planet **money**

How Much More (Or Less) Would You Make If We Rolled Back Inequality?

January 22, 2015 · 2:39 PM ET

QUOCTRUNG BUI

What would incomes look like for U.S. families today if the income distribution were the same as it was in 1979?

Larry Summers recently made this really intriguing calculation in the FT.

His conclusions:

- Families in the bottom 80 percent of the income distribution would be making $11,000 more per year, on average, than they're earning today.
- Families in the top 1 percent would be making about $750,000 less than they're earning today.

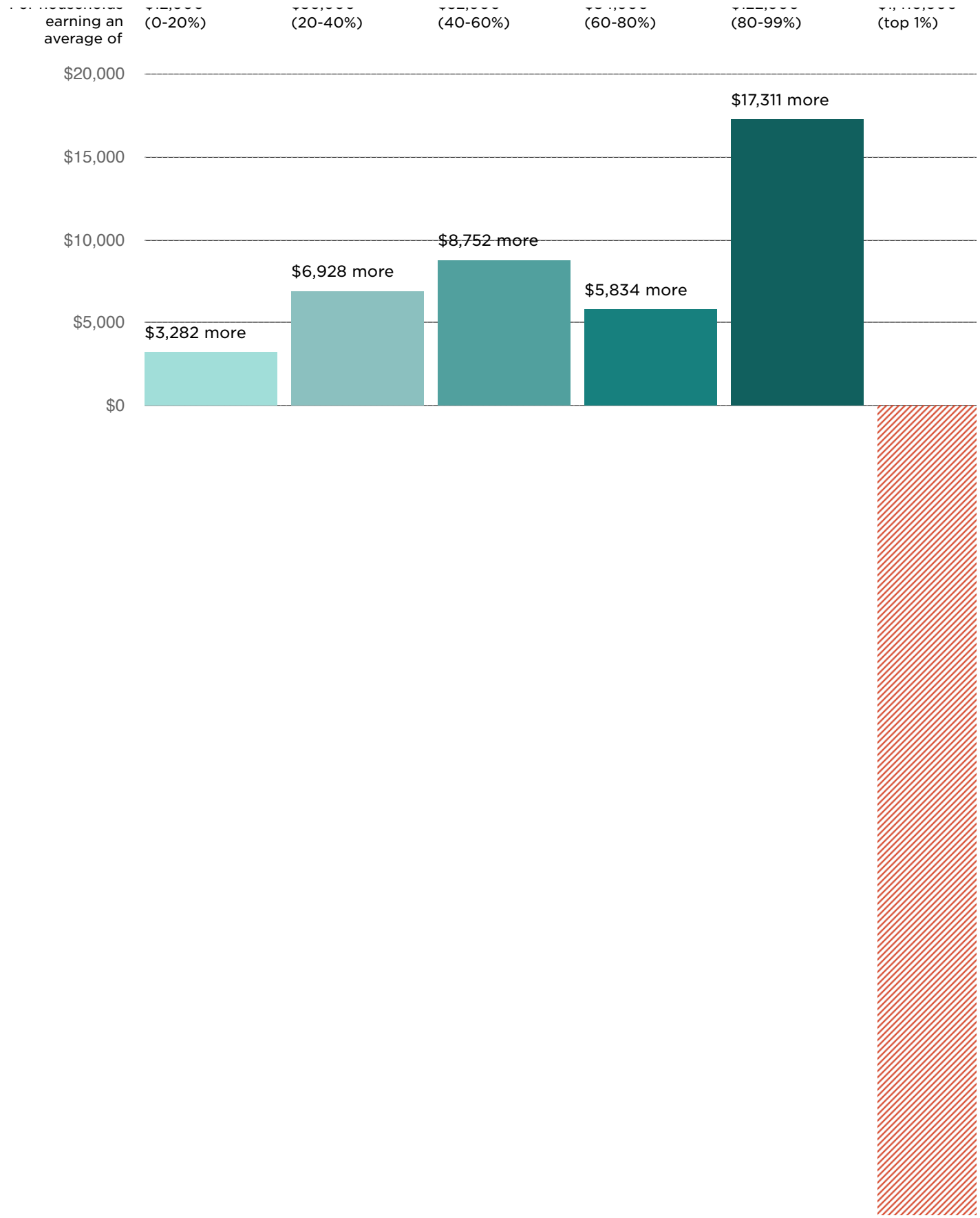
That got us thinking: What would those numbers look like in greater detail? How would the incomes of the poor, the middle class and the rich look different if you had 1979 levels of inequality in today's economy?

Here's what we found:

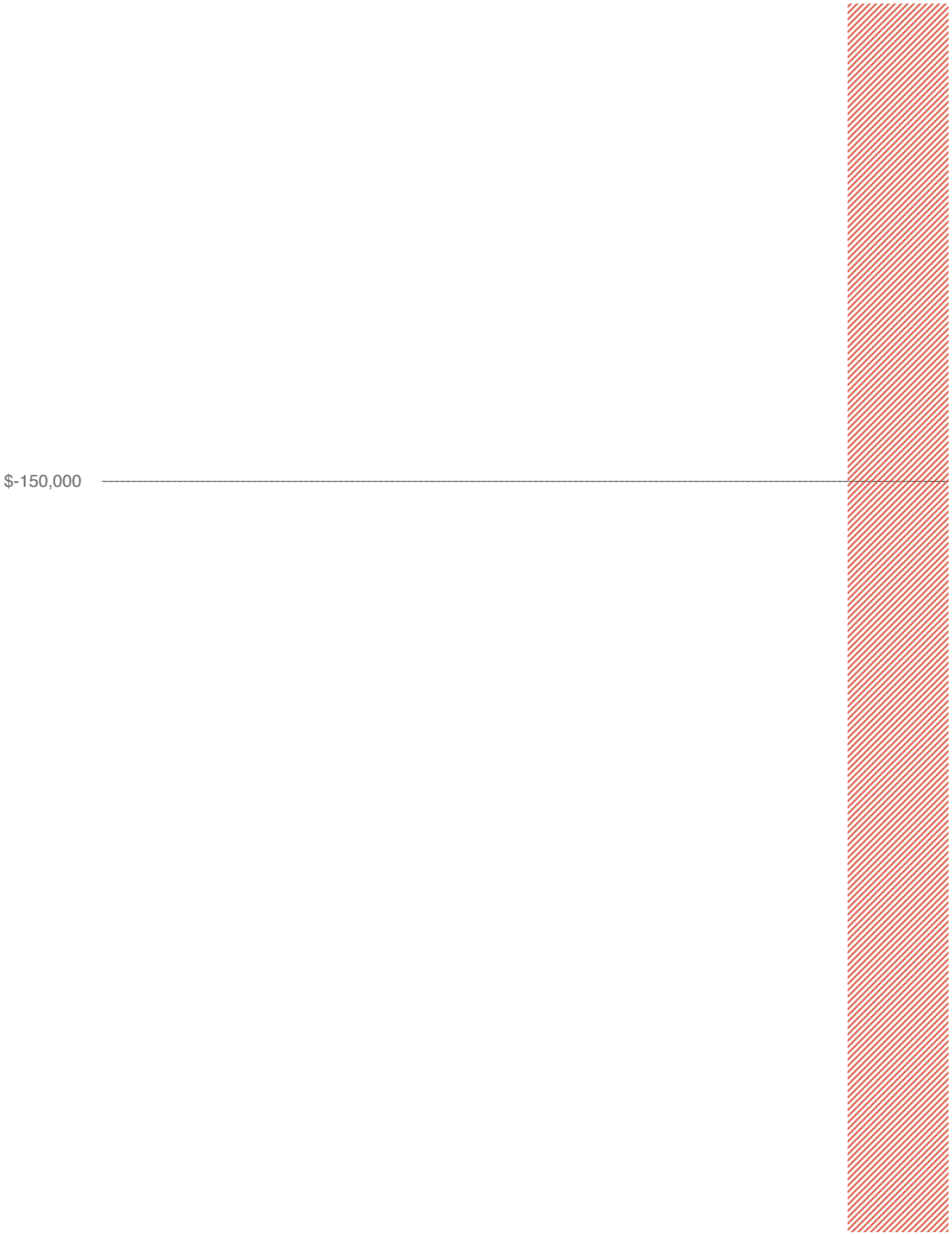
Party Like It's 1979

How much more (or less) would families be earning today if inequality had remained flat since 1979?

