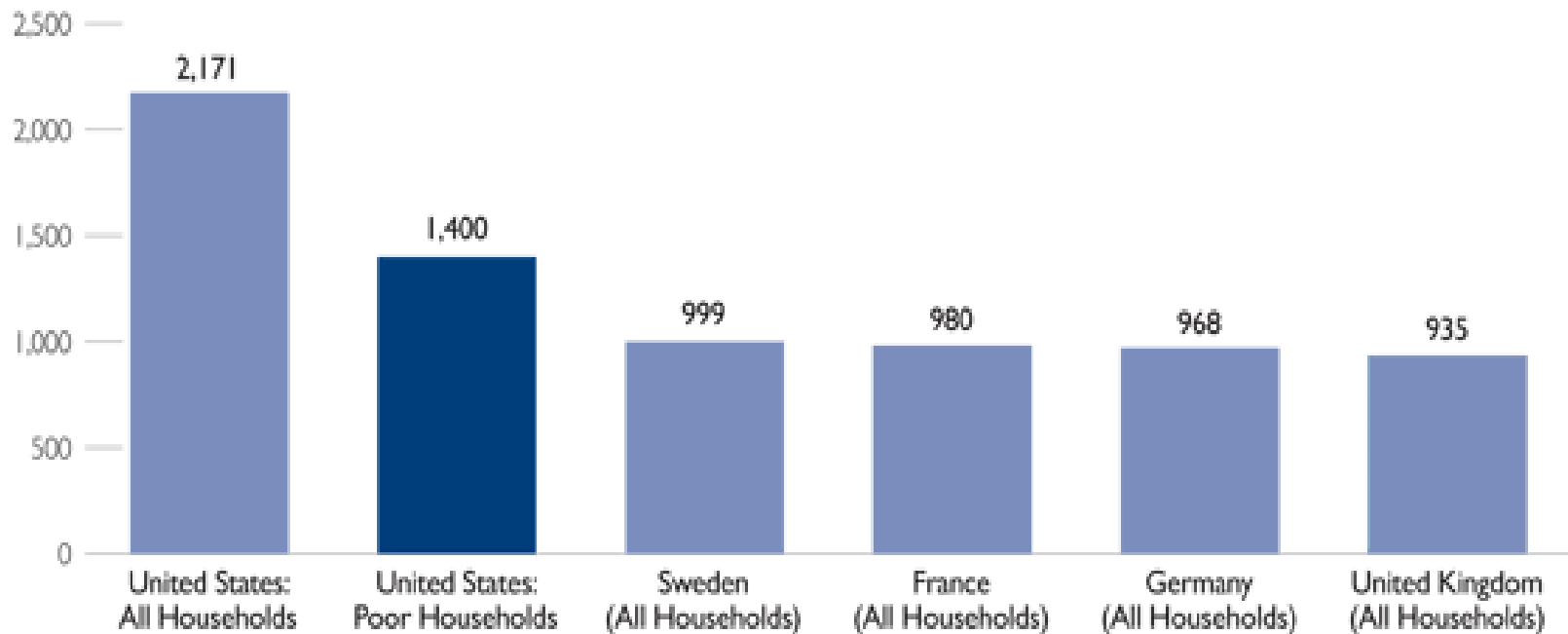
* Among poor families with children in 2005.

Sources: U.S. Department of Energy, Residential Energy Consumption Survey, 2009, at <http://www.eia.doe.gov/emeu/recs/> (June 22, 2011), and U.S. Department of Housing and Urban Development and U.S. Census Bureau, *American Housing Survey for the United States: 2009*, at <http://www.census.gov/prod/2011pubs/h150-09.pdf> (September 8, 2011).

America's Poor have more living space than do Europeans

Living Space per Dwelling: United States and Europe

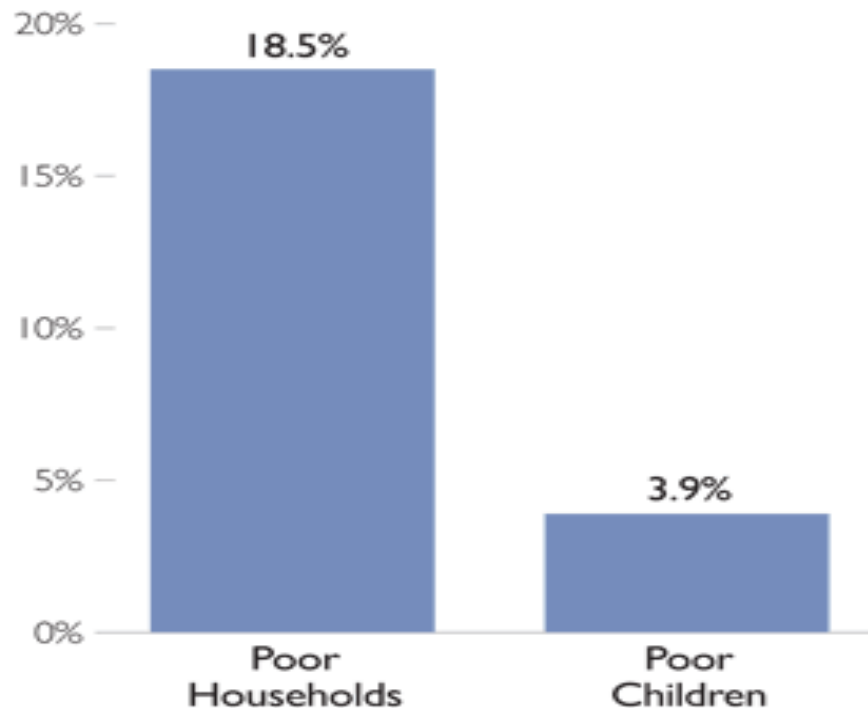
Square Feet per Dwelling



Sources: Kees Dol and Marietta Halfner, *Housing Statistics of the European Union 2010*, Netherlands Ministry of the Interior and Kingdom Relations, September 2010, p. 51, Table 2.1, at http://abonneren.rijksoverheid.nl/media/dirs/436/data/housing_statistics_in_the_european_union_2010.pdf (September 7, 2011), and U.S. Department of Energy, 2005 Residential Energy Consumption Survey, Consumption & Expenditures Tables, Summary Statistics, Table US1, Part 2, at http://www.eia.gov/emeu/recs/recs2005/tc2005_tables/c&e/pdf/tables1/part2.pdf (September 7, 2011).

