THE INCOME GAP IN AMERICA:
The Reality of Increasing Inequality

Matthew Harang, Russell Ruggiero, Scott Schneider

INTRODUCTION

The debate over the income gap in the United States is nothing new. However, in recent years, the gaps between the wealthy and indigent and the privileged and underprivileged have widened to levels that have not been seen in several decades. The United States has reached a state in which the majority of wealth and power is being held by an elite upper class. Simply put, the rich are getting richer, and the poor are getting poorer; and the middle class, which has been the backbone of our great nation, is shrinking.

America was founded on principles of equal opportunity. These principles have made our nation an example of freedom and democracy for centuries. Everyone has the right to vote, the right to own real estate, everyone can gain the privilege to drive, and anyone can pursue their professional goals in any field of their choice. However, the America in which we live today is reinforcing inequality every day. For every billionaire, there are millions of people who are working 40 to 80 hours each week, while just being able to make ends meet. For every billionaire, there are hundreds of thousands of people living on the streets or in homeless shelters. For every billionaire, there are scores of students and recent college graduates living in debt because of the increasingly high tuition costs, which make socioeconomic mobility for underprivileged youth nearly impossible. These are the realities, and the question isn't whether or not these issues exist, the question is what policymakers choose to do about these issues, if anything.

Making sense of what inequality really means will help to properly manage expectations, while clarifying the targeted areas of interest. First, although income inequality is a global issue, we are narrowing the focus to a domestic problem for the sake of this report. Second, while we as a society try not to create class distinctions, the words “middle-class” and “one-percent” are often used to polarize the targeted audience (e.g., voters, investors, readers, etc.). Rather than focus on using buzzwords like “Top one percent” to prompt a reaction, this report will be more harmonious and less polarizing in nature. Third, can anything be done about such a complex problem? This report will try to outline some possible steps in the public and private sectors that may help deal with income inequality and its significance in America. It is important to understand that these issues are very complex and it will take a true bipartisan effort from both Democrats and Republicans to create real solutions to this growing issue.

BACKGROUND, STATISTICS AND FACTS

THE INCOME GAP: DEFINING STATISTICS AND FACTS

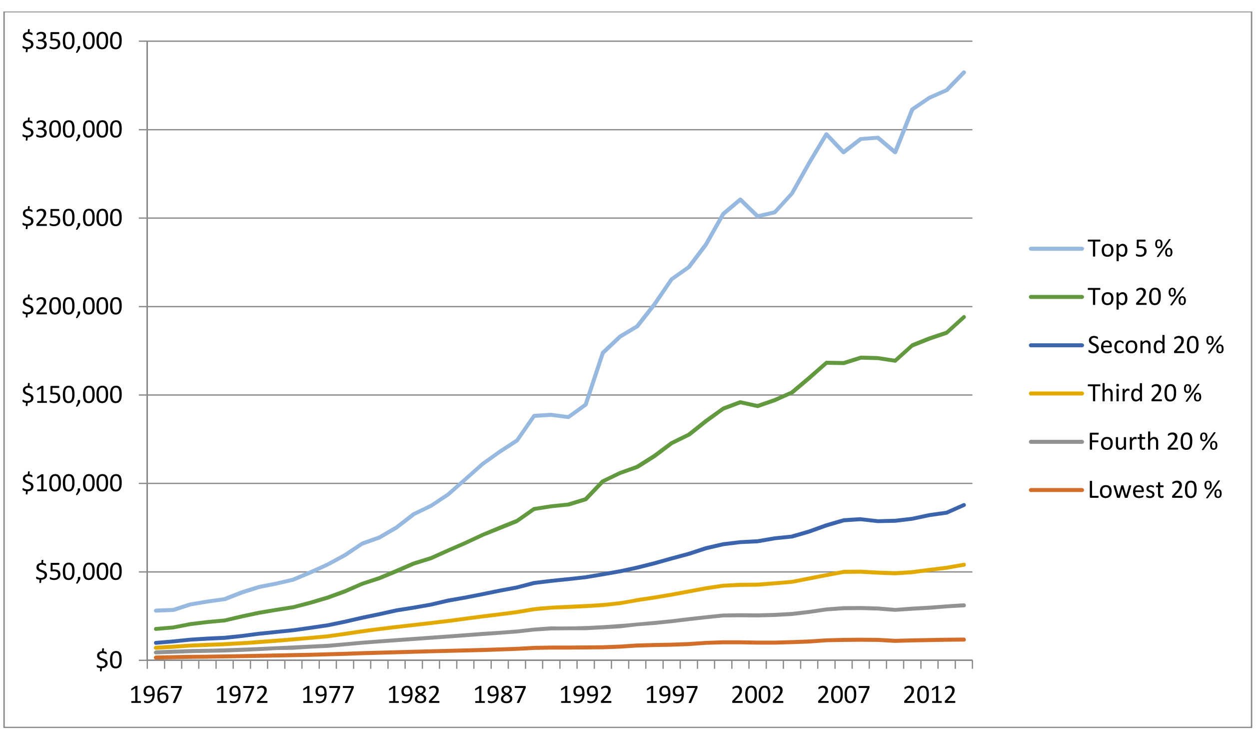
Supported by statistical trends and data analysis, the reality is that in recent years, the income gap has grown to levels that are alarmingly disproportionate. The result is a shrinking middle class and an increasingly powerful elite class. One of the main indications of the income gap is the disparities between different earning groups.

With information directly from the Census Bureau, Graph 1, below, displays the trend of steadily rising income in the top 20 percent of earners, with even higher gains in the top 5 percent of earners. Perhaps more alarming than the gap itself is the fact that income for the bottom 60 percent has remained mostly the same over the past 5 decades, while the second 20 percent has made only marginal gains.

In looking at the representation of the income gap in relation to Graph 1, it is evident that the disparity between the top 5 and top 20 has widened in every decade since the mid-1960's, along with the gap between the top 20 percent and the rest of households, which makes up the bottom 80 percent of earners. This indicates that the top 5 percent of earners have gained a substantial amount of income and purchasing power, and the top 20 percent has made significant gains as well. However, over the same period of time, the other 80 percent of the population has remained level.

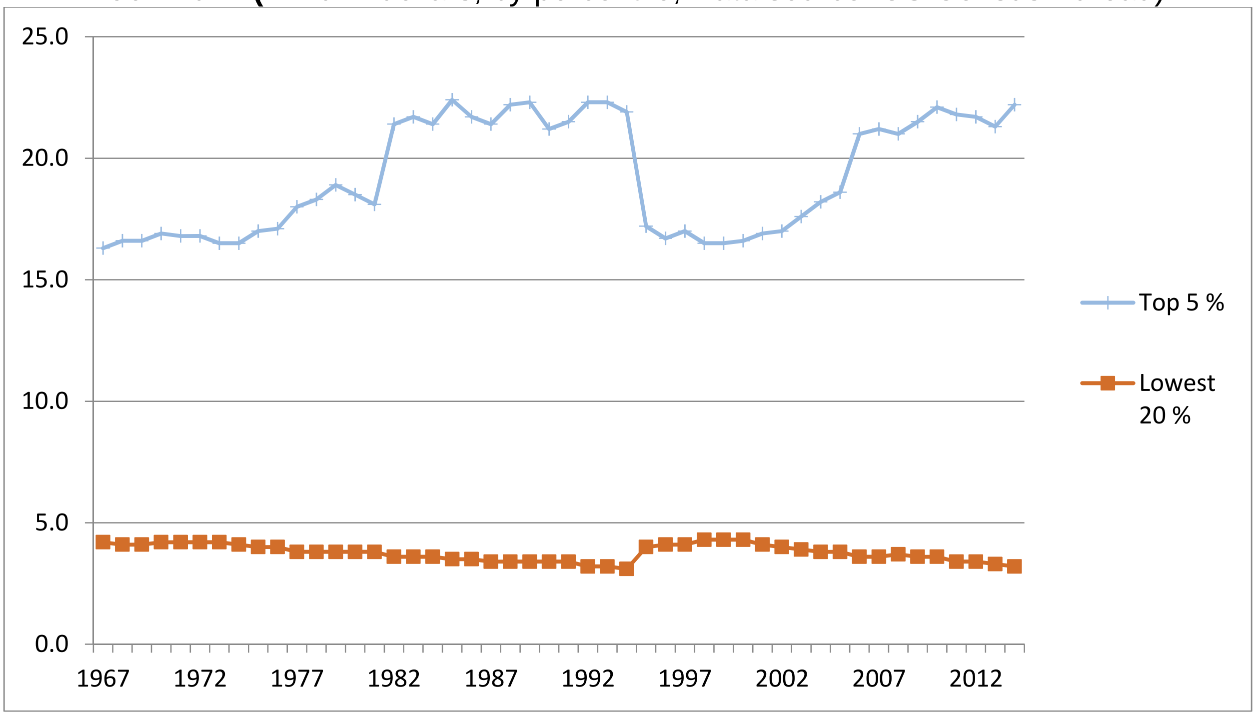
GRAPH 1: AVERAGE HOUSEHOLD INCOME, 1967-2014