For households	$12,000	$30,000	$52,000	$84,000	$122,000	$1,410,000


earning an average of
(0-20%)
(20-40%)
(40-60%)
(60-80%)
(80-99%)
(top 1%)
$20,000
$15,000
$10,000
$5,000
$0
$3,282 more
$6,928 more
$8,752 more
$5,834 more
$17,311 more


$-50,000
$-100,000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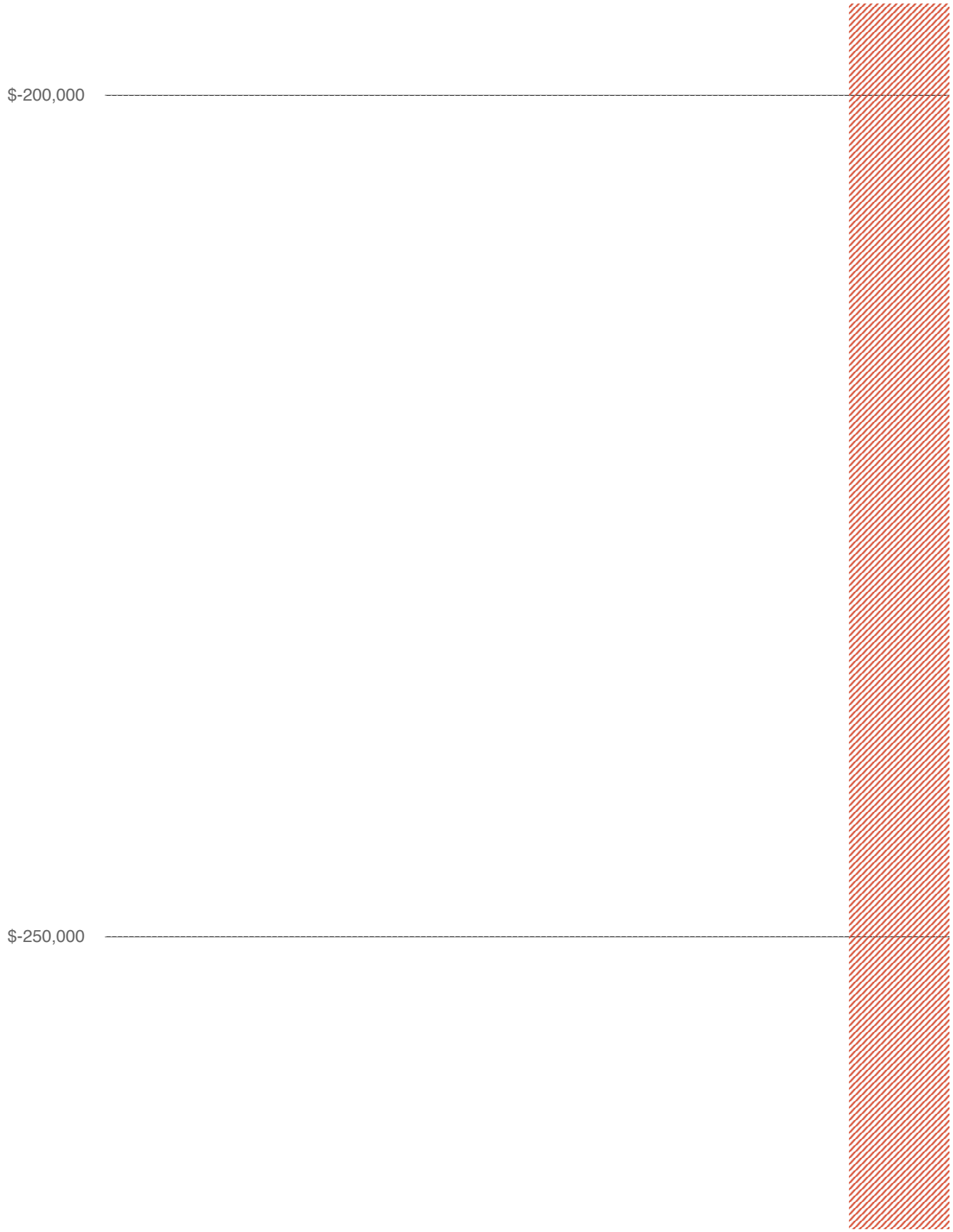