Few American Children go without food

Very Low Food Security: Intermittent Food Supply Reductions



Source: U.S. Department of Agriculture, Household Food Security 2009, pp. 10, 12.

Serious Malnutrition is not a problem in USA

Stunted Growth in Children

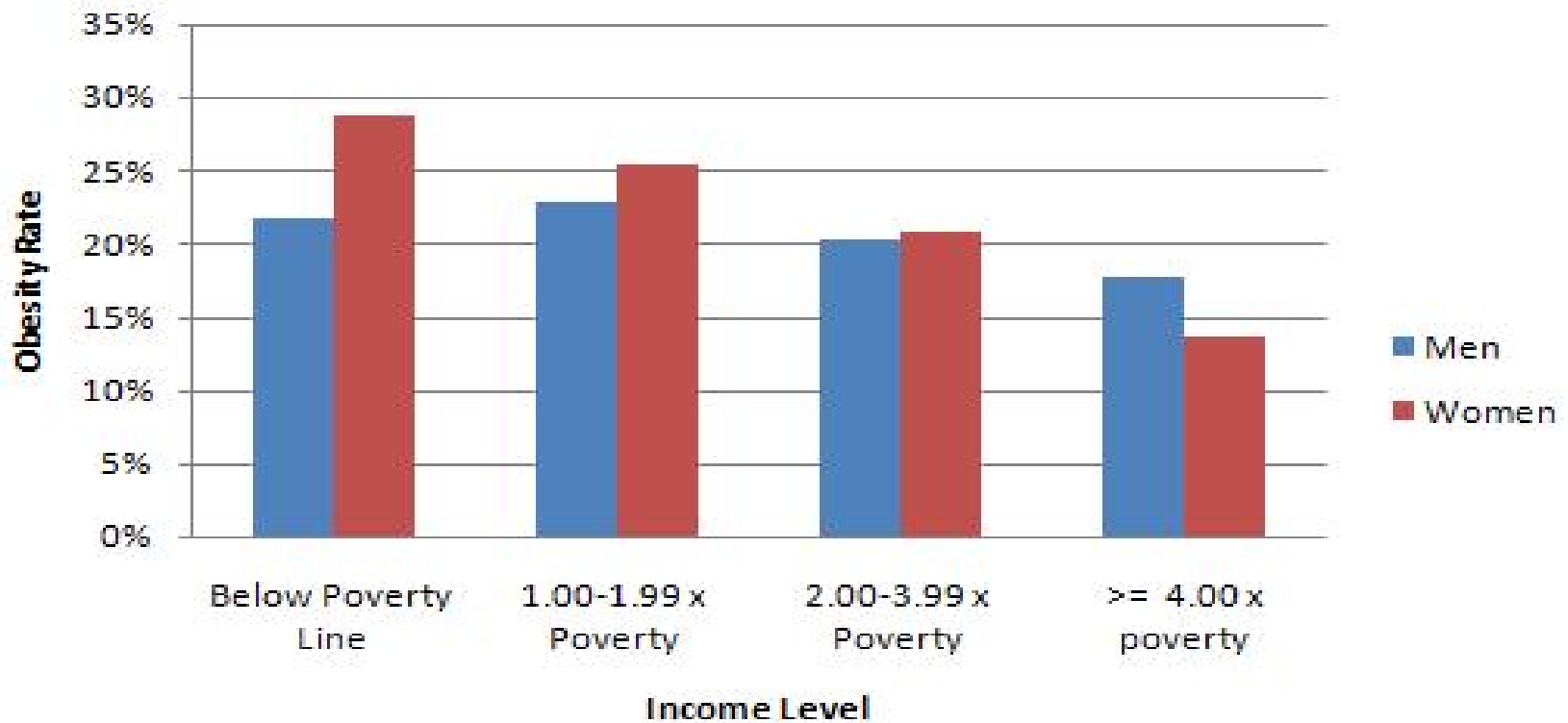
Region (Developing Countries Only)	Percent of Children Who Are Stunted (Age 5 and Under)
Africa	38.6%
Asia	47.1%
Latin America	22.2%
Oceania	41.9%
All Developing Countries	42.7%
United States (Poor Children Only)	2.6%

Note: Stunted is defined as having a height that is two standard deviations below the WHO/NCHS reference norms for that age.

Sources: M. de Onis, C. Monteiro, J. Akre, and G. Clugston, "The Worldwide Magnitude of Protein-Energy Malnutrition: An Overview from the WHO Global Database on Child Growth," *Bulletin of the World Health Organization*, Vol. 71, No. 6 (1993), pp. 703–712 (1993), at [whqlibdoc.who.int/bulletin/1993/Vol71-No6/bulletin_1993_71\(6\)_703-712.pdf](http://whqlibdoc.who.int/bulletin/1993/Vol71-No6/bulletin_1993_71(6)_703-712.pdf) (August 21, 2007), and U.S. data calculated by the author from Third National Health and Nutrition Evaluation Survey.

Unique in world history, our poor are fatter than the wealthy

Is Obesity Caused by Poverty?