In 2014 dollars, by percentile (Data Source: US Census Bureau)



Another main statistic displays, with more detail, the increasing economic power of the top earners in the country. Graph 2 that shows the top five percent of earners and wealthiest Americans earn a larger percent of the national income than they have since the early 1990's. Even more alarming, the top five percent earns over three times as much as the bottom 20 percent. This is a trend that has been rising for decades and, it shows no real signs of slowing down. This is an issue, of course, because the more that the top earners control, the less that is left over for all other households. Thus, logically, a lower number of people are well off, leading to a decrease in average quality of life.

GRAPH 2: SHARE OF AGGREGATE INCOME RECEIVED BY PERCENTAGE, 1967-2014 (In 2014 dollars, by percentile; Data source: US Census Bureau)



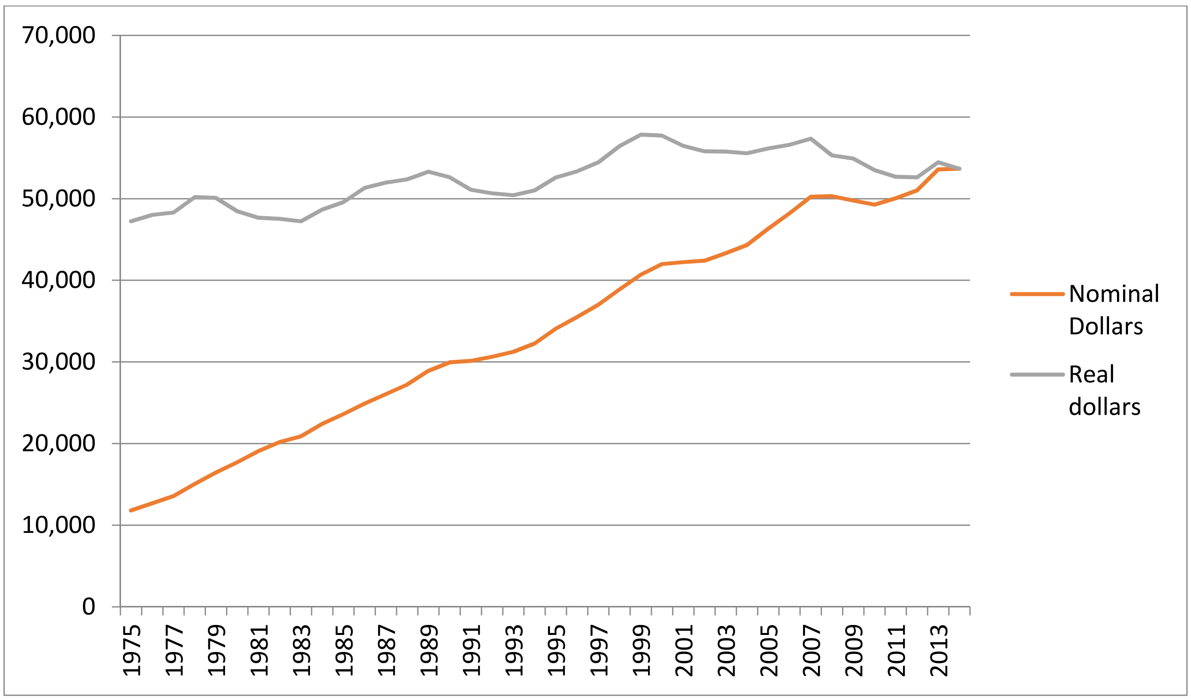
A WIDESPREAD NATIONAL PROBLEM: MEDIAN HOUSEHOLD INCOME

The problem with the way that most Americans view the income gap is that the use of the terms "99 percent" and "1 percent" have been oversaturated and the meaning behind the statistics has been lost. Some experts even discount historical data and decade long trends with the view that the current state of the economy is not generally affected by the "income gap."

The fact is that the income of most middle class Americans has failed to grow in recent years, and this trend is demonstrated in the Graph 3 below through median household incomes in the past several decades. Though some economists may point to gains in nominal income, the real income (adjusted for inflation) of middle class families has remained largely the same of the past 15 years, and has actually seen a slight decrease. This trend is tied to the income gap, in that there has been undeniable growth in the economy, but the problem is that the majority of middle class families are not reaping any of the benefits of this growth. The danger is that in a country that prides itself on advancement, the majority of people are stuck in the same place with no increase in buying power or quality of life. The American Dream has become to just make ends meet with little hope of socioeconomic mobility.

GRAPH 3: MEDIAN HOUSEHOLD INCOME, 1975-2014

Nominal and Real (Data source: US Census Bureau)



These statistics show that in terms of real income, there has actually been a significant decrease from 2000 until the June 2014. There was a drop following the recession in 2009, which stabilized in 2011. The issue of the income gap becomes increasingly important during times of recession and economic downturn because families who are on the margin and living paycheck to paycheck are affected in a much more significant way by drops in income than wealthier families. If a family that makes $50,000 annually suddenly has to take a pay cut to $45,000, this may mean cutting out college tuition for the recent high school grad, or decreasing the quality of nutrition. Whatever they choose to cut out, generally it will affect their quality of life or future quality of life. On the other hand, if a family earning $500,000 a year suddenly takes the same 5 percent cut to $475,000, they will likely have to make sacrifices that are less essential to their overall quality of life.

ECONOMIC TRENDS:
CAUSES OF THE INCREASING INCOME GAP

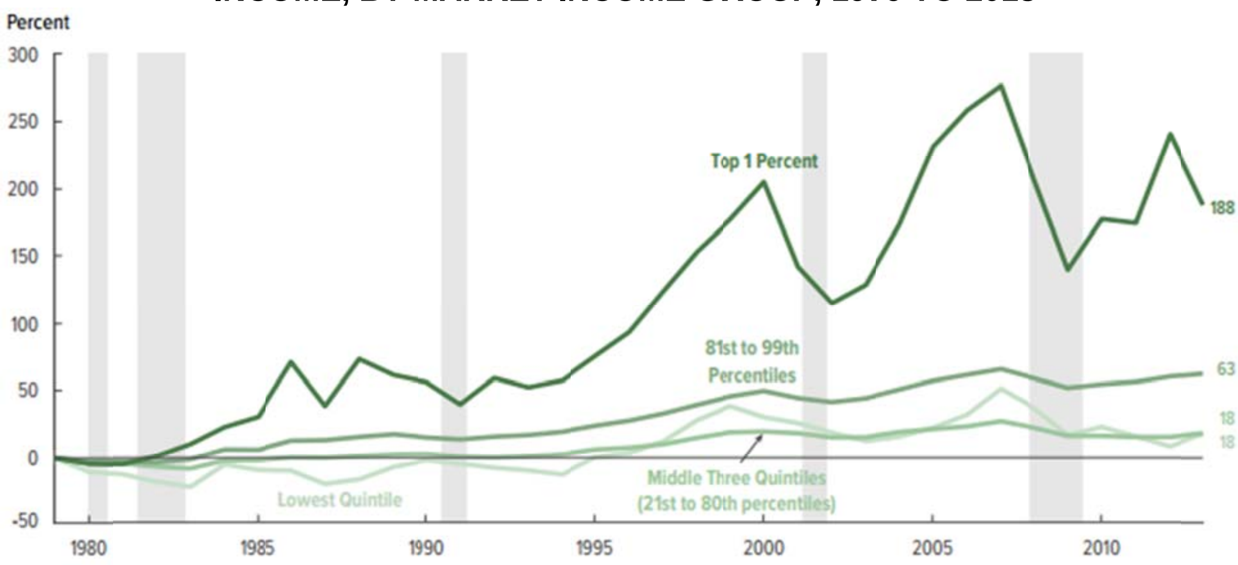
COMPLEX ECONOMIC RELATIONSHIPS

One important fact that makes the income gap so persistent is the complexities of the relationships of economic trends. The disparity between the rich and poor, and the decreasing middle class did not happen due to one event; it is due to the ever-changing relationships between unemployment trends, underemployment, changing markets, emerging markets, policy and law changes, political influences, and corporate trends, just to name a few.