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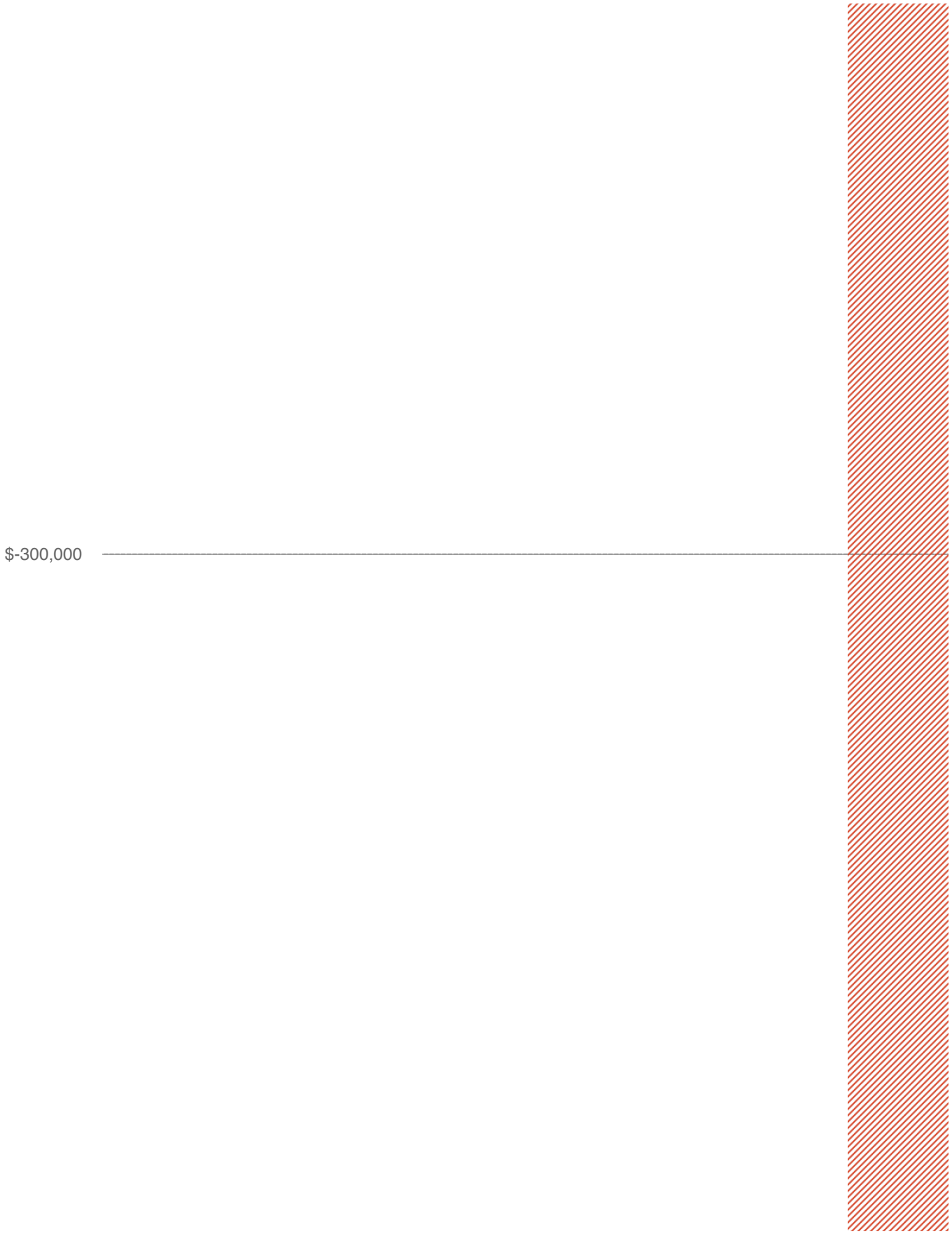
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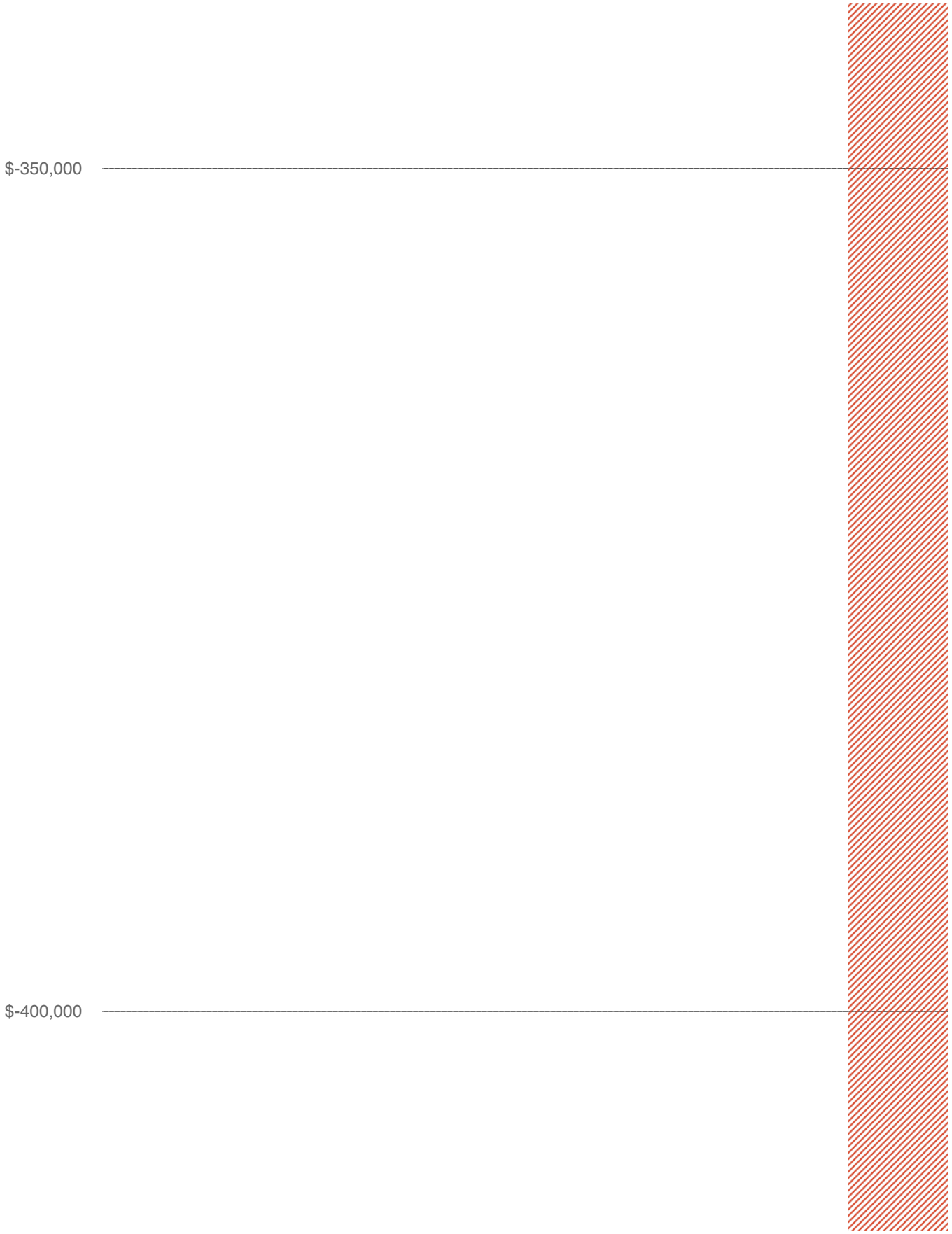
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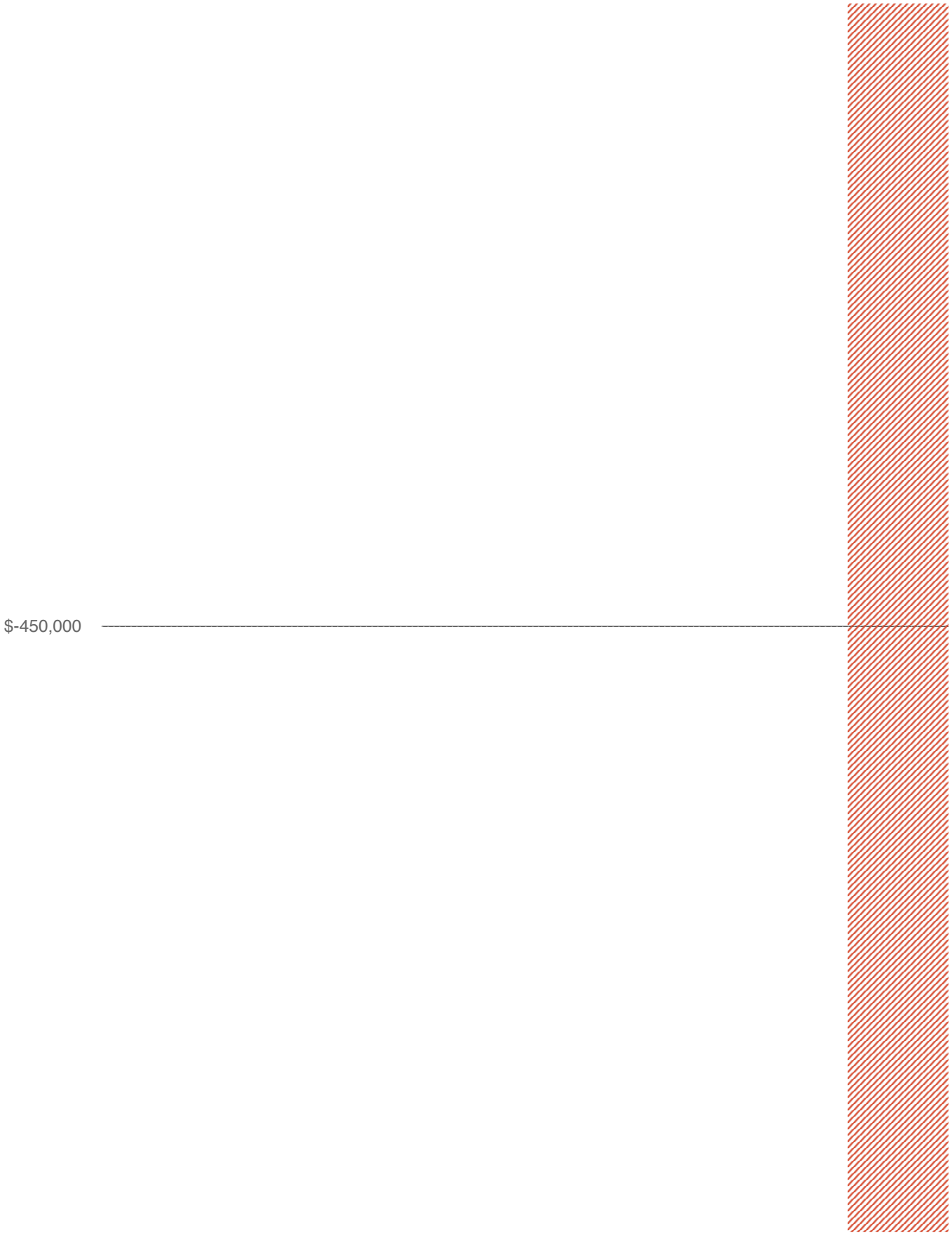
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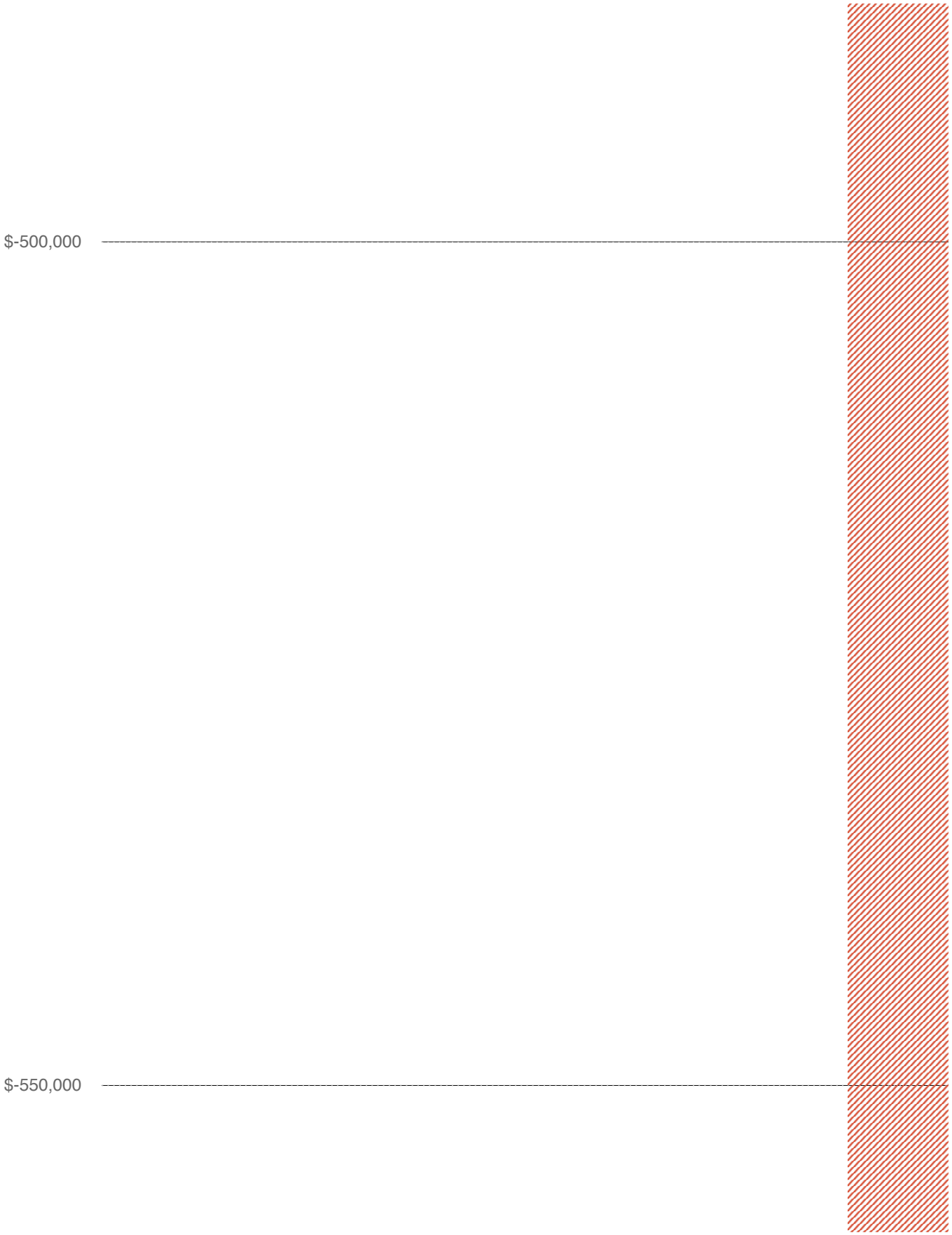