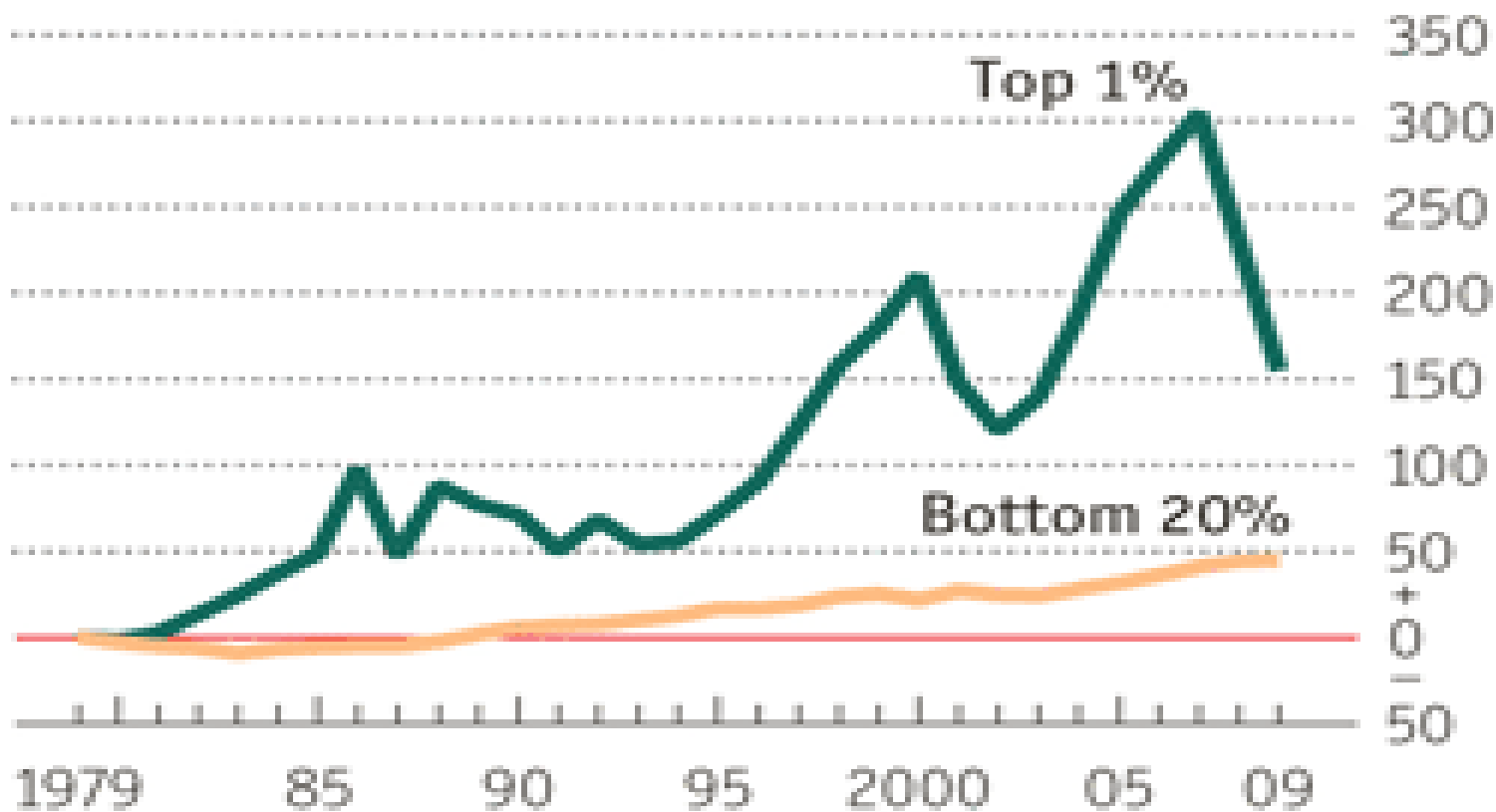
Good news: A great deal of mobility

- Roughly half of taxpayers who began in the bottom income quintile in 1996 moved up to a higher income group by 2005.
- Among those with the very highest incomes in 1996 – the top 1/100 of 1 percent – only 25 percent remained in this group in 2005. Moreover, the median real income of these taxpayers declined over this period



The rich get richer

US, average real income after taxes and transfers
% change since 1979



Source: Congressional Budget Office

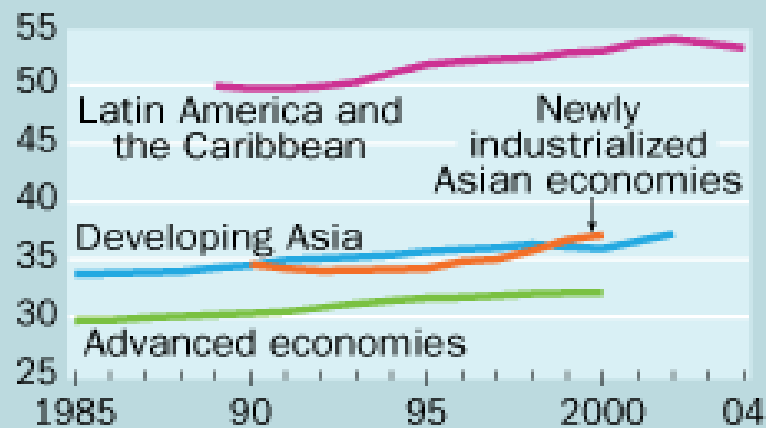
Inequality is Increasing in most areas of the world

Chart 1

Rich and poor gap

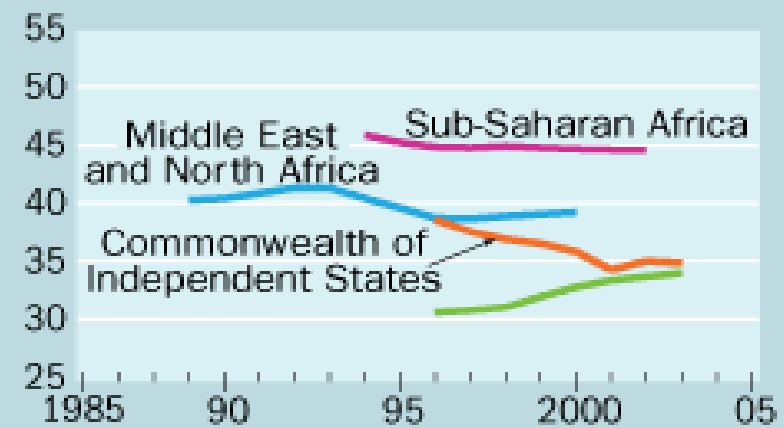
Inequality has increased in all regions . . .

(simple average¹)



. . . except sub-Saharan Africa and the former Soviet Union.

(simple average¹)



Sources: Choi (2006); Povcal database; WIDER database; and IMF staff calculations.

¹Average inequality of countries in each region for which data are available.

Solutions exist for poverty, not so much for inequality

OECD latest report on income inequality:

“The empirical evidence as to the key drivers of inequality remains largely inconclusive and is made more so by a lack of precise definitions and concepts used in different studies.”