INCREASING DISPARITY

The numbers display the fact that the income gap is increasing because the income of the top earners is still on an aggressive upward trend, while the changes in income for other earners is alarmingly more moderate. This trend is outlined in Graph 4. It's important to note that this graph depicts the percentage of income growth for different earning groups in the past 3 decades. While there is growth is the top groups, the growth in lower groups is much less, meaning the income gap continues to grow at a faster pace.

GRAPH 4: CUMULATIVE GROWTH IN AVERAGE INFLATION-ADJUSTED MARKET INCOME, BY MARKET INCOME GROUP, 1979 TO 2013

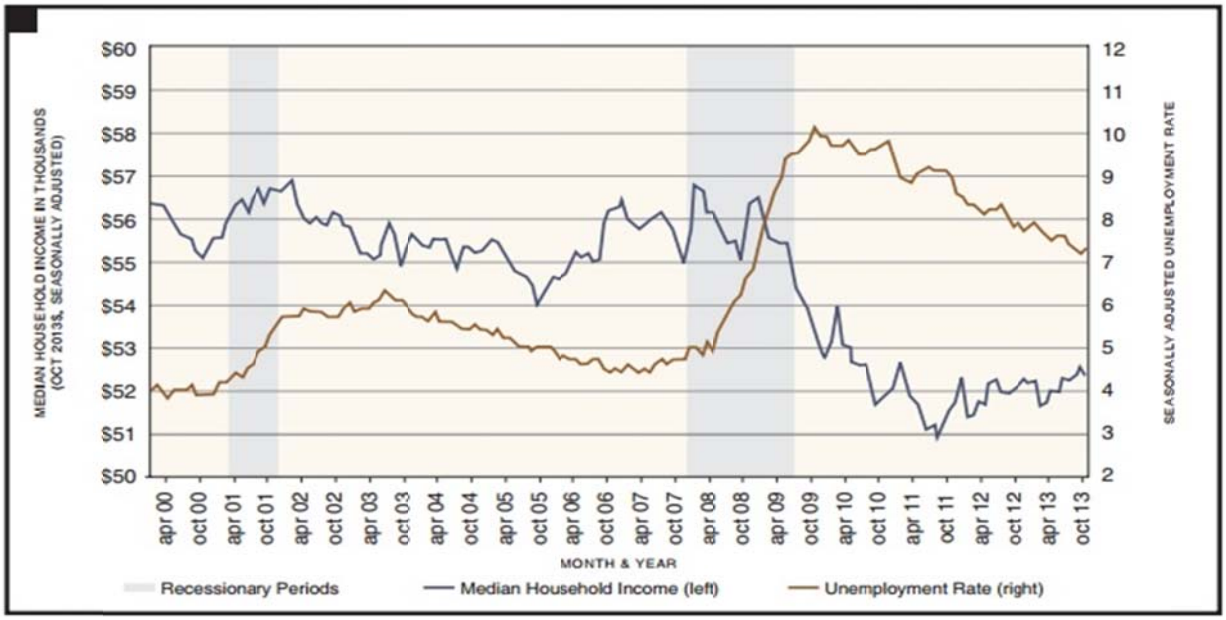


Source: Congressional Budget Office.

Adding to the complexities of the income gap are natural economic trends such as the recent recession, which began in 2007. Ever since the economic crash following 9/11 the country has experienced a very rough economic time. The unemployment rate skyrocketed in 2008, and of course, those who felt it most were working class and middle class citizens. While unemployment was rising, median incomes were falling.

This means that even individuals who *were* able to find work were getting paid less, creating more economic distress. These trends are outlined in Graph 5, below.

GRAPH 5: MEDIAN HOUSEHOLD INCOME & UNEMPLOYMENT RATE, 2000 – 2013



Source: John Coder and Gordon Green, Sentier Research, Annapolis Maryland, 2013

DECREASE IN MIDDLE AND WORKING CLASS JOBS

Partially to blame, of course, for the increase in income disparity is the job market. The fact is that there are not enough middle class and in many cases even working class jobs to sustain the work force. As technology continues to advance, many jobs have been replaced by automation. For example, over the past several decades, factory workers, toll booth operators, and other middle class positions and industries that have a level of repetition have been replaced by computers, machines and devices that cost less to operate than the salary of the employees. Additionally, in the global market, many manufacturing and customer service roles have been outsourced to other countries that can provide cheaper labor.

PUBLIC AND CORPORATE POLICIES

Another factor in the unemployment gap is policy; both public and corporate. Lawmakers have created tax loopholes and other programs for businesses and "job creators" to be eligible to increase their net incomes. This means that millionaires are often not paying their fair share of taxes, and middle class workers are paying disproportionally higher rates . Policies such as these only create more opportunities for those who are already privileged, and re-inforce trends that have led to inequity. Corporate policies, or the lack thereof, have also assisted in maintaining the income gap. While the salaries of CEO's often increase regardless of performance, low level workers have base salaries that often remain stagnant near minimum wage. Many corporations seem to lack corporate ethics, as many workers do not earn livable wages, and often cannot even afford buy the products that they sell or manufacture.

THE EFFECTS OF THE INCOME GAP

GENERAL POVERTY

Poverty is most often overlooked as a social and policy issue. As the middle class shrinks and the incomes of large portions of the population become stagnant, an increasing number of Americans are experiencing poverty, as well as a decrease in quality of life. Much poverty can be linked to unemployment, but even more is linked to underemployment, in which hard working Americans often have to take on two or three jobs in an attempt to cover the cost of living. Even then, many struggle with paying essential bills like rent and car payments.

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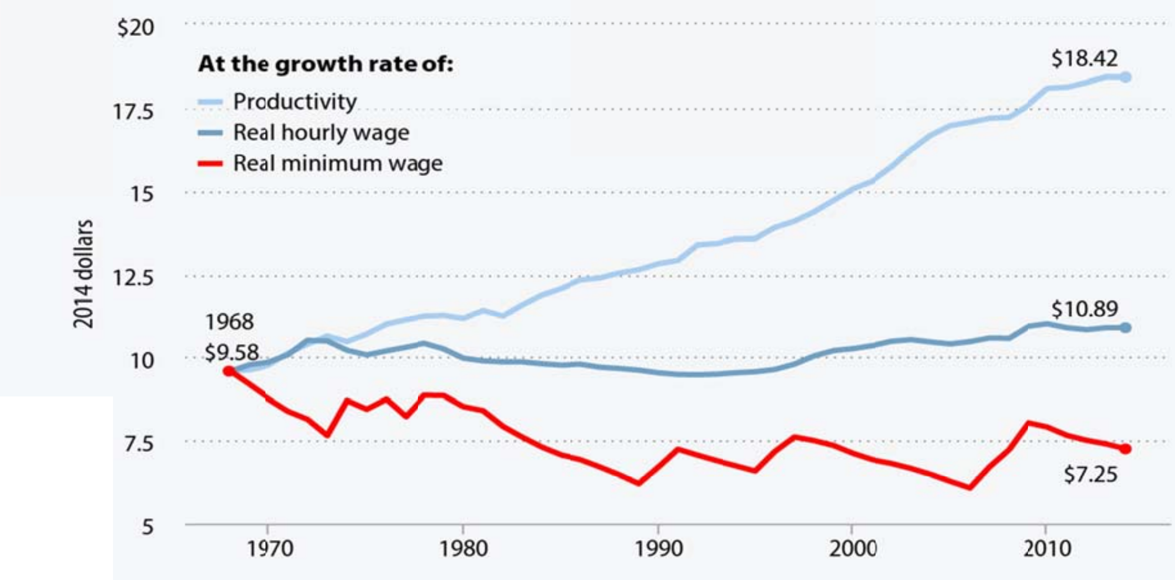
Partially to blame for poverty is the stagnant minimum wage. Although there have been some recent increases in the minimum wage both at the state and national level, it has failed to stay consistent with the cost of living or even inflation. Graph 6 below displays what the minimum wage would be if it were to have risen along with productivity based on complex analyses competed by the U.S. Department of Labor.