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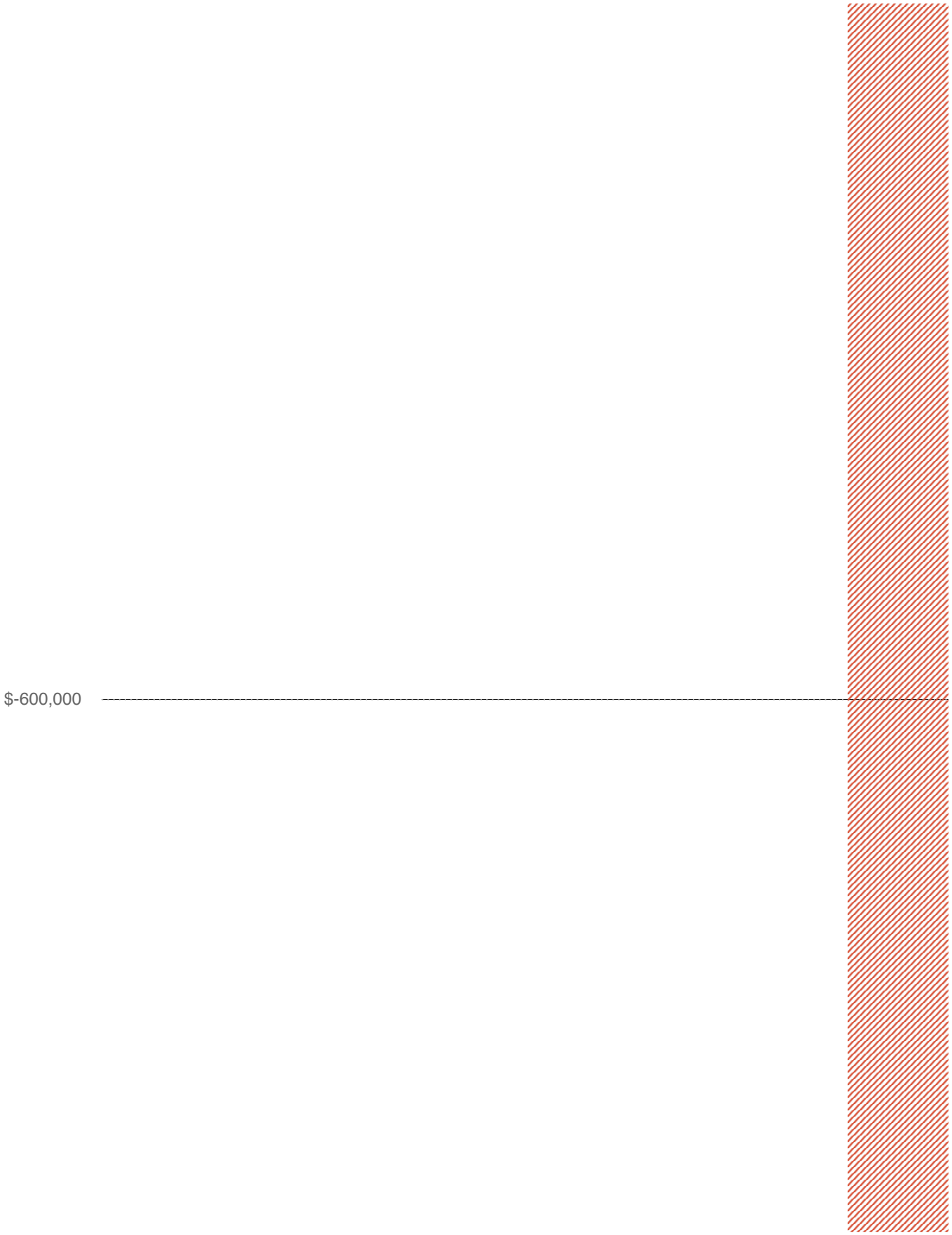
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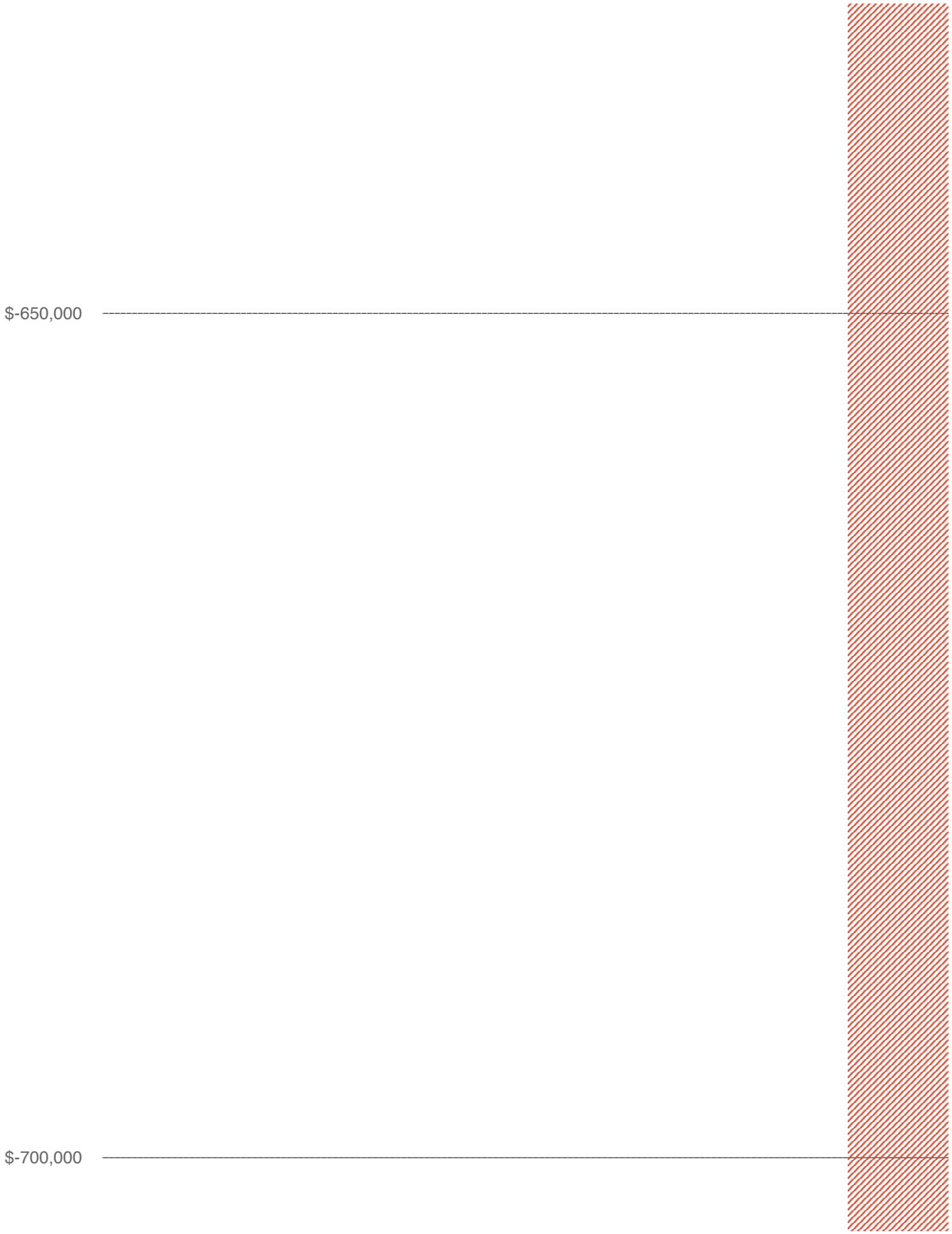
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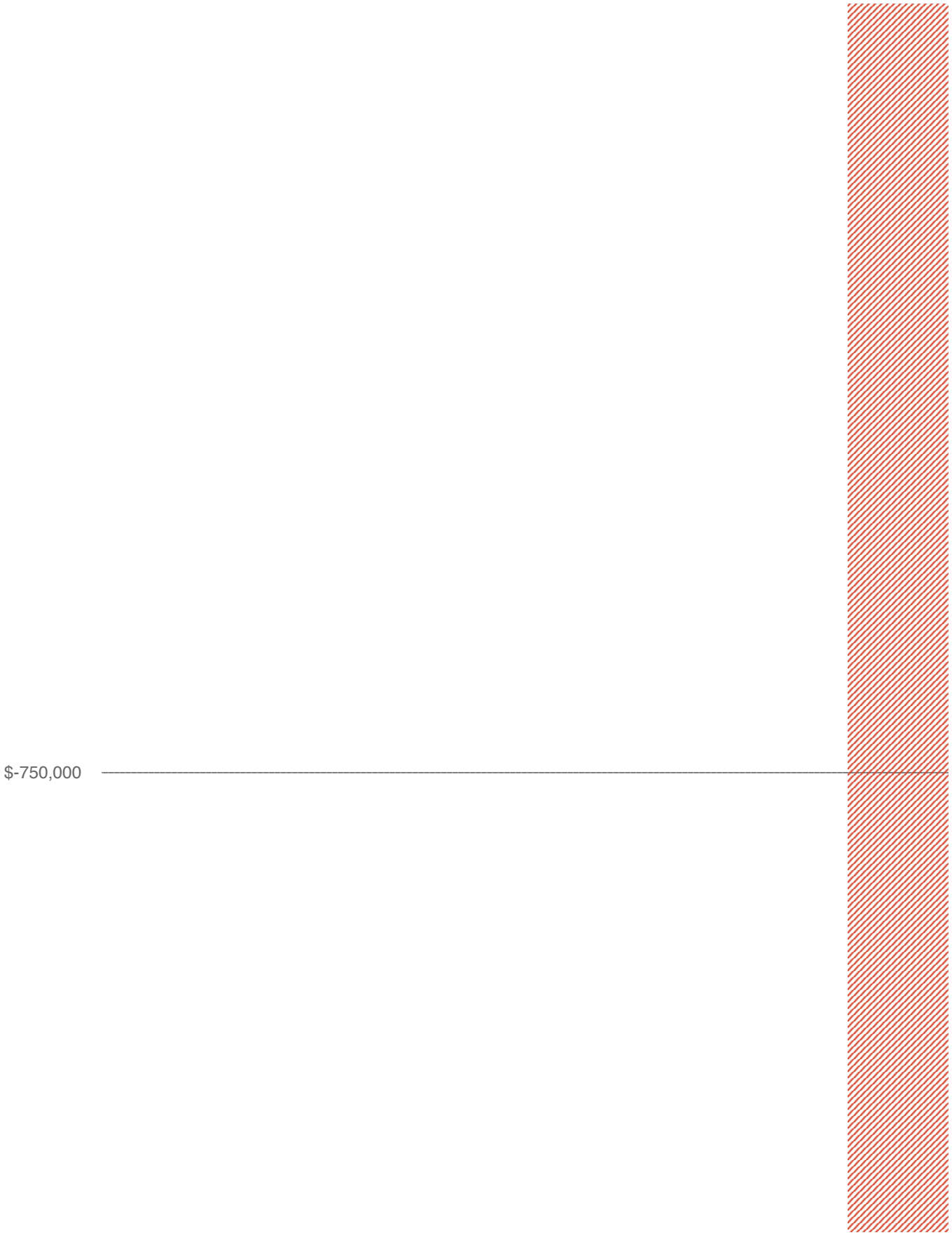
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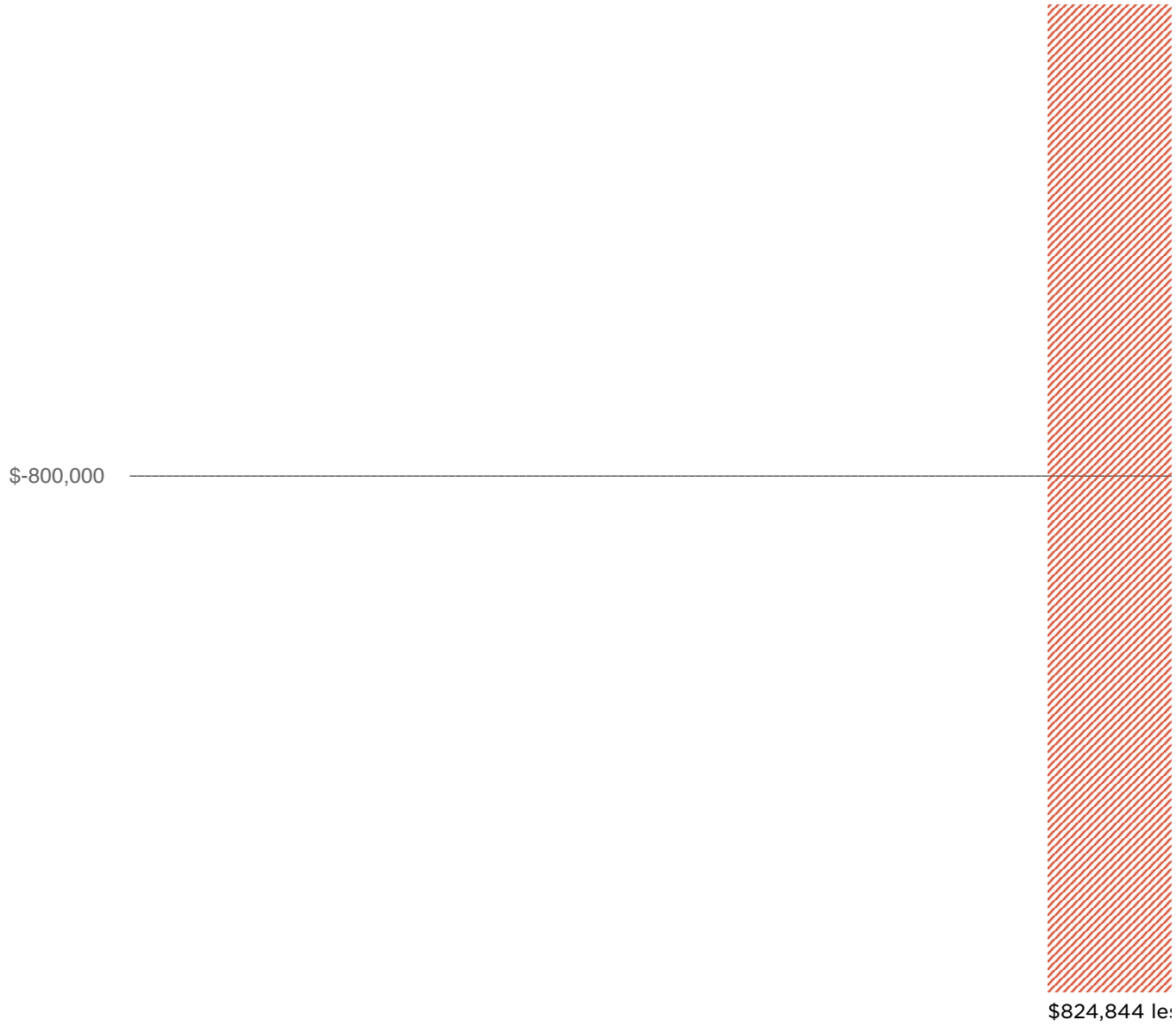