After all: Inequality is inherent in Humans

- Intelligence
- Physical health
- Mental health
- Happiness
- Leisure time
- Physical attractiveness
- Athletic ability
- Music ability
- Life expectancy
- Social aptitude
- Luck



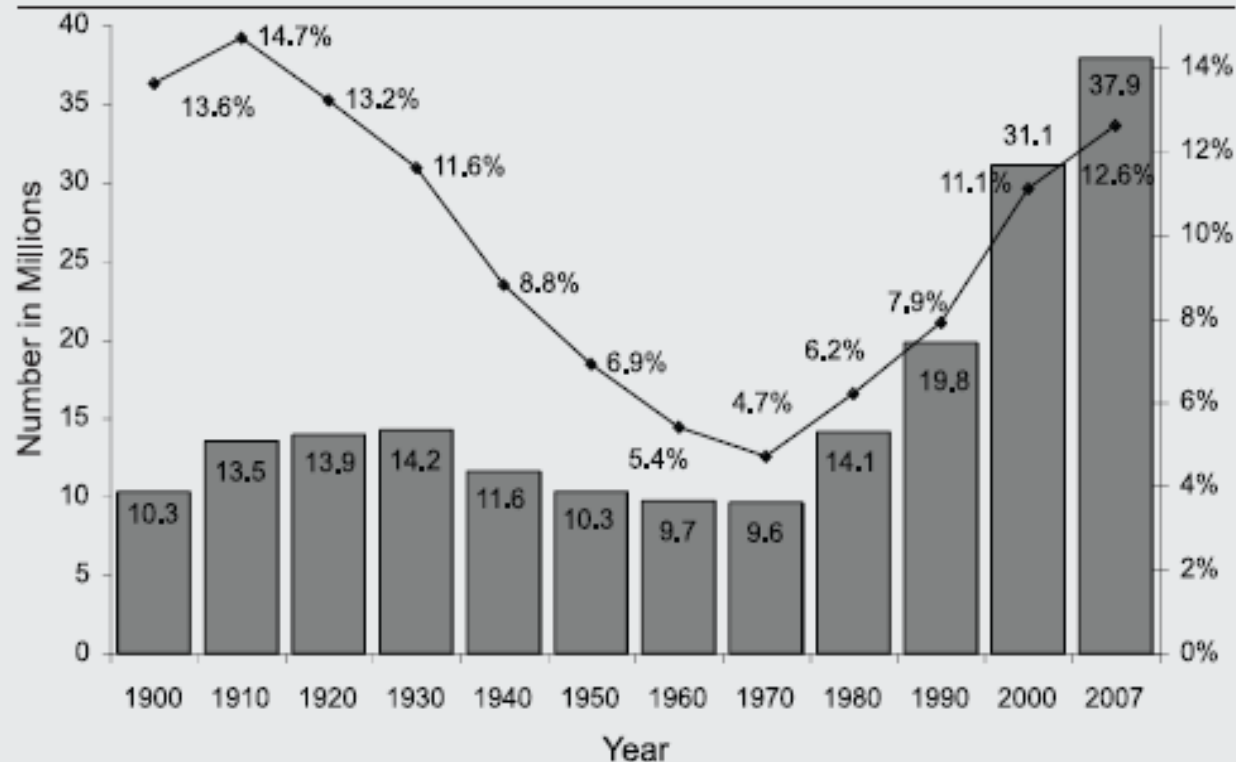
Technology/Information Economy

- Technology has increased demand for high-skilled workers while free trade and immigration have increased competition among low-skilled workers;



Societal Changes-Immigration

Figure 2. Immigrants in the U.S., Number and Percent 1900-2007



Source: Decennial Census for 1900 to 2000. For 2007 we used the March Current Population Survey, which does not include those in group quarters. The 600,000 immigrants in group quarters have been added to the 2007 CPS to make it comparable with the historic censuses.

Societal Changes cont'd

- Increased immigration has brought more poor people to US which statistically increases inequality (while improving the lives of millions). This is a statistical reality;
- Also, increased competition for low-wage jobs? Likely;



Additional societal changes

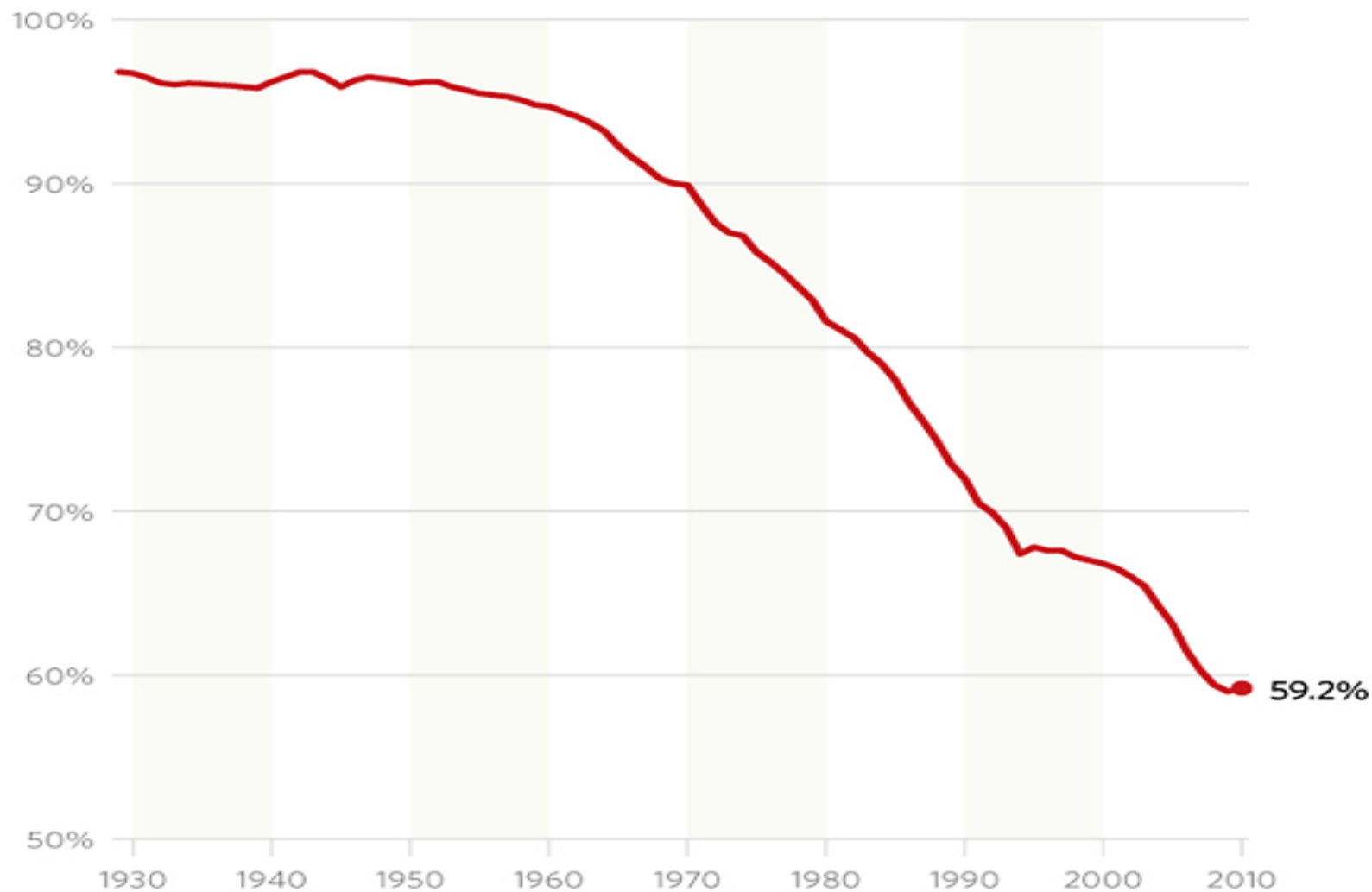
- Increased individuality/death of the “Organization Man”;
- As women have become educated and have joined the work force, they have tended to select men of similar income levels and educational attainment;
- Evolution of the family, prevalence of sex outside of marriage, declining marriage rates;