GRAPH 6: MINIMUM WAGE, REAL VS. PRODUCTIVITY RATED, 1968-2014



Note: Real average hourly wages are of production/nonsupervisory workers in the private sector, and productivity is net productivity of the total economy.

Source: EPI analysis of data from the U.S. Department of Labor's Bureau of Labor Statistics and Labor Wage and Hour Division

Adapted from Figure A in *Raising the Federal Minimum Wage to $10.10 Would Save Safety Net Programs Billions and Help Ensure Businesses Are Doing Their Fair Share*

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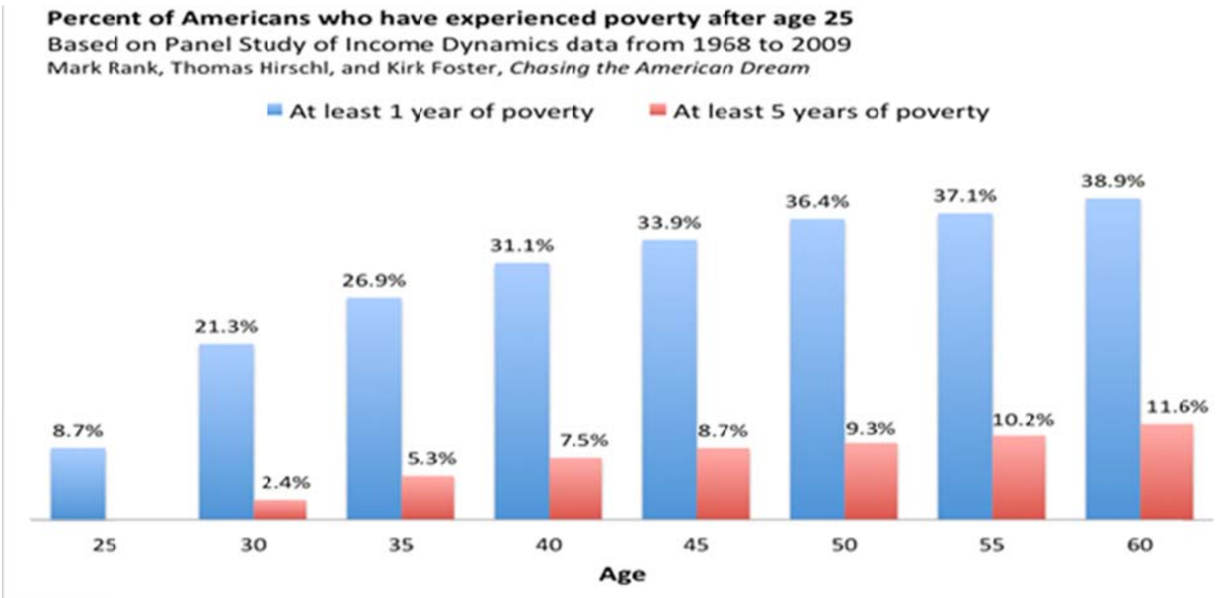
Another factor to keep in mind is that poverty does not discriminate. Studies show that between the ages of 25 and 60, 40% of all Americans will live at least one year below the federal poverty guidelines. Many will recover, but as displayed on the chart below an overwhelming 11.6% will spend five or more years impoverished. While few American's are trapped permanently, it does raise alarming concern that being a victim of circumstance can have long lasting impact with health, mental, and physical ramifications.

GRAPH 7: HOW COMMON IS POVERTY?



In terms of individuals, the disabled populations are at high risk for long-term poverty. While the recent addendum (Section 503 of the Rehabilitation Act) is taking greater strides to hold organizations accountable through utilization goals, the fact still remains the overall unemployment rate of adults with disabilities is substantially lower. According to the ADA, in 2012, the overall employment rate of adults with disabilities was 33.5%, as compared to 76.3% for able-bodied individuals. Because of the limits to access sustainable gainful employment, the threshold for increased day-to-day costs widens.

A possible reason for the low employment rate for individuals with unique abilities is the lack of incentive to return to work. According to various research studies approximately one out of 19 Americans today receive SSDI or SSI benefits.

Since 1990, the working-age population receiving disability benefits has more than doubled. Spending has doubled, as well. The Social Security Administration has made attempts to encourage individuals with unique abilities to return to work. Most notable is the Ticket to Work and Work Incentives Improvement Act of 1999 which sought to provide beneficiaries work incentives and employment related services to move towards financial independence.

While there are incentives for beneficiaries interested in exploring work, the majority of individuals who might entertain such a notion contend with barriers such as significant gaps in work histories, antiquated skill sets, the inability to return to their previous profession due to their disabilities, and lack of retraining opportunities.

Based on the increase in the Consumer Price Index from the third quarter of 2014 through the third quarter of 2016, Social Security and Supplemental Security Income (SSI) beneficiaries will receive a 0.3 percent COLA for 2017. In layman's terms, that means the government sees $1,170 dollars a month for someone returning to work as a reason to suspend their cash benefits, assuming their have exhausted their trial work period. This is not hard to accomplish if someone had the desire to work part time. Think about trading in guaranteed benefits versus the possibility of losing it all. If we can find a way to improve the prospect of earning wages that will exceed their entitlement benefits over time, there may be more buy in. Until then, employment for individuals with disabilities will continue to be historically low, and this trend will continually contribute to poverty rates.

Another area of concern is Americans that live in disadvantaged communities which lack access to services and resources that could assist with socioeconomic mobility. Approximately 15.4 percent of rural U.S. residents live in poverty compared to 11.9 percent of urban residents.

Living in remote areas compounds the problem even further because there are greater distances from supermarkets and basic social services. Many family members work as day laborers or migrant seasonal workers. They struggle to meet basic needs, such as feeding their families at least two times a day, or taking someone who has fallen ill to a clinic.

In addition, poor rural populations work in low-paying jobs, have minimal education, and ultimately will suffer from hunger, low self-esteem, and instability to name a few. Empowering this dynamic population is a critical step in allaying poverty. This requires asset development to promulgate and build sustainable livelihoods, education about their rights and development of hard and soft skills, and a safe environment to continue building assets and hoping with any future hardships that may arise.

There is one final note to consider. Placing socioeconomic concerns aside, the system that we label our government requires substantial changes to help shrink the inequality gap. The United States of America, the self-proclaimed "world's oldest democracy," lacks the fundamental basics to be efficient and effective (i.e. accountability to the citizens from politicians, options for those who feel their voices aren't heard, and competition amongst candidates that doesn't require someone to be a billionaire).

To place things in perspective, let's look at needs-based programs and poverty. The stigma attached is that people who are eligible for public assistance are lazy and have no desire to do better for themselves and their families. There is no empirical evidence to back this up; however, this is a common misconception and stereotype.

It is an undeniable fact that in order to take progressive long-term steps towards sustainable gainful activity, one would require a livable-wage job. In the 1960's, the federal minimum wage could protect a family of two from long-term poverty. Currently, it takes nearly $4 more than the federal minim wage to survive.