Notes

Household income shares for the 0-99 percent come from the census. Data from the top 1 percent come from the World Top Incomes Database. Measurement of incomes between census and World Top Incomes Database are roughly similar but not identical.

Source: Census Bureau, World Top Incomes Database

The middle class would have the biggest gain if we returned to the 1979 income distribution. That's another way of saying the middle class has seen the biggest fall in

share of total income over the past several decades.

Similarly, the huge losses to the top 1 percent of earners if we returned to 1979 levels of inequality are a reminder of the huge gains the top 1 percent has seen since then.

Of course, this is a purely theoretical exercise. It combines two different worlds: an economy as big as today's, but with 1979 levels of inequality. Some economists would argue that this could never exist, because economic growth has been been driven by forces, such as globalization and technological change, that have also driven up inequality.

One final note: As you may have noticed, our number for the change for the top 1 percent is a bit different from what Summers found. We calculated this number based on figures from the World Top Incomes Database and the Census Bureau.

More Stories From NPR

The Atlantic

Why the GOP Tax Cut Will Make Wealth Inequality So Much Worse

The richest 1 percent now own 40 percent of the country's wealth. Under this bill, they'd own more.

House Majority Leader Kevin McCarthy and House Speaker Paul Ryan at a news conference following a vote on the GOP tax overhaul, in November

Susan Walsh / AP

DEREK THOMPSON | DEC 19, 2017 | BUSINESS

Within a week, Republicans will probably pass a corporate tax cut that is one of

the most unpopular major pieces of legislation in modern American history. This is a rather curious distinction for a bill that cuts taxes for nearly every American family.

How can a trillion-dollar tax cut be so unpopular?

One possibility is that Americans don't like the bill because they don't understand what it does. More than half of Americans don't think that the Republicans' bill will reduce their taxes in 2018. That's a striking statistic, since new research from the nonpartisan Tax Policy Center (TPC) finds that the vast majority of the country, including 90 percent of middle-class families, will get a tax break.

But another possibility is that Americans don't like the tax bill because they understand exactly what it does. Most Americans seem to think that the GOP tax bill overwhelmingly benefits the rich at a moment when large corporations and affluent families don't need much legislative assistance in their multi-decade dominion over the economy. In fact, the GOP tax bill does just that.

Why are Republicans doing this? First, it is conservative economic dogma that low taxes on the wealthy encourage business expansion and job creation, so that tax cuts for the penthouse "trickle down" to the lower floors of the economy, in the form of jobs and higher wages. Recent history has either punctured or demolished this point of view, as the Reagan and Bush tax cuts quite clearly failed to produce additional revenue or benefit middle-class wages. Second, as a practical matter, Republicans, like Democrats, need lots of money to run for office. But on the right, these funds are mostly supplied by a small base of corporate-libertarian donors, like the Koch brothers, who have for decades encouraged lawmakers to cut taxes and welfare spending to galvanize the economy. Republican politicians might prefer to support an unpopular bill, and

risk losing some votes, than pass nothing and lose the critical donor support required to procure any votes.

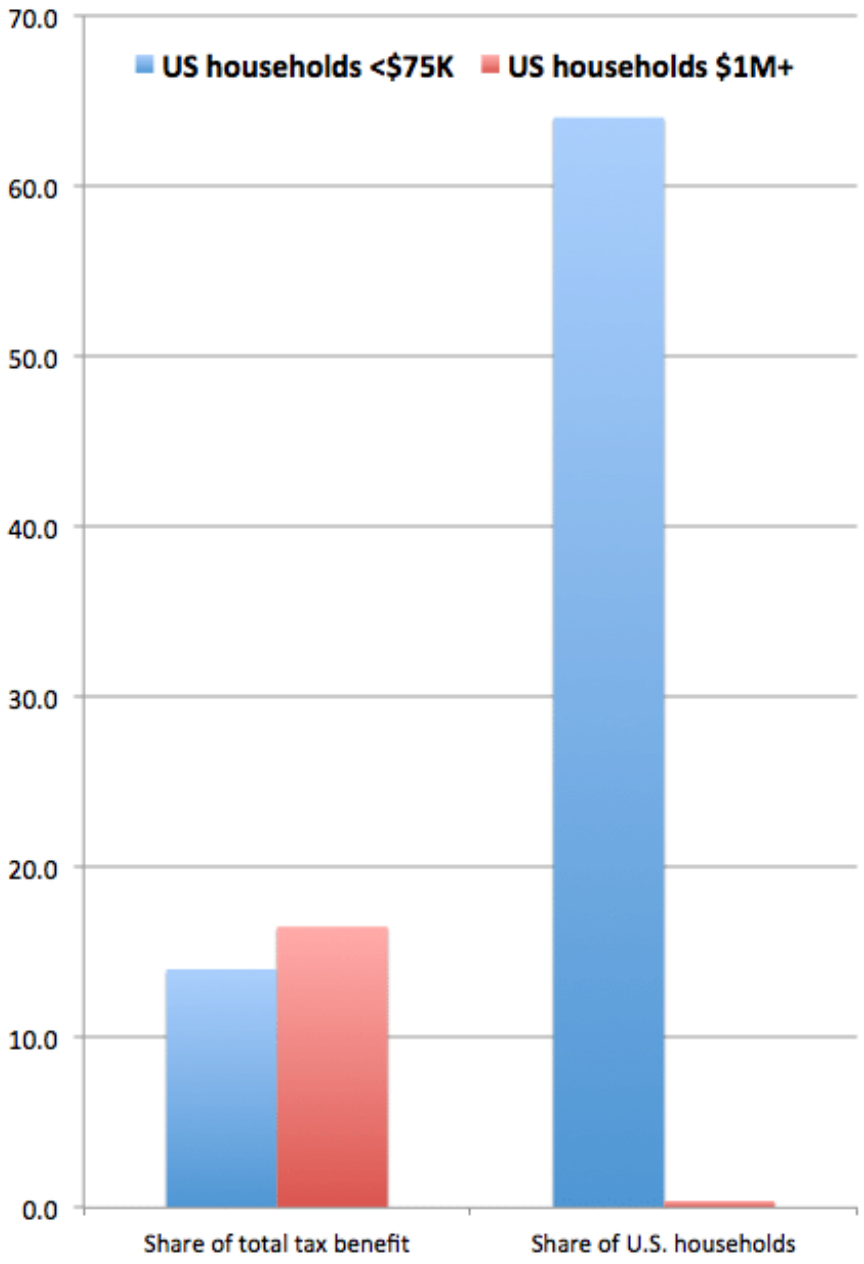
The GOP tax bill operates by two simple principles. First, families at every income level can expect a tax cut—but the richer the family, the bigger the cut, both in absolute terms and in proportional income. Households making between $500,000 and $1 million would get a $21,000 tax cut in 2019 and their after-tax income would rise by 4.3 percent. That proportional gain is four times larger than the average after-tax benefit for a family making $40,000.

