

Talk About Class Warfare

Last week, President Obama set forth a plan to reduce the federal deficit by more than \$3 trillion over the next 10 years. It included cuts in Medicare and Medicaid and moderate revenue increases on the wealthy, mostly by closing loopholes and ending tax breaks. The Bush-era tax breaks for the wealthy and the two wars that President Obama inherited were the biggest reasons for the enormous deficit.

The immediate response of some Washington politicians on the right was to cry “class warfare.” A prime example was Congressman Paul Ryan, chairman of the House Budget Committee: “Class warfare may make for really good politics, but it makes for rotten economics.” Apparently Ryan is worried about the wealthy paying a bit more in taxes, but not in cutting services to the poor.

This is a classic case of turning the truth on its head, something that the right wing is especially good at. For decades, there has been economic class warfare in this country, but it has not been the low-income or working poor taking advantage of the wealthy. It is those politicians who shield the wealthy from sharing any sacrifice during a stalled economy and record deficits who are waging class warfare. As the president said: “Our tax policy has been skewed toward the top 1 percent and away from the middle class and the working class.”

The right wing insists that raising taxes on the wealthy would stifle business and economic growth, but the economy is already growing at a snail’s pace. Before the economic downturn of the last decade, when growth was strong, income tax rates were substantially higher at the top. President Clinton raised tax rates; at the time, conservatives said that this would damage the economy. The result was an economy that grew faster and added more jobs in eight years than in the last decade after tax cuts for the wealthy were instituted.

Thirty years ago, the top rate was 70 percent; now it’s 35 percent. But many of the wealthy pay less because much of their earnings are from capital gains or dividends, which are taxed at 15 percent.

As for those fortunate enough to still be working, the average wage today, corrected for inflation, is less than the average wage for workers 30 years ago. But the pay for the top CEOs has rocketed over that time, even as their compensation has often been disconnected from performance. The U.S. has become a country with one of the worst examples of financial inequality.

Polarized Income

New York State is the most polarized of the 50 states in income distribution, and New York City is even more polarized than the state. Thirty years ago, all incomes going to the top 1 percent in New York City was 12 percent. By 2007, it had risen to 44 percent. In contrast, workers in the city

have seen their inflation-adjusted median hourly wage fall by 8.6 percent from 1990 to 2007. In Manhattan, the situation is ridiculous: the average income of the top fifth of earners was \$371,754 in 2010, compared to \$9,845 for the bottom fifth.

The major reasons for the rise of income inequality are national policy changes that favor the wealthy and large corporations, weaken labor unions, and deregulate business. These changes made a big difference in New York City, where Wall Street and many large corporations are located. The recent recession only worsened the polarization of income.

And as for Paul Ryan's remark about "rotten economics," he and other critics of the president's plan seem to know nothing about economics. Cutting government spending in a recession or a weak economy only makes things worse. Government spending, especially on public service jobs and aid to states, would be most helpful. We found out about this in the Great Depression of the 1930's, but some politicians apparently know little about American history.

Poverty Report

It is ironic that at nearly the same time as President Obama unveiled his economic plan, the Census Bureau issued a report on poverty in America which reveals, once again, that young people, especially young blacks and Latinos, those without a high school education, and single mothers are among those hardest hit by the effects of the dismal economy. The latest Census Bureau report shows that one in five New Yorkers (20.1% - 1.6 million) lives in poverty.

The wealth gap between black and white Americans is the widest since the Census Bureau began tracking data nearly 30 years ago – roughly 20 to 1: median wealth of white households in 2009 was \$113,149 compared to \$5,677 for black households. Millions of black families have fallen out of the middle class in the past four years. Yet the right wing wants to chop safety net programs such as Medicaid and Social Security.

This is class warfare with a vengeance; the "haves" protected by the political right while programs that help the "have nots" are bled to death. President Obama laid out the choice: "Should we keep tax breaks for millionaires and billionaires? Or should we put teachers back to work so our kids can graduate ready for college and good jobs?"

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