Since welfare provides benefits that far exceed the typical entry-level wages that an individual with limited skills can expect to earn, what incentive is there to do more with less? Especially, if a citizen is eligible for the entire package of TANF, food stamps, Medicaid, public housing, and WIC.

The welfare state has left a generation of Americans feeling both dependent on government handouts and a sense of entitlement to want more for doing less. Over time, Americans may lose motivation to upgrade their skills to reach self-sufficiency.

While not a perfect model, America makes it comfortable to be poor. It also does little to help Americans rise above poverty and escape the underclass.

HEALTH CARE INEQUALITY

Very few can argue that the United States of America is one of the world's wealthiest countries. However, this quality of life does not translate well with regards to quality healthcare. In fact, there is a huge disparity.

According to a study conducted by the Social Security Administration, the life expectancy of male workers retiring at 65 has risen six years in the top half of the income distribution but only 1.3 years in the bottom half over the previous three decades ("ORES Working Paper #108"). It's not just about those entering their Golden Years; studies show that all Americans with low incomes and without health insurance are worse off than people in other wealthy countries including Australia, Canada, Japan, and most of Western Europe.

While bipartisan efforts have been made to ameliorate bridging the gap between the haves and the have not's, it's still too early to ascertain the effectiveness. What we do know is according to figures on Healthcare.gov, the fee for opting out of healthcare for 2014 is $95 dollars per adult and $47.50 per child per year (or 1% of your income, whichever is greater). The penalty will increase by the rate of inflation and is expected to rise to $695 per adult in 2016.

Many often find that as greater efforts are made to make healthcare more affordable, the end result is fragmentation or procedures that may still be considered unaffordable without a modest income. According to a report conducted by the Institute of Medicine in 2013, the United States had the highest rates of poverty and child poverty. More than one in five American children lives below the federal poverty level, making them more likely to suffer from asthma and obesity. In addition, adults with lower socioeconomic status are more likely to experience high blood pressure, obesity, heart disease, and mental illness. (U.S Health in International Perspective: Shorter Lives, Poorer Health.)

With the demands in life including raising families, crises, transportation, and working in jobs below livable wages, it's no wonder why taking care of one's body is considered a luxury. Just being on the low end of the socioeconomic ladder is not the only barrier with respect to inequities as it relates to healthcare. One can have money in their pocket and face the same trials and tribulations. When individuals choose healthcare plans, they involuntarily pay for the medical expenses of those in the insurance pool that become sick and injured and unable to pay themselves outright.

In addition, unregulated insurance markets do not provide secure access to medical care. Insurance companies are habitual offenders of dropping people whom are "too sick," pick and choose who they will insure, and the government must create arrangements to compensate for market failures. For example, most of Missouri's poorest working-age residents (under 65) and below the poverty line of $11,490 for an individual and $15,510 for a couple – aren't eligible for government help. They are not able to get free or low-cost healthcare via Medicaid nor are they eligible for federal tax credits and thus fall into a coverage gap ("Missouri's Poorest Residents Won't Benefit From Obamacare.")

The system is not perfect; it never will be. But something must be done to address America's healthcare system that primarily panders to those who are able to pay outright and don't need the coverage. Economic and social policies are the true culprits, so until legislators take a more proactive approach to promulgate broad change, we will not be able to reduce this inequality. On the same token, if we wait for economic and social policies to address the plethora of shortcomings, we may face a lot of unnecessary suffering since change is typically slow.

Additionally, our entire education system needs to improve. It's been proven than people with higher education levels exhibit healthier behaviors and have better access to healthcare. This is a huge shortcoming right now because we haven't kept pace with the rest of the world.

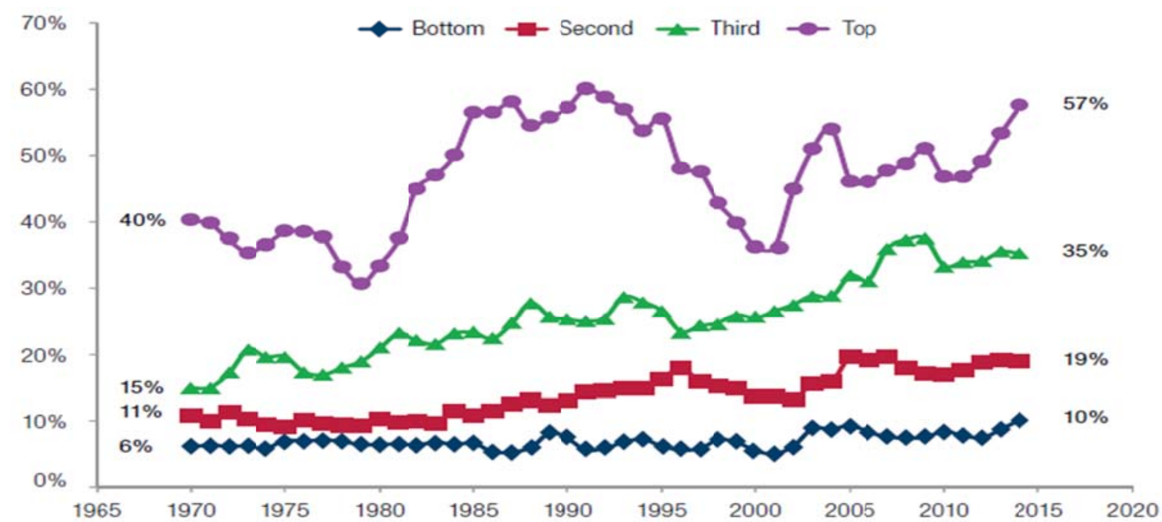
Education and raising awareness is the key. Many are ignorant to the true disadvantage amongst all socioeconomic groups. Politicians don't want to address the health disadvantages because it involves difficult choices that may in turn affect their own popularity and economic well-being. The prognosis cannot be achieved until we make the decision on whether we want to continue to live in the problem or make the appropriate sacrifices and compromises so our children and our children's children can live healthy productive lives.

EDUCATION INEQUALITY

When you look at the disparity of quality of education between high income and low-income communities, the facts are alarming. For the sake of argument, let's assume a Bachelor's Degree is considered the baseline for educational attainment. According to the US Census Bureau, barely 31% of persons aged 25+ have attained a four-year degree. To break it down even further, approximately 66 million out of 214 million individuals have completed a secondary education.

Since there is a strong correlation between educational attainment and income in the United States (see Graph 8 below), it is no surprise that those with college degrees tend to have higher earnings, lower unemployment rates and poverty levels, better health, and longer lives.

GRAPH 8: BACHELOR'S DEGREE ATTAINMENT BY AGE 24 FOR DEPENDENT FAMILY MEMBERS BY INCOME, 1970 TO 2014 (SOURCE: THE PELL INSTITUTE)



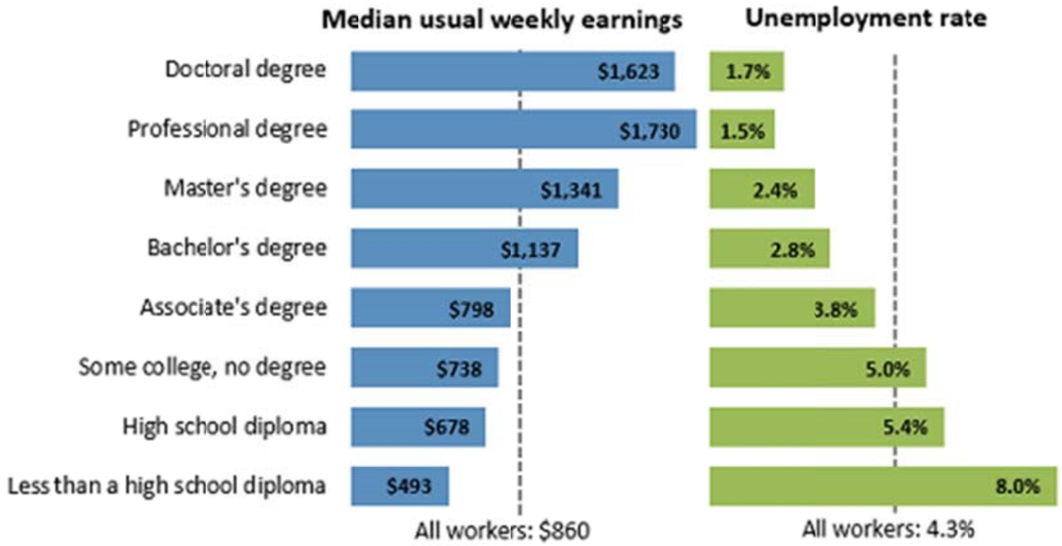
NOTE: Based on three-year average using constant factors derived from HS&B, NELS, and ELS combined with the CPS data. These estimates represent a revision of the estimates published in the *2015 Indicators Report*.