Second, as time goes by, most families' tax benefits would shrink—with the major exception being the most affluent. Most of the plan's individual tax cuts end after 2025. This provision is necessary (because of the procedure congressional Republicans chose for the bill) to pay for a permanent corporate tax cut whose benefits flow mostly through capital gains and dividends to shareholders. The bars below illustrate this effect: The tax cuts shrink between 2018 and 2025 before disappearing for all levels in 2027—except for the richest households, the ones with the most money invested in stocks, who will still be reaping the benefits of lower corporate taxes.

TPC

The richest 1 percent now own 40 percent of the country's wealth—their highest share in more than 60 years. Perhaps 40 percent seems like enough? Well, the GOP disagrees. In 2018, the 670,000 households earning more than $1 million a year will collectively benefit more from this bill than the 113 million families earning less than $75,000 (many of whom are, to be fair, pensioners who are earning little to no income).

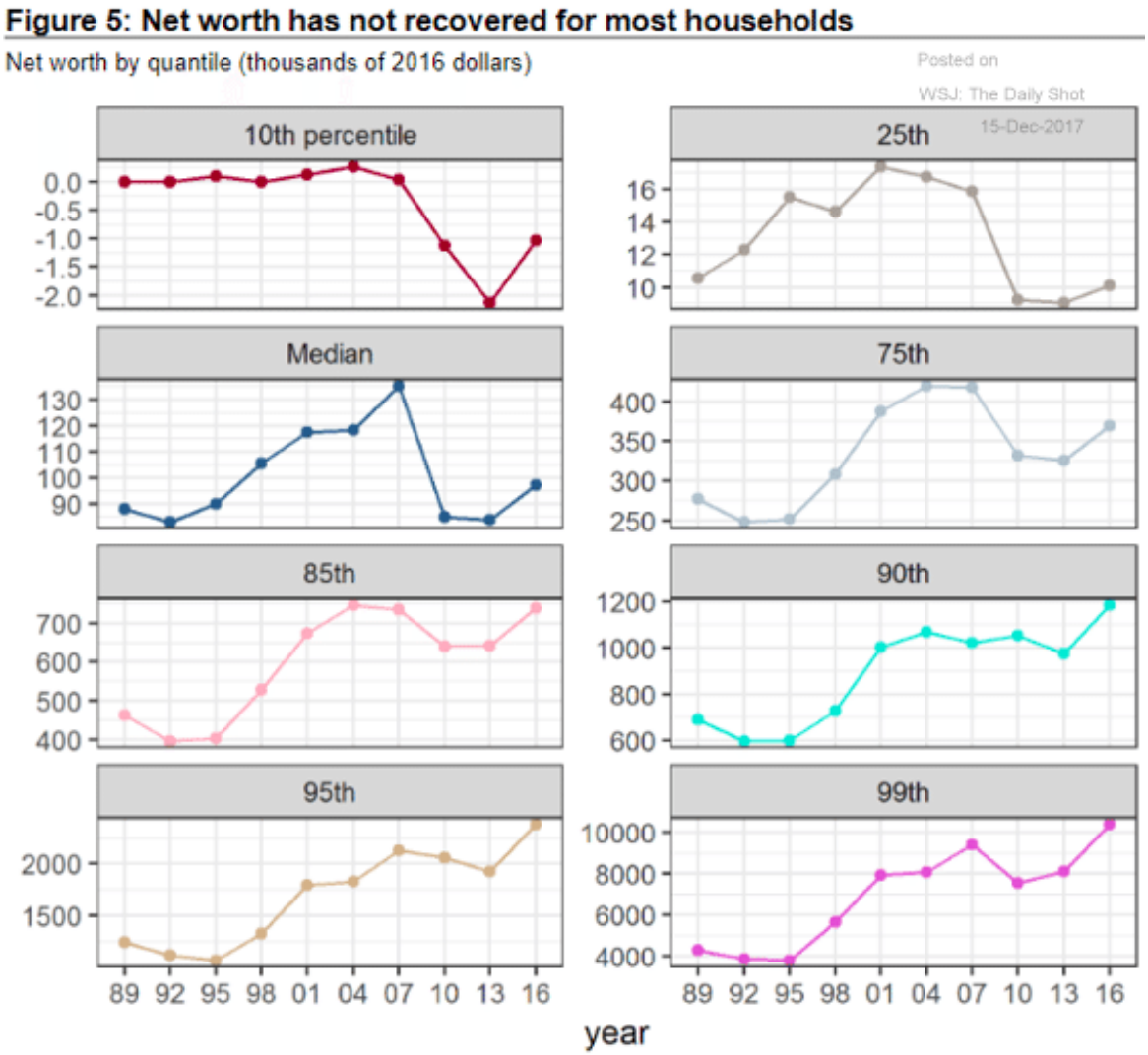
How Families Benefit from the GOP Tax Bill: $75,000 vs. $1 Million



The Atlantic / TPC

Wealth inequality is a thorny problem. The rich have more money, which means they have more savings. When they invest those savings in stocks during a bull market, their wealth rises faster than the wages of the middle class. The richest 10 percent of U.S. families owns 80 percent of all publicly traded stock, while more than half of Americans don't have one dollar in a 401(k).

The Great Recession exacerbated the wealth gap by striking at the heart of middle-class assets—the housing market—while the post-recession recovery in equities benefited the core of upper-class wealth—investments. Today, the median American household is poorer than it was before the housing crash, while the richest households are much richer, thanks to the remarkable rally in equity prices since 2009. That explains the sharp divergence in the net worth of households since the Great Recession visible in the chart below. Families at the 25th percentile have scarcely recovered since the Great Recession while households at the 90th, 95th, and 99th percentiles have all exceeded their pre-recession highs.



WSJ (Data: Credit Suisse, Federal Reserve)

The last few decades have been an extraordinary time for income and wealth inequality. This bill is an extraordinary inequality accelerant that may do very little for growth. Economists know it. Judging by its approval rating, Americans know it, too.

LATEST VIDEO

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At the world's largest grooming show, dogs are transformed into fantastical works of art.

ABOUT THE AUTHOR

DEREK THOMPSON is a senior editor at *The Atlantic*, where he writes about economics, labor markets, and the media. He is the author of *Hit Makers*.

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HEALTH

Disparity in Life Spans of the Rich and the Poor Is Growing

By SABRINA TAVERNISE FEB. 12, 2016

Experts have long known that rich people generally live longer than poor people. But a growing body of data shows a more disturbing pattern: Despite big advances in medicine, technology and education, the longevity gap between high-income and low-income Americans has been widening sharply.

The poor are losing ground not only in income, but also in years of life, the most basic measure of well-being. In the early 1970s, a 60-year-old man in the top half of the earnings ladder could expect to live 1.2 years longer than a man of the same age in the bottom half, according to an analysis by the Social Security Administration. Fast-forward to 2001, and he could expect to live 5.8 years longer than his poorer counterpart.

New research released on Friday contains even more jarring numbers. Looking at the extreme ends of the income spectrum, economists at the Brookings Institution found that for men born in 1920, there was a six-year difference in life expectancy between the top 10 percent of earners and the bottom 10 percent. For men born in 1950, that difference had more than doubled, to 14 years.

For women, the gap grew to 13 years, from 4.7 years.

“There has been this huge spreading out,” said Gary Burtless, one of the authors of the study.

The growing chasm is alarming policy makers, and has surfaced in the presidential campaign. During the Democratic debate Thursday, Senator Bernie Sanders and Hillary Clinton expressed concern over shortening life spans for some Americans.

“This may be the next frontier of the inequality discussion,” said Peter Orszag, a former Obama administration official now at Citigroup, who was among the first to highlight the pattern.

The causes are still being investigated, but public health researchers say that deep declines in smoking among the affluent and educated may partly explain the difference.

Over all, according to the Brookings study, life expectancy for the bottom 10 percent of wage earners improved by just 3 percent for men born in 1950 compared with those born in 1920. For the top 10 percent, though, it jumped by about 28 percent. (The researchers used a common measure — life expectancy at age 50 — and included data from 1984 to 2012.)

It is hard to point to one overriding cause, but public health researchers have a few answers. In recent decades, smoking, the single biggest cause of preventable death, has helped drive the disparity, said Andrew Fenelon, a researcher at the Centers for Disease Control and Prevention. As the rich and educated began to drop the habit, its deadly effects fell increasingly on poorer, uneducated people. Jessica Ho, of Duke University, and Mr. Fenelon calculated that smoking accounted for a third to a fifth of the gap in life expectancy between men with college degrees and men with only high school diplomas. For women it was as much as a quarter.

Obesity, which has been sharply rising since the 1980s, is more ambiguous.

The gap between obesity rates for high earners and low earners actually narrowed from 1990 to 2010, according to an analysis by the National Academy of Sciences. By 2010, about 37 percent of adults at the lower end of the income ladder were obese, compared with 31 percent at the higher end.

