



Class Warfare on America's Workers

By David R. Jones
October 6, 2011

President Obama's plan to reduce the federal deficit by more than \$3 trillion over the next 10 years includes cuts in Medicare and Medicaid and moderate revenue increases on the wealthy. The immediate response to this from some Washington politicians on the right was to cry "class warfare."

This is a classic case of turning the truth on its head. For decades, there has been economic class warfare in this country, but it has been those politicians who shield the wealthy from sharing any sacrifice during a stalled economy and record deficits who are waging class warfare.

The right wing insists that raising taxes on the wealthy would stifle business and economic growth. But before the economic downturn of the last decade, when growth was strong, income tax rates were substantially higher at the top. When President Clinton raised tax rates, 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 tax 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. Pay for the top CEOs has rocketed over that time, even as their compensation has often been disconnected from performance. On the other hand, the average worker's wage today, corrected for inflation, is less than the average wage for workers 30 years ago.

The U.S. has become a country with one of the worst examples of financial inequality. 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 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. The recent recession only worsened the polarization of income.

At nearly the same time as President Obama unveiled his economic plan, the Census Bureau issued a report on poverty in America which reveals 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 grim economy. One in five New Yorkers - 1.6 million residents - lives in poverty.

The wealth gap between white and Latino Americans is roughly 18 to 1: median wealth of white households in 2009 was \$113,149 compared to \$6,325 for Latino households. The median wealth of Latinos, most of whose net worth is in home equity, fell by 66 percent by 2009 because of the housing bust and the decline in construction jobs. Millions of 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 the real class warfare: the “haves” protected by the political right while programs that help the “have nots” are set to be cut. We shouldn’t let this happen; and we shouldn’t let right wing politicians define the terms of the debate on this issue.

David R. Jones is president and CEO of the Community Service Society (CSS), the leading voice on behalf of low-income New Yorkers for over 165 years. For over 10 years he served as a member of the board of directors of the Puerto Rican Legal Defense and Education Fund. The views expressed in this column are solely those of the writer.