SOURCE: U.S. Census Bureau, CPS data as reported by BLS. Estimated and compiled by Tom Mortenson.

So, is a secondary education the universal panacea? It's debatable. However, unless someone has transferrable skills in demand, the value of education will rise because newer technology will invariably make many jobs obsolete including the vanishing of assembly-line jobs that once offered sustainability and quality of life for those who did not make the commitment to pursue further educational endeavors.

The problem is multifaceted, not only is median earnings dictated by higher education but surging unemployment rates that top the national unemployment rate. The trend is outlined in the Graph 9 below. Without a secondary education, the feasibility of clearing $1,000 a week before taxes is slim to none.

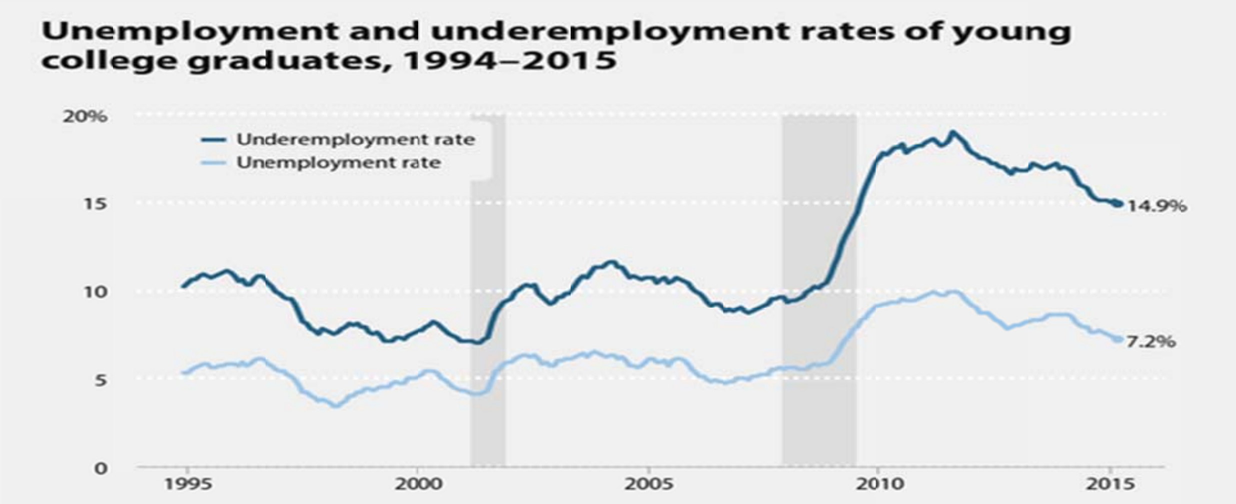
GRAPH 9: EARNINGS AND UNEMPLOYMENT RATES BY EDUCATIONAL ATTAINMENT, 2015



Note: Data are for persons age 25 and over. Earnings are for full-time wage and salary workers.
Source: U.S. Bureau of Labor Statistics, Current Population Survey

So where do we point the finger with respect to the stagnation with continuing education? One cause is the high cost of college. Also, in the U.S., more so than many other nations, you are taking a risk. According to a study conducted by the Economic Policy Institute, 8.5 percent of college graduates in 2014 were unemployed, while almost double were underemployed (see Graph 10 below).

GRAPH 10: UNEMPLOYMENT & UNDEREMPLOYMENT RATES OF YOUNG COLLEGE GRADUATES, 1994-2014



Note: Shaded areas denote recessions. Underemployment data are only available beginning in 1994. Data are for college graduates age 21–24 who do not have an advanced degree and are not enrolled in further schooling.
Source: Economic Policy Institute analysis of basic monthly Current Population Survey microdata

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Lower income families may not be able to absorb the shock if that college education does not pay off. Even after accounting for financial aid, the cost of attending a public university has risen 60 percent in the past two decades. In addition, many low-income students may feel the need to help out at home, and are deterred by the thought of piling on more debt.

Another potential risk factor is the inability of the educational system to prepare underprivileged and low-income students for the next step in their career pathway. Many underserved populations fall within the cracks of educational attainment at the basic level. As the years go by, it's becoming increasingly unlikely that low-income students will move up the economic ladder.

URBAN BLIGHT

America must accept that there is a problem which may be deemed great in depth and scope. It has to do with coming to grips that our public policy sometimes does not always yield the results we wish to have. As a country we "want" to succeed, but while some of our efforts may show impressive short-to-medium term results, over the long-term these results may vary because of key factors that include access to well-regarded education (K-12), a diverse job base, and an efficient transportation system.

For illustrative purposes we will look at Baltimore, an old city whose fortune has dwindled over the last several decades. *Please Note: We are not singling out Baltimore as an example of a city in need of help, but as an example of how domestic and global events can change the economic viability of a large U.S. urban center.*

First and foremost, respect must be given where respect is due. The Port of Baltimore dates from 1706, and the port itself is the second largest in the Mid-Atlantic. From tobacco to sugar, 18th Century Baltimore was a city on the upswing. It played a pivotal role during the American Revolutionary War and by most accounts made it the capital from late 1776 to early 1777.

The Battle of Baltimore in 1812 saw more bloodshed, but the city was successfully defended against the British aggressors. The 19th Century saw the federally funded National Road (U.S. Route 40), and the private Baltimore and Ohio Railroad (B. & O.) both fueled the city's growth. However, civic unrest in the form of the 1835 Baltimore Bank Riot, which was the result of the failure of the Bank of Maryland, could be viewed as the harbinger of things to come. On April 19th 1861 the Pratt Street Riot anti-war Democrats against Confederate sympathizers broke out, and by all accounts, the first fatalities of the American Civil War. Needless to say, Baltimore along with the rest of America suffered during this horrible war. Afterwards, The Great Railroad Strike of 1877 which was spurred by a cut in wages by the B. & O. led to railroad sympathizers attacking National Guard troops as they marched from their armories in Baltimore to Camden Station. The net result was 10 dead and about 25 wounded.

The 20th Century was not kind to two great cities, Baltimore (1904 Great Baltimore Fire) and San Francisco (The Great 1906 San Francisco Earthquake). Both were decimated by fires, and each sustained massive damage that would be equated in the billions today. Loss of life, injury, and vast swaths of property were all affected. One urban observation is that Baltimore currently has approximately the same number of people today as it did 100 years ago (600,000), while San Francisco has grown from about 400,000 in 1910 to over 800,000 today. There is no doubt that Silicon Valley has had a lot to do with San Francisco's rising fortune, and that the deterioration of manufacturing jobs in Baltimore has led to its present state.

In 1972 Baltimore had a population of approximately 900,000 and 45 murders in August, while today that number is just over 600,000 with 42 murdered in May of 2015. Regarding poverty, nearly 25% of its residents live in poverty. Business Insider's recent study has Baltimore ranked as the 40th most dangerous city in the world. While Forbes ranks the city as 7th in its Top 10 Most Dangerous Cities study.

There are two sides to every story and Baltimore does have some positive happening. First, Johns Hopkins University must be viewed as one of the finest intuitions of higher learning in the world. Second, the city has a growing tech sector. Third, the city's ability to host world class events like the Baltimore Grand Prix.