CHART 2

Death of Marriage in the United States, 1929-2010

PERCENTAGE OF CHILDREN
BORN TO MARRIED PARENTS



Source: U.S. Government, U.S. Census Bureau, and National Center for Health Statistics.

Marriage and Inequality

CHART 1

In the United States, Marriage Drops the Probability of Child Poverty by 82 Percent

Source: Author's calculations based on data from the U.S. Census Bureau, American Community Survey, 2007-2009 data, http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_09_3YR_S1702&prodType=table (accessed August 6, 2012).

PERCENTAGE OF FAMILIES WITH CHILDREN THAT ARE POOR

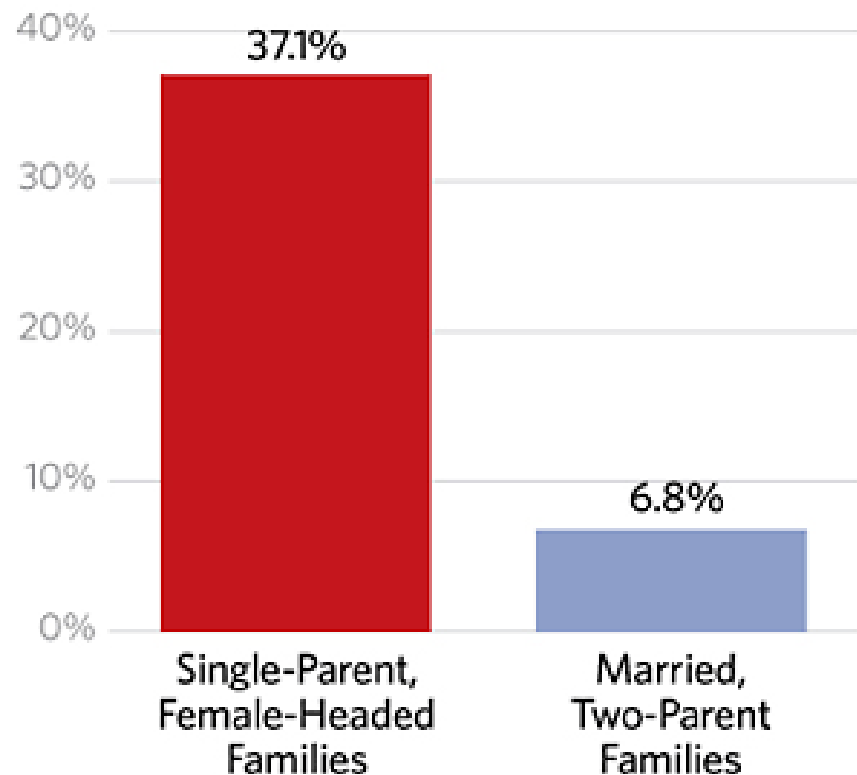
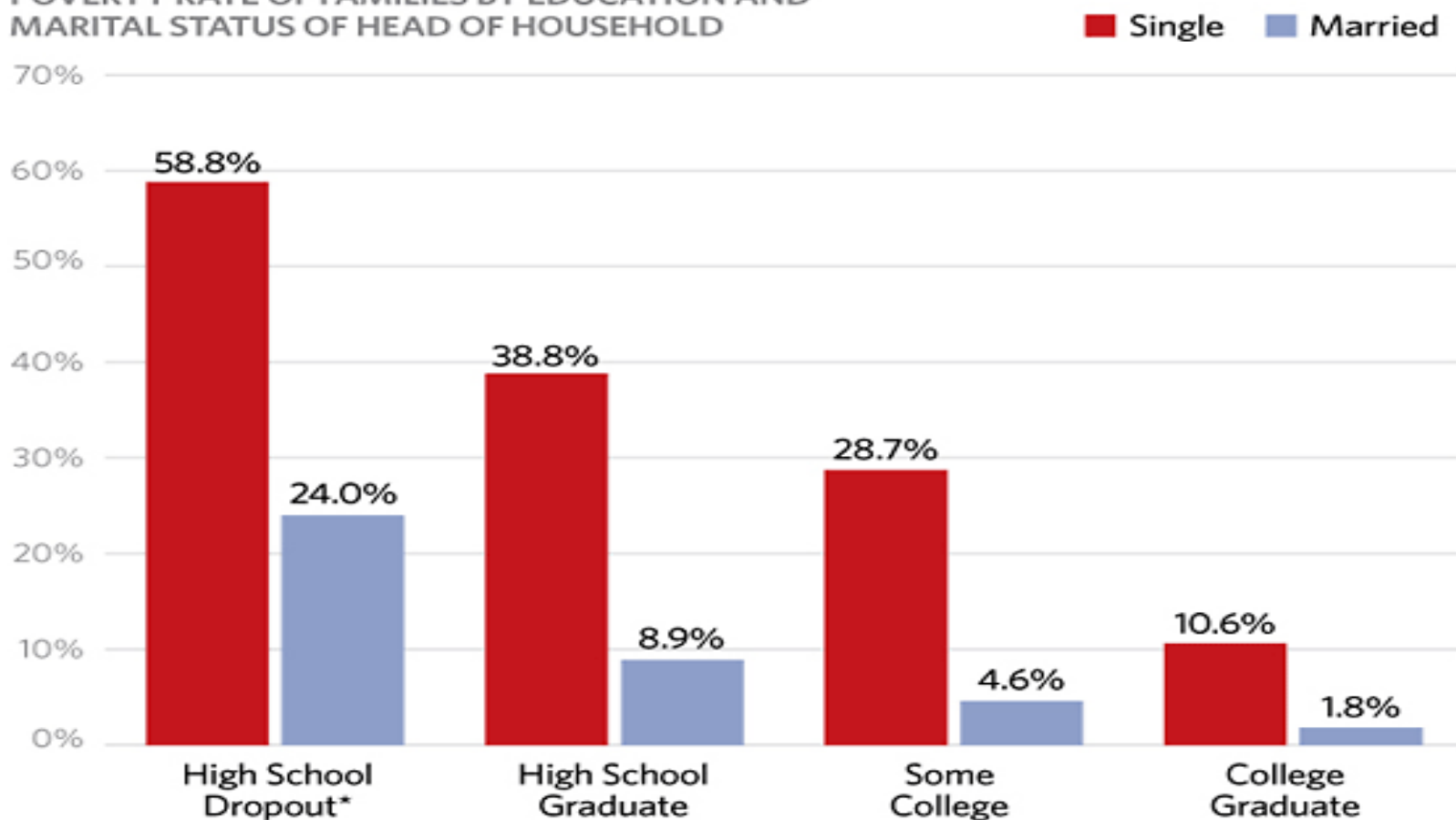