More recently, the prescription drug epidemic has ravaged poor white communities, a problem that experts said would most likely exacerbate the trend of widening disparities.

Limited access to health care accounts for surprisingly few premature deaths in America, researchers have found. So it is an open question whether President Obama's health care law — which has sharply reduced the number of Americans without health insurance since 2014 — will help ease the disparity.

At the heart of the disparity, said Elizabeth H. Bradley, a professor of public health at Yale, are economic and social inequities, "and those are things that high-tech medicine cannot fix."

Life expectancy for the bottom 10 percent of male wage earners born in 1920 was 72.9, compared with 73.6 for those born in 1950, the Brookings researchers found. For the top 10 percent, life expectancy jumped to 87.2 from 79.1.

The growing longevity gap means that benefits like Social Security are paid out even more disproportionately to the better-off because they are around for more years to collect them. Last summer, the National Academy of Sciences convened a panel of experts to study the implications. It concluded that disparate life expectancies are making the country's biggest entitlement programs, like Social Security and Medicare, increasingly unfair to the poor and suggested officials consider policy changes to address the problem.

Poor health outcomes for low-income Americans have dragged the United States down to some of the lowest rankings of life expectancy among rich countries. The Social Security Administration found, for example, that life expectancy for the wealthiest American men at age 60 was just below the rates in Iceland and Japan, two countries where people live the longest. Americans in the

bottom quarter of the wage scale, however, ranked much further down — one notch above Poland and the Czech Republic.

"It's embarrassing," Professor Bradley said.

Some researchers noticed a pattern of diverging longevity in the 1990s, but many were doubtful, saying that it could be a statistical blip and that the data was not strong enough. The evidence continued to gather, but many researchers remained skeptical. In late 2007, researchers from the Social Security Administration identified the pattern in a large trove of earnings and death data. Now most researchers agree that the change is real.

Many researchers believe the gap in life spans from lower- to upper-income Americans started widening about 40 years ago, when income inequality began to grow. Earlier in the 20th century, trends in life spans were of declining disparities, some experts say, because improvements in public health, such as the invention of the polio vaccine and improved sanitation, benefited rich and poor alike. The broad adoption of medication for high blood pressure in the 1950s led to a major improvement for black men, erasing a big part of the gap with whites, said Dana P. Goldman, the director of the Leonard D. Schaeffer Center for Health Policy and Economics at the University of Southern California. But medical improvements can also drive disparity when they disproportionately benefit affluent Americans; for example, cutting-edge cancer treatments.

The experience of other countries suggests that disparities do not necessarily get worse in contemporary times. Consider Canada, where men in the poorest urban neighborhoods experienced the biggest declines in mortality from heart disease from 1971 to 1996, according to a 2002 study. Over all, the gap in life expectancy at birth between income groups declined in Canada during that period. And a study comparing cancer survival rates found that low-income residents of Toronto had greater survival rates than their counterparts in Detroit. There was no difference for middle- and high-income residents in the two cities.

"There are large swaths of the population that are not enjoying the pretty

impressive gains the rest of us are having in life spans," said Christopher J. L. Murray, director of the Institute for Health Metrics and Evaluation in Seattle. "Not everybody is sharing in the same prosperity and progress."

A version of this article appears in print on February 13, 2016, on Page A1 of the New York edition with the headline: Life Spans of the Rich Leave the Poor Behind.

QUARTZ

Painfully, American families are learning the difference between median and mean

Matt Phillips | September 06, 2014

Warren Buffett walks into a skid row bar. Inside, nine men silently slump on their stools.

None of them has a job. Individually, they own almost nothing. No house. No stocks. No bonds.

But miraculously, when Buffett steps into the saloon—he orders only a Cherry Coke, mind you—the mean net worth of everyone in that bar surges to roughly $6.8 billion. (Buffett is worth roughly $68 billion.)

Such is the power of large outliers to skew averages.

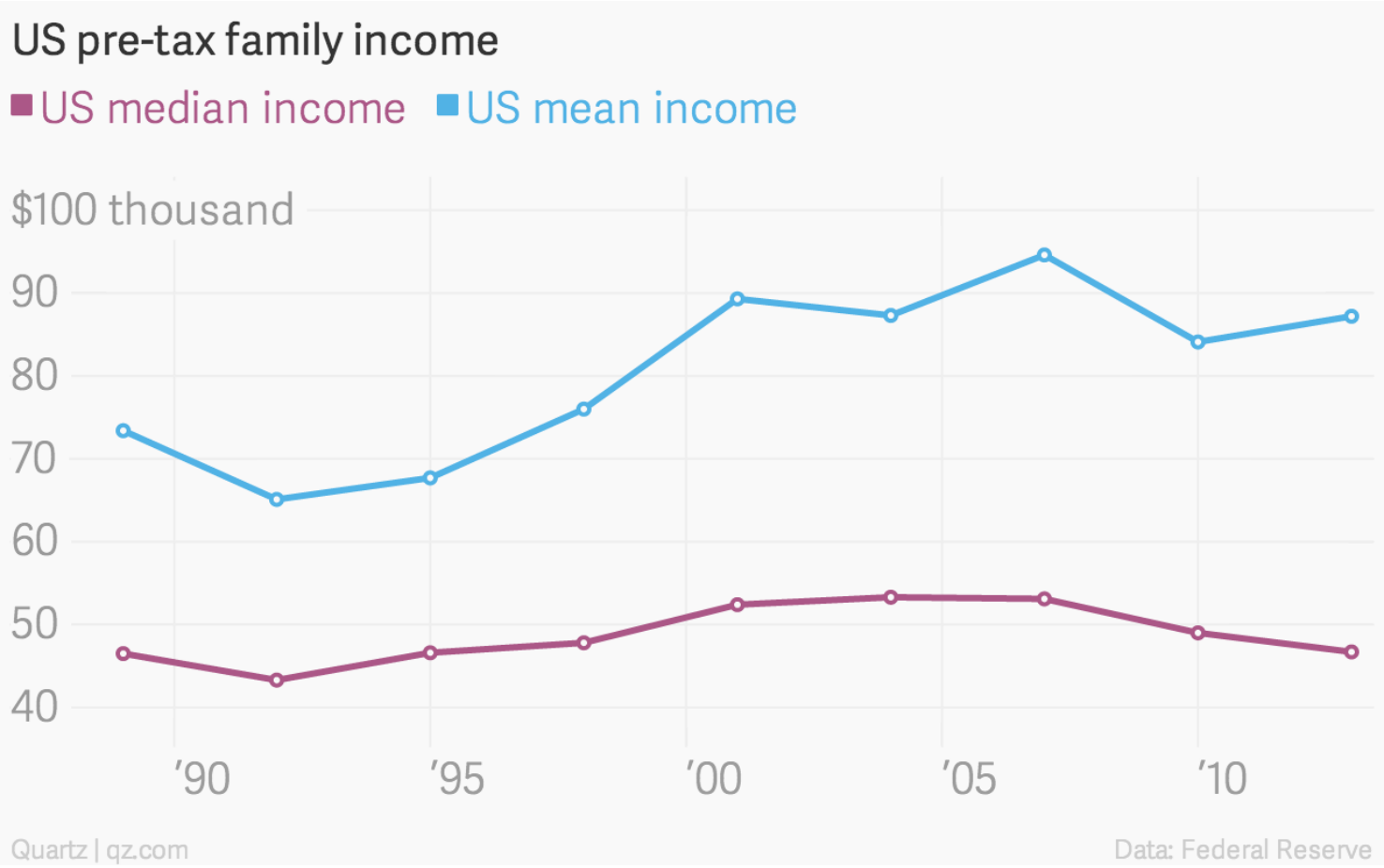
As American inequality grows more pronounced—with greater shares of income and wealth accruing to those at the top of the income distribution—the difference between mean and median is becoming more and more important for Americans to understand.

Thursday's release of the Federal Reserve's triennial survey of consumer finances makes that point pretty clear. The report, one of the most in-depth efforts to understand the financial dynamics of American households, brings us up to speed on how households have fared since 2010, the last time the data was assembled.

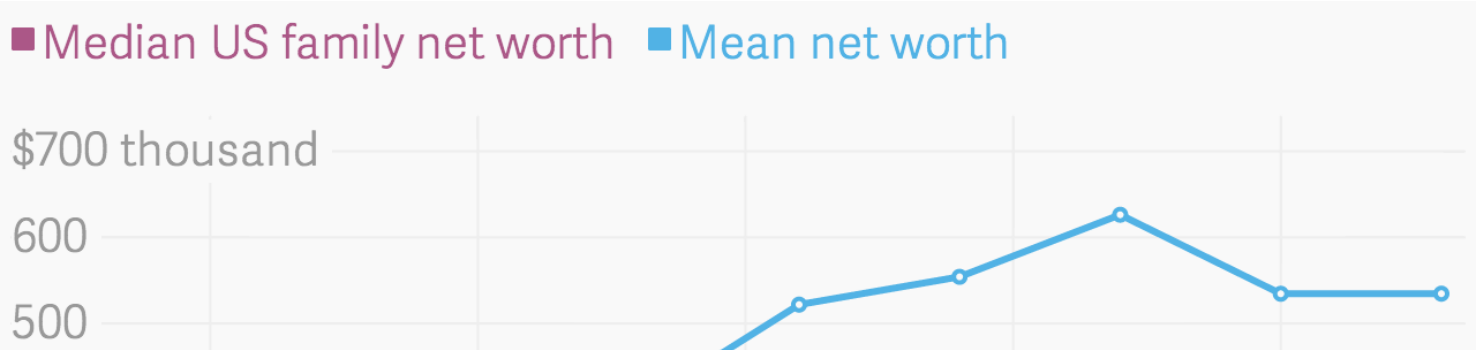
On average, it looks like American households are recovering pretty well since the worst of the Great Recession. Overall average family income rose 4% between 2010 and 2013, the Fed reported. But that average masks a tougher truth: Much of the improvement over the last few years has been driven by surging incomes at the very top of the distribution structure. People of more modest means generally saw their paychecks stagnate. The poorest continued to fall behind.