The example of Baltimore must not only be looked at the local and state levels, but also at the federal level as well because Washington is the place where large-scale programs can be created to help lower unemployment, crime, and poverty rates.

CURRENT AND PAST POLICY RESPONSES

It is important to understand the inner-connectivity of various economic trends that make the income gap such a sensitive, polarizing, and complex policy issue. It is also important to acknowledge the two broad groups that *most* people fall into: 1.) The first group consists of those who believe that the income gap is a natural result of free markets, and that government should not interfere policy-wise with this issue. 2.) The second group believes that government should take some sort of action to control or reverse trends regarding income disparity. Within these two groups there are varying degrees of staunchness to recommended action or inaction. The following are past and current policy responses to dealing with income disparity and/or poverty.

CREATION OF JOBS

According to the Department of Labor, over 126,000 jobs were created in March 2015. Creation of jobs is an excellent way to reduce poverty. However, it's debatable how many of these jobs pay living wages and do not contribute to underemployment. As a country, we really need to focus on allocating resources that build careers, especially for those who do not fit into the "cookie cutter" model of 4 years of school. We need to emphasize not just the creation of jobs of any type, but of well-paying, long term jobs, not just seasonal, low-wage jobs.

INCREASED TAXES ON TOP EARNERS

To put this dilemma into perspective, imagine this: American's will pay an average of 19.8% of their income to the federal government. That number doesn't include state or city taxes. Americans pay into this fragmented system until their earnings hit approximately $118,000. So, 20 percent of the U.S. population does not have to report their earnings beyond the scope of $118K.

The U.S. Government has authorized a .03 percent cost of living adjustment for retirement in 2017. This equates to an additional $5 a month. To put it in perspective, in 1980 a 14% adjustment was authorized. We are all spending money on the same things we did 36 years ago, but its being spent at a higher percentage due to increasing costs in housing and healthcare and other necessities.

In the past, policy makers have proposed taxing the rich at a higher percentage. This approach seems to accomplish some economic goals by using some of the "superfluous income" of the top earners to help fund government spending and even social services that can help provide assistance to some of the lower income residents. However, this type of policy is often met with political opposition, not only by those who would qualify for the higher tax rate, but by those in higher tax brackets that feel that they one day may be affected by higher tax rates.

Not only are income levels growing for the top one percent of earners in America, but also the extremely wealthy are becoming increasingly powerful in politics and shaping public policy, and thus are more and more unapologetic about the status quo. The wealthy claim that they are in control of the vast majority of power because they and their families have worked hard to stay on top. They attack any hint of social justice with claims of socialism; these unwarranted claims of socialism and communism fuel by a "re-distribution of wealth" scare enough of the middle class in order to continue to push their political agendas that allow them to maintain and gain more clout and wealth.

LOOKING FORWARD: PROPOSED POLICY ACTIONS

By the very nature of the fact that the income gap continues to grow, we can assess that past and current policy responses have not done enough to reverse the vicious cycle of inequality. If we are to reduce the income gap, then changes will have to be made to the current approaches.

Unfortunately, many people in a position to influence changes have seemingly either forgotten what it is like to struggle, or have never known what it is like. In essence, our politicians and policymakers who continue to enact policies that reinforce the power and privilege of these few are acting against the principles of equality that were set in motion by our founding fathers. It would have been impossible in 1776 for the decision makers to understand the magnitude of the current income gap. With inflation over the past 2 and a half centuries, the income gap has of course widened to proportions unheard of during that time period.

We have chosen not to continue to invest in our communities, neighborhoods, services and infrastructure, which means that it is becoming increasingly difficult for middle class families to live comfortably. Home ownership for many is a distant dream, and many families with two hardworking parents are forced to live in rundown, crime-ridden areas, hoping that their children make it home from school safely every day. Our current social structure is valuing the few billionaires more than the millions of families that struggle like this year in and year out. In essence we are saying that the life of one billionaire is worth more than the life of millions of hard working Americans.

In recent decades we have gone from a country known for “The American Dream” into a nation in which the majority of people are living a nightmare of marginalization. Do we want to continue along this path? If not, we must act now in order to bring change to this faulted structure. Before we look at the proposed actions, it is important to acknowledge the uneven economic playing field when those who are the top earners also have the power to dictate policies that make it hard for others to make ends meet.

RAISING THE MINIMUM WAGE TO REFLECT THE COST OF LIVING

The federal minimum wage is $7.25 an hour, and it has not been adjusted since 2009. This comes out to approximately $15,138 dollars a year for someone working full time. By adding a few children into the equation, it is a recipe for generational poverty. Raising the minimum wage could exponentially improve the health and well-being of the underserved populations. Many policymakers are fearful that increasing the minimum wage will have the unintended consequence of raising the unemployment rate, but historical precedents do not support this theory. Raising the minimum wage would make it easier for individuals of lower incomes to achieve socioeconomic mobility, and help to strengthen the middle class.

INCREASED GOVENRMENT TRANSPARENCY

We need to increase transparency at all levels of government, from Federal to State to Local. Unfortunately, those in power decide the definitions of transparency. If there was greater transparency in government spending, it would reduce corruption and increase accountability to the citizens that fund many of their actions or inactions. Just like the private sector, citizens should be the stakeholders in assessing how well their elected officials are leading the country. If money is being taken away from core programs and funneled into the pockets of trusted public servants, there should be consequences, not just when it’s convenient. Citizens have the right to understand exactly where funds are being allocated, and to understand the actions that policymakers take. We need to change policies to make it easier for citizens to have access to this information.

REGULATE LOBBYING AND POLITICAL CONTRIBUTIONS

One of the main reasons for the increase in the income gap is the top earners ability to influence politics and policymakers through lobbying, and political contributions. These techniques in effect mean that for the right price, the extremely wealthy citizens can purchase political power, and can have an influence on tax policies, and business loopholes that can benefit themselves.

For instance, tax breaks that only benefit the wealthy continue to be upheld, not because the policies are sound or even beneficial to the overall economy, but simply because these billionaires who support the laws have "friends in the right places." It has been clear for decades that the reason that certain wealthy people donate millions of dollars to politicians running for office is to receive political consideration with regards to policies that directly affect their pocketbooks.

There is nothing wrong with private citizens being able to donate to political campaigns, but there should be increased regulation of these donations, including monetary limits to said donations. If a politicians support can be bought and sold by billionaires and lobbying groups, then it is time to reverse such a trend by encouraging an increased level of political integrity, which will inevitably serve to level the playing field for all working Americans.

ENCOURAGE INSOURCING

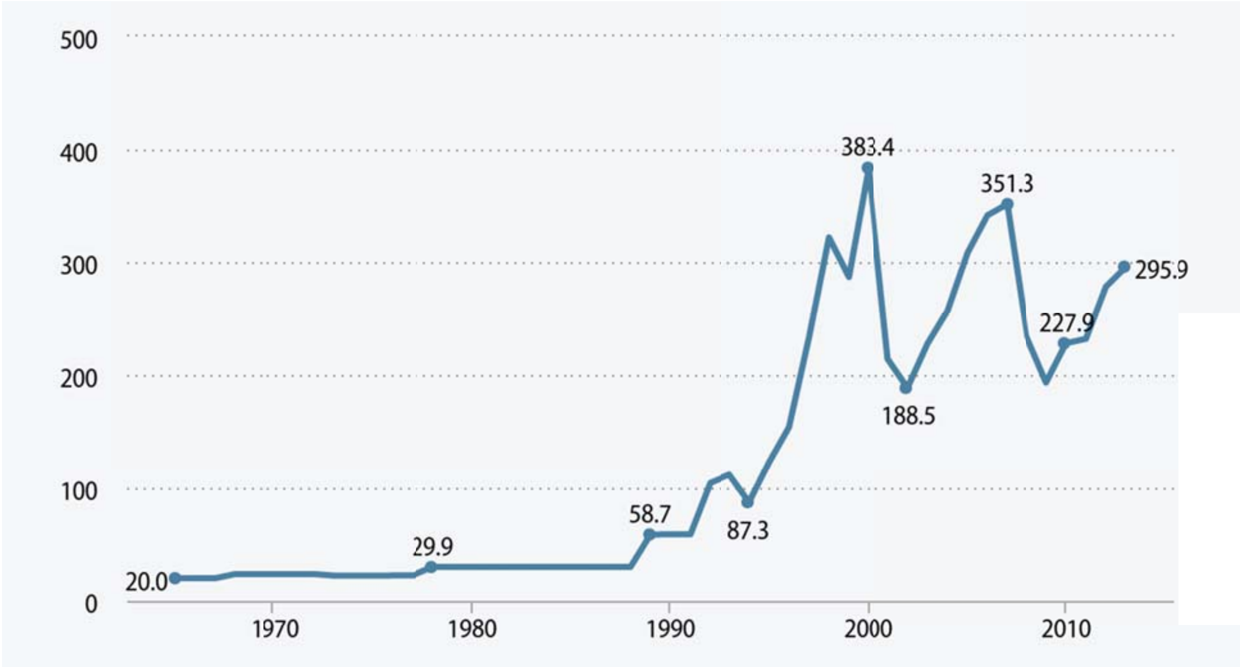
The job market is a key component of income disparity. As the economic market has become increasingly globalized in recent decades, the outsourcing of jobs has become very popular with American companies. Many companies have outsourced middle class jobs such as manufacturing and customer service in order to save corporate dollars. Of course, who benefits from this corporate "efficiency"? The top earners in the company, such as the CEO's benefit the most, of course. Meanwhile those workers whose jobs have been outsourced are forced to try to look for new work.