CHART 7

Both Marriage and Education Are Highly Effective in Reducing Child Poverty in the United States

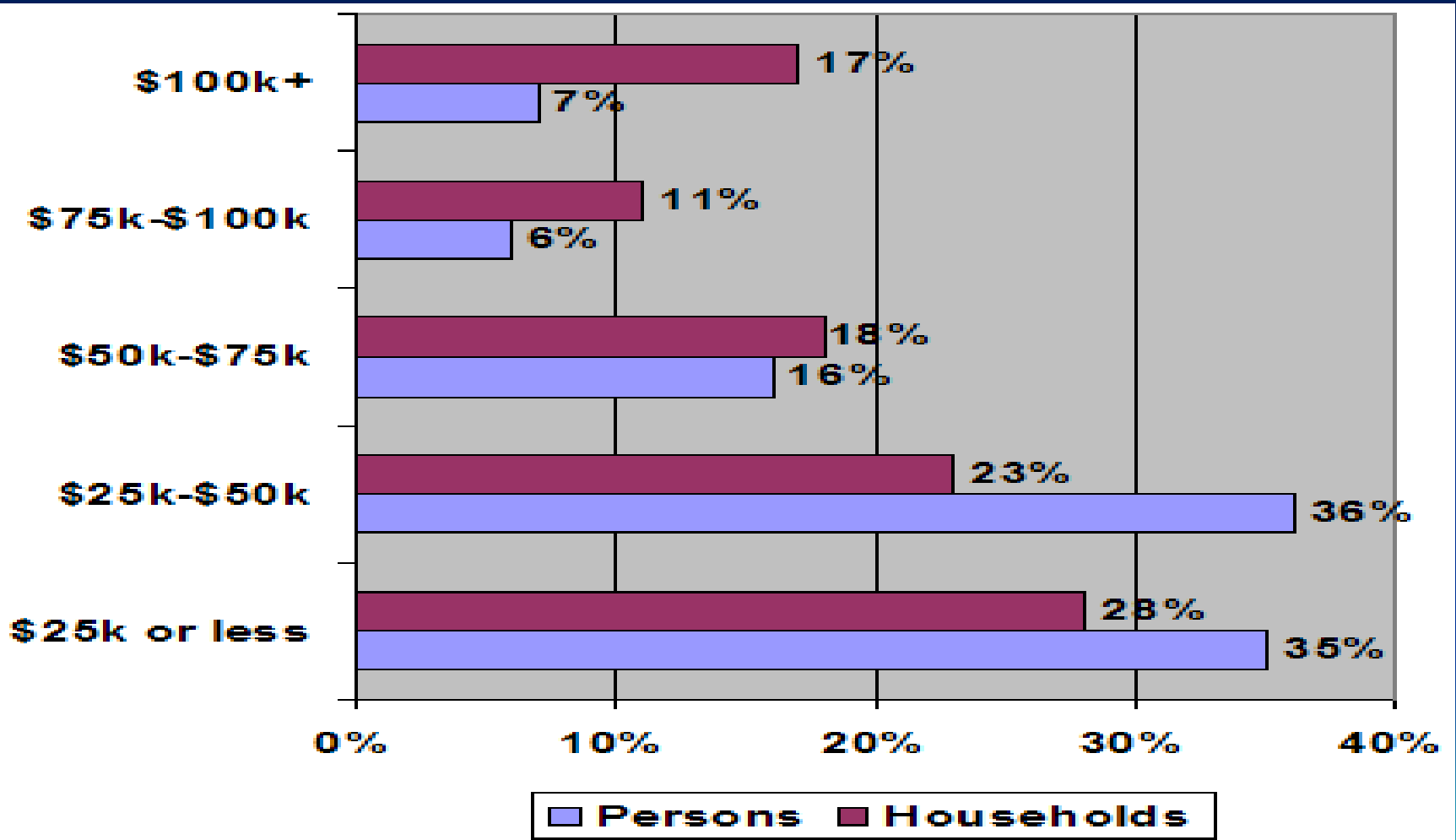
POVERTY RATE OF FAMILIES BY EDUCATION AND MARITAL STATUS OF HEAD OF HOUSEHOLD



* Virtually none of the heads of families who are high school dropouts are minor teenagers.

Source: U.S. Census Bureau, American Community Survey, 2005-2009 data.

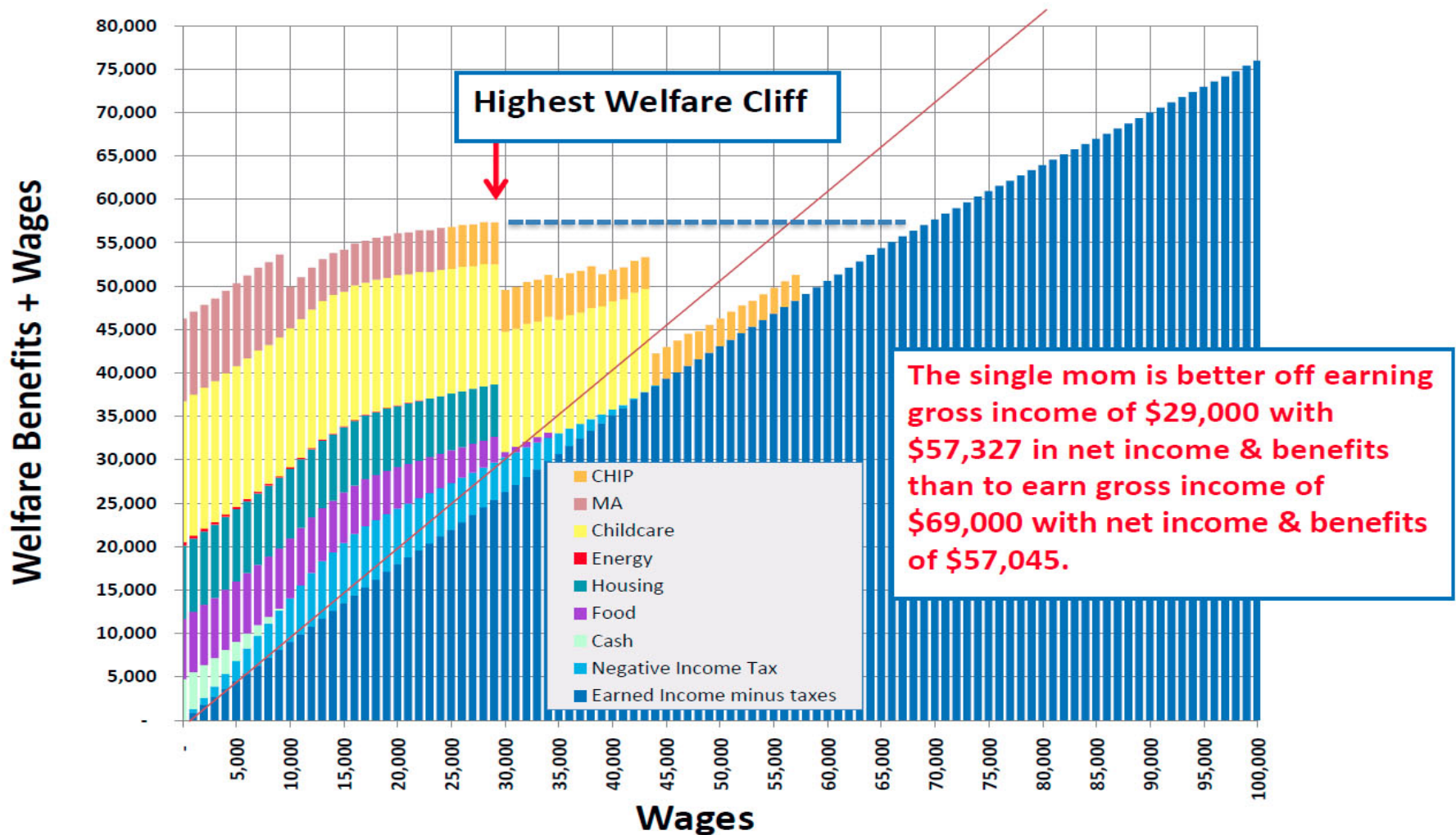
(Household) Size Matters!



Welfare policies create obstacles to improvement

Gary D. Alexander, Secretary of Public Welfare | www.dpw.state.pa.us

If we stack on welfare benefits, you can quickly see what happens. Welfare cliffs crop up in several spots.