If we try to combat this trend by encouraging companies to "insource" these jobs, or bring them back to the United States, everyone wins. We can provide corporate incentives through policy so that the companies are better off for keeping jobs in our own country. At the same time, this will create more middle class jobs and help stimulate the economy.

CORPORATE ETHICS

It is no secret that corporate ethics is a major issue in our society. Fraud, insider trading and other shortcuts to prosperity are all too common. When organizations encourage a corporate culture centered on ethics, everyone wins. There are less people trying to claw their way to the top, and more people thinking about the good of everyone in the organization. Some companies already have internal policies that limit the income of CEO's and other top earners, and this is one type of practice that is useful in limiting the income gap internally within organizations. However, it is alarming to see the discrepancies between the salaries of CEO's and the workers they manage (see Graph 7 below.

GRAPH 11: CEO TO WORKER COMPENSATION RATIO, 1965-2013



Note: CEO annual compensation is computed using the "options realized" compensation series for CEOs at the top 350 U.S. firms ranked by sales. Typical worker compensation is average compensation of production/nonsupervisory workers in the key industries of the firms included in the sample.

Source: EPI analysis of data from Compustat's ExecuComp database, Bureau of Labor Statistics Current Employment Statistics, and Bureau of Economic Analysis NIPA tables

Reproduced from Figure C in *CEO Pay Continues to Rise as Typical Workers Are Paid Less*

The United States is built on personal freedoms and statutes regarding income limitations would never be passed on the state or federal level, nor should they even be encouraged. However, what should be encouraged is for companies to look internally and possibly limit the percentage that a CEO can earn based on the comparative percentage of the average level employee. For example, if the average worker makes $30,000 annually, perhaps the CEO can earn a maximum of 200 times that salary, or $6 million. The current income gap has grown with the increase of top executives being able to earn more and more each year, while their employees incomes remain stagnant or even decrease. The type of policies that disallow these practices would effectively deal with the increasing disparities within organizations.

EDUCATION REFORM

It is impossible to speak about a better future without mentioning education. It is an accepted fact that children hold the key to the future, and that education is central to their development into productive members of the society. In the United States, education has fallen behind other countries, especially in the fields of science, math and technology. This is troubling because of the integral part that these subjects are playing in emerging industries central to the development of future jobs and employment opportunities.

If the country is going to maintain its competitiveness in this global economy, education reform is a necessity. Outsourcing has become a mainstream practice not only due to the fact that labor is cheaper in other parts of the world, but also due to the fact that young engineers and scientists are increasingly more qualified and better prepared for the work force than our own. Current curriculum is often outdated, uninteresting, and thus, ineffective.

Educators need to be given the freedom at the federal and state policy levels to innovate and bring cutting edge educational approaches to primary, secondary and university classrooms. Often, curriculum focuses too much on conceptual knowledge that only teaches memorization techniques. We should be encouraging lesson plans that include more hands on experience, and learning techniques that will lead to a deeper understanding of the subject matter.

One of the greatest catalysts for change comes from the states Oregon and Tennessee, respectively. Both states have taken a lead in a national movement for free community-college tuition. While these “Promise Bills” primarily target traditional students exiting high school and do require certain eligibility criteria (i.e. maintaining a 2.5 GPA, must apply for federal grants in order to get reimbursed), it’s definitely a step in the right direction.

While Oregon will not begin its program until 2016 with expenditures capped at $10 million per year, Tennessee residents are reaping the benefits. More than 80 percent of the students that took part last year received full or partial funding from Federal Pell grants and the state paid the remaining balance. By focusing on better enabling the minds of tomorrow to enter the workforce, the estimated costs in social services and indirect costs for those unemployed with no education beyond high school are further mitigated.

Another way to bridge the gap between educational inequalities is to remember what matters most is building a skill set. To make it in today’s competitive job market, you have to prove that you offer significant value and your skills are worth something to an employer. There are a plethora of places to learn skills for free or cheap. For starters, many high-end colleges offer free online courses to anyone that signs up. There are also tutorials for a variety of just about every topic you can think of on the Internet.

With the cost of 4-year degrees skyrocketing and the job market becoming more open minded to hiring skilled workers without degrees. It's undeniable the world is moving fast; however, with the right motivation and attitude, it is quite possible to be successful on your own accord without that piece of paper that says "hey, I'm qualified."

FOSTERING INNOVATION

Americans have failed to add a significant number of lasting, middle-class jobs in recent years. The creation of jobs relies on innovation in business. We must work to develop new emerging technologies and create new fields of business in this ever-changing, complex economy. Doing such will help reduce the income gap by facilitating an increase in median wages.

If the wealthy continue to receive tax breaks for being "job creators," policymakers must mandate that they must indeed make an effort to innovate and create new and lasting jobs beyond seasonal retail positions. We have to be as creative as we have been in past centuries with the advent of the automobile, computers, the Internet, and wireless technology. Although we have reached levels of unimaginable technology, there are many more innovations that will be made, and we must ensure that America is on the cutting edge, and staying competitive in the global economy. Doing such will help America's economy from an international standpoint and also assist in the sustainment and re-strengthening of the middle class, and thus, the American Dream.

INCREASING NUTRITION

At first glance, the link between nutrition and income may not seem apparent. However, malnourishment, especially at the earlier ages, leads to higher risks of long-term physical and mental disabilities. If someone becomes physically and mentally disabled, the feasibility of contributing socially and economically greatly diminishes. To that end, their chances for socioeconomic mobility become greatly diminished. Adequate nutrition is a core factor in an individual's ability to escape poverty. A simple Google search provided information that in 2013, 15.8 million children and 33.3 million adults lived in food insecure households. This is unacceptable. American's should not be going hungry. We need to increase access to nutritious food for low income Americans, and increase educational campaigns about the dangers of fast food and junk food.

POSTSCRIPT

Inequality is something mankind has dealt with for thousands of years and will continue to do so for many more. However, trying to close the gap seems to be on all accounts a worthwhile effort, and public and private efforts should move forward. First and foremost we must reflect and try to take a human perspective. The wheels are already in motion at the Federal, state, and local levels, but changes and additions must be considered to help close the gap. This report is meant to present various possible solutions, and not to lambast current efforts. Throwing money at the problem will solve little, and only make matters worse for future generations. As a result, the public and private sectors must band together to craft creative and efficient solutions that will help close income inequality in America. It is important that policymakers work across party lines, both Democrat and Republican, to ensure that the middle class is strengthened. It is only then that monumental progress will be realized from a Congress that is truly forward-thinking and has the country as a first priority.

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