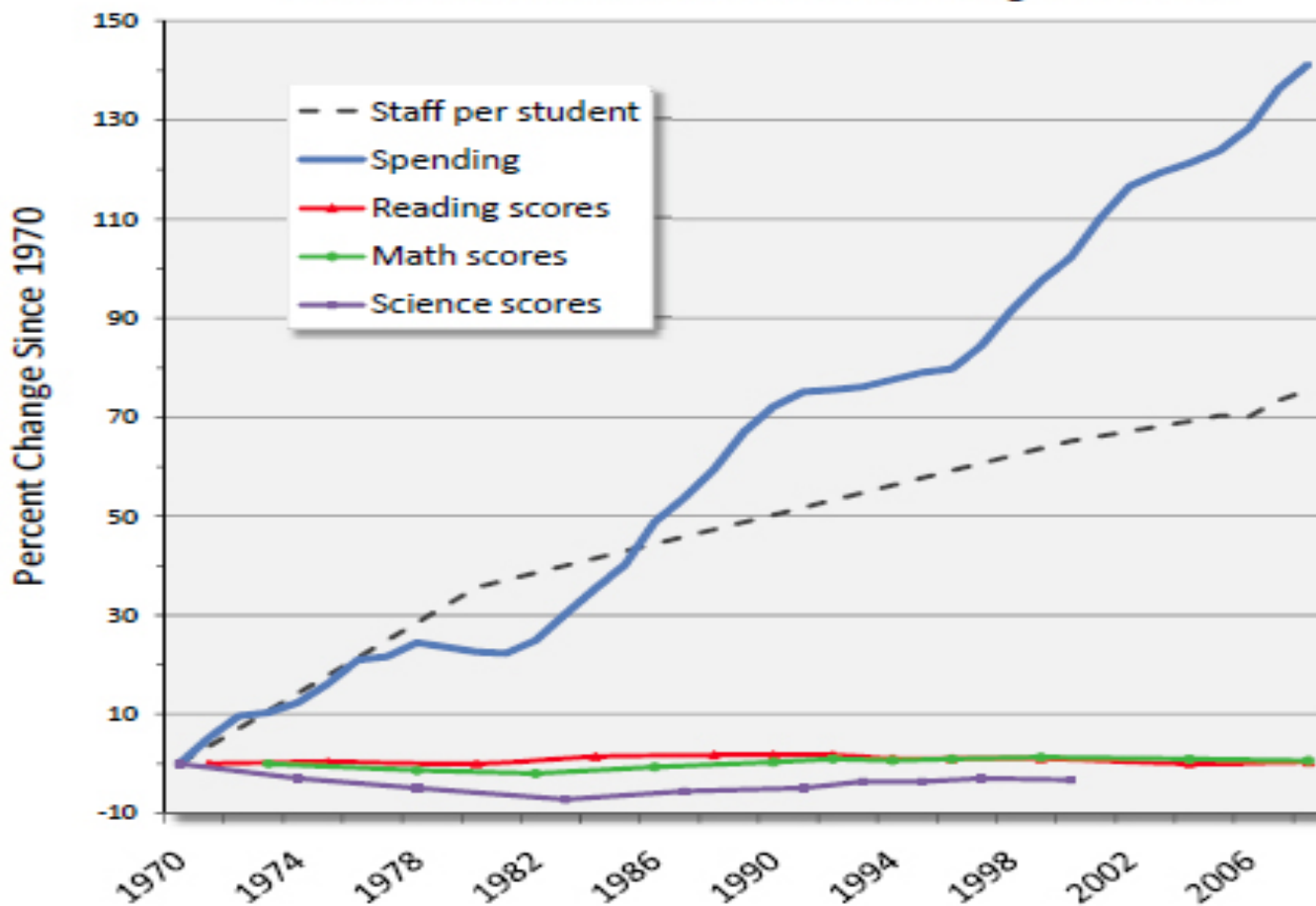


Government Interventions that Create Poverty and Inequality and that should be of concern

- 1. Privatizing profits and socializing losses-** Bailouts and easy money shift resources to persons wealthy enough to have portfolios of financial assets. The bigger your portfolio, the more you get in the bailout. And, of course, the greatest gains go to the owners and officers of nominally private institutions that are “too big to fail.”
- 2. Regulation-** Government regulation tends to favor established interests and squelch competition from new entrants. That bad tendency of regulation skews income up the ladder and reduces income equality.
- 3. Collapse of the rule of law –** The War on Drugs disproportionately harms the poor, especially poor young black and Latino men, tending to marginalize them. We now have not a two-tiered legal system, but a three-tiered legal system in which 1) poor black and Latino men are singled out for scrutiny and sent to prison in disproportionate numbers, 2) the power elite is above the law, and 3) middle class Americans are mostly left alone — so far — if they commit no crimes worse than the drug offenses each of our last three Presidents committed in his youth.

Failing Government-run Public Schools - unless you can afford to live in a relatively affluent neighborhood.

Inflation-Adjusted Per Pupil Spending, staff to student ratio, and Achievement of 17-Year-Olds: Percent Change since 1970



Cato Institute

Data sources: National Center for Education Statistics, *Digest of Education Statistics 2008*, Table 181 (spending); *ibid*, Tables 32 & 33 (enrollment); *ibid*, Table 80 (staffing); National Assessment of Educational Progress, *Long Term Trends* reports (test scores).

Prepared by:
Andrew J. Coulson
Missing year spending and staffing values linearly interpolated or extrapolated

Inequality we should Worry About

What Sequester? Washington Booms as a New Gilded Age Takes Root

Article

Video

Slideshow

Stock Quotes

Comments (256)

MORE IN US »



By ELIZABETH WILLIAMSON



Suburban Washington boasts some of the wealthiest counties in the nation and the houses to match. WSJ's Elizabeth Williamson tours Norton Manor, the lavish home of IT entrepreneur Frank Islam and his wife, Debbie Driesman. Photo: Lexey Swall.



ZURICH[®]
INSURANCE

See our stories

THE NEW PORTFOLIO TOOL ON WSJ.COM:
ENTER YOUR BROKERAGE ACCOUNT DETAILS.
WE'LL GIVE YOU ALL THE NEWS AND INFO YOU NEED.

LEARN MORE

provided by LikeAssets



INTRODUCING WESTIN HEAVENLY® IN-FLIGHT BEDDING.

KEEP CLIMBING DELTA

LEARN MORE >

Washington's Economic Boom, Financed by You



Log in to see what your friends are sharing [Log In With Facebook](#) on nytimes.com. [Privacy Policy](#) | [What's This?](#)

What's Popular Now

President Obama's Dragnet



Why Music Makes Our Brain Sing




KEEP CLIMBING DELTA

INTRODUCING WESTIN HEAVENLY® IN-FLIGHT BEDDING.

LEARN MORE >

Washington Suburbs Dominate Wealthiest Counties in USA

<u>County</u>	<u>State</u>
• <u>1 Loudoun County</u>	<u>Virginia</u>
• <u>2 Fairfax County</u>	<u>Virginia</u>
• <u>3 Arlington County</u>	<u>Virginia</u>
• <u>4 Hunterdon County</u>	<u>New Jersey</u>
• <u>5 Howard County</u>	<u>Maryland</u>
• <u>6 Somerset County</u>	<u>New Jersey</u>
• <u>7 Prince William County</u>	<u>Virginia</u>
• <u>8 Fauquier County</u>	<u>Virginia</u>
• <u>9 Douglas County</u>	<u>Colorado</u>
• <u>10 Montgomery County</u>	<u>Maryland</u>



To the extent something should be done...address poverty, not just inequality

- Policies that encourage marriage/family formation;
- Improve educational opportunities (especially K-12) for low-income people through robust school choice;
- General government support for economic growth (abandon harmful regulations, stop manipulating the dollar, end taxpayer-financed bailouts, and simplify/reduce taxes);





RIO GRANDE FOUNDATION

LIBERTY • OPPORTUNITY • PROSPERITY

Rio Grande Foundation

PO Box 40336

Albuquerque, NM 87196

505-264-6090

www.riograndefoundation.org