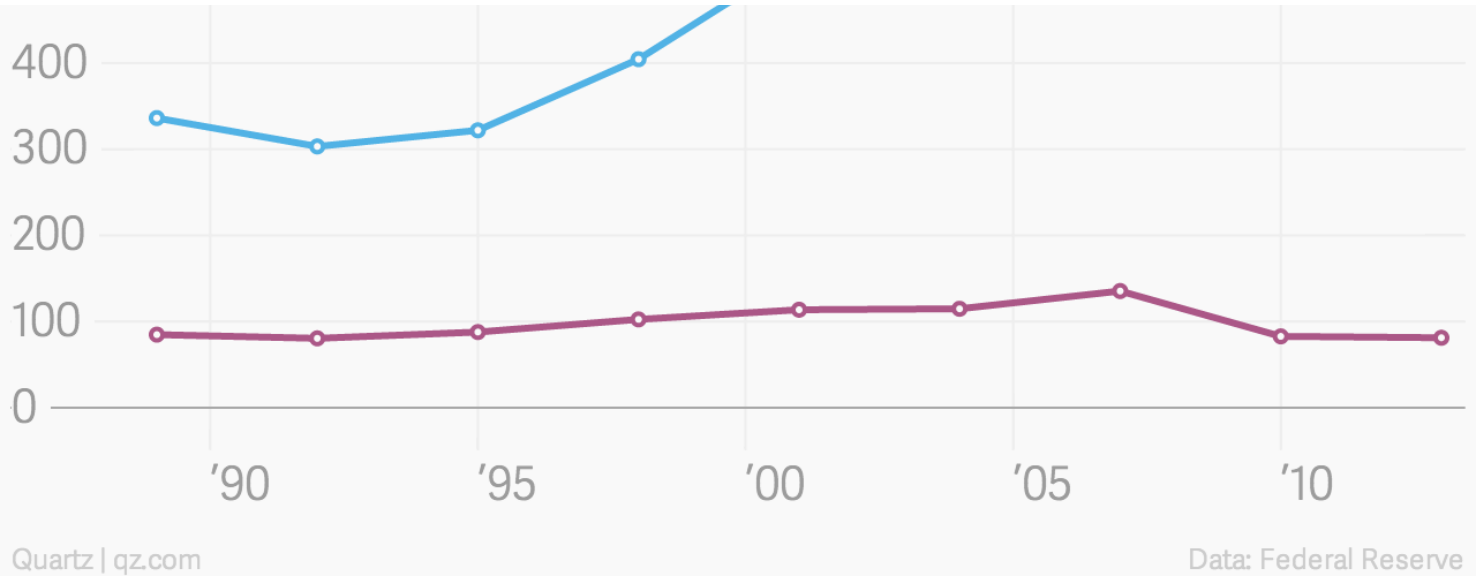
That's why, despite the fact that mean income rose 4% to $87,200 per family, median income actually *fell* by 5% to $46,700 between 2010 and 2013. The mean was driven by the fact that the highest percentile of

the income distribution saw their income surge by 10% to $397,500 between 2010 and 2013.



A similar dynamic is at play in the Fed's analysis of the net worth of American families. On average, this calculation of wealth stayed flat at $535,000. But that was only because the average net worth among those in the top 10% of the wealth distribution saw their net worth rise 2% to more than $3.3 million. The other 90% of the wealth distribution saw their average net worth decline between 2010 and 2013. For a better sense of how a typical family did between 2010 and 2013, look at the median family net worth numbers, which show that net worth fell 2% to $81,200.





None of this is news, of course. But it does reinforce the fact that the dire state of lower-income America is becoming a real issue, both political and economic. (Just check out the sad saga of America's dollar stores—these discount retailers are unable to generate any durable profit growth from their primarily less-affluent customer base.)

In the recent past, America got around this issue simply by loosening up credit and allowing people to borrow. That didn't end well.

Low-income America doesn't need credit. It needs wage growth. A truly healthy economy depends on it.

UNPRESIDENTED

Donald Trump is the emperor with no clothes—and the media's playing along

Heather Timmons | 5 hours ago

The Poorest Flint Children Have Been Hit Hardest By Lead Poisoning

BRYCE COVERT FEB 29, 2016, 4:52 PM

CREDIT: BRYCE COVERT

The most disadvantaged neighborhoods in Flint have been the hardest hit by the lead poisoning crisis, new research finds. It also points directly to the city's decision to switch water sources to the Flint River as causing higher lead levels in residents' bloodstreams.

Dr. Mona Hanna-Attisha and her team of researchers compared blood levels of children under five in tests taken before the water source changed in 2013 to tests taken in 2015. As the paper with their findings notes, the "analysis identified disadvantaged neighborhoods as having the greatest elevated blood lead level increases."

In Ward 5, the percentage with an elevated blood level (5 micrograms of lead per deciliter or more) was already high before the current crisis, at 4.9 percent. Yet after the children started drinking Flint River water, the rate more than tripled, to 15.7 percent. Ward 6 saw the same thing: before the crisis, 2.2 percent of children had elevated lead levels in their blood, which more than tripled to 9.3 percent afterward. Although Ward 2 levels were lower overall, the neighborhood saw a sizable increase: from no children with elevated lead levels to 1.4 percent afterward.

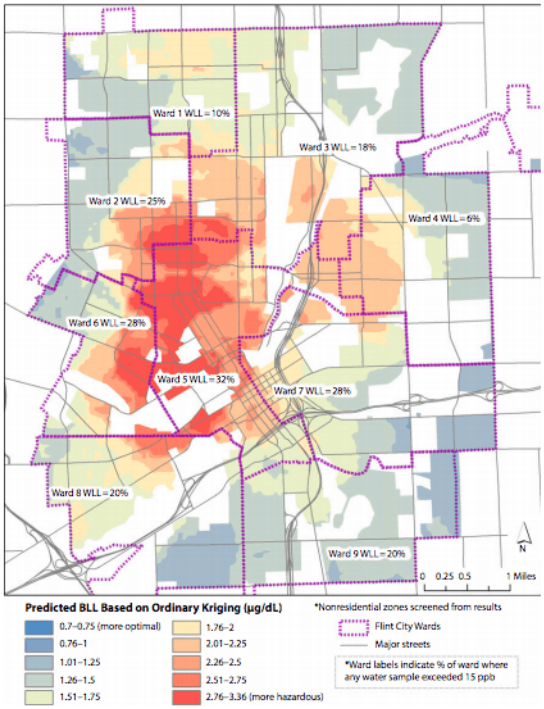
TABLE 2—Ward-Based Comparison of WLL Percentages, Pre- and Post-Switch EBLL Percentages, and Predicted Post BLL and Change in Predicted BLL by Ordinary Kriging Geostatistical Analysis: Flint, MI, 2013 and 2015

Ward	WLL % > 15 ppb	Pre EBLL%	Post EBLL%	Predicted Post BLL[a]	Change in Predicted BLL From Pre to Post, µg/dL
1	10	0.0	2.8	1.4	−0.10
2	25	0.0	1.4	0.7	0.19
3	18	1.0	4.5	2.9	0.05
4	6	3.1	1.7	2.4	−0.15
5[b]	32	4.9	15.7	10.3	0.51
6[b]	28	2.2	9.3	5.5	0.27
7[b]	28	5.4	5.9	5.7	-0.26
8	20	2.7	1.4	2.0	0.01
9	20	3.4	1.6	2.5	−0.43

Note. BLL = blood lead level; EBLL = elevated blood lead level; WLL = water lead level.
[a]Ordinary Kriging geostatistical analysis.
[b]Indicates wards defined as high WLL risk in this study.

CREDIT: AJPH

Not all parts of the city were hit evenly. Four wards actually saw the incidence of elevated lead levels fall, while two stayed about the same. "[M]ore stable neighborhoods in the far north and south of the city may have experienced improved predicted BLLs [blood lead levels] because of prevention efforts taken by the more-often middle-class residents in response to the water source change," the authors note.



Note. BLL = blood lead level; WLL = water lead level.

FIGURE 2—Predicted Surface of Child Blood Lead Level and Ward-Specific Elevated Water Lead Level After (Post) Water Source Change From Detroit-Supplied Lake Huron Water to the Flint River: Flint, MI, 2015

CREDIT: AJPH

The prevalence of high blood levels in in Wards 5, 6, and 7 were also found to correspond with high levels of lead in water samples. That's something that the researchers found to hold true across the city: before the source of water changed, 2.4 percent of Flint children had high lead blood levels, while afterward 4.9 percent did. Yet in comparison, outside of the area affected by the water, there was no statistically significant change in children's lead levels. Things were even worse in areas where high lead levels were found in the water: the incidence of lead in children's blood rose from 4 percent to 10.6 percent in those places.

"Because there was no known alternative source for increased lead exposure during this time period," the researchers write, "the geospatial WLL [water lead level] results, the innate corrosive properties of Flint River water, and, most importantly, the lack of corrosion control, our findings strongly implicate the

water source change as the probable cause for the dramatic increase in EBLL [elevated blood lead level percentage."

The research is incredibly troubling for a population that was already struggling with poverty, unemployment, and low education levels. Children can absorb far more lead from water than adults, and the neurotoxin has big impacts on their development, including learning, behavior, and life achievement. "Increased lead-poisoning rates have profound implications for the life course potential of an entire cohort of Flint children already rattled with toxic stress contributors (e.g., poverty, violence, unemployment, food insecurity)," the paper notes. Officials are already warning, for instance, that far more children will come into contact with the criminal justice system.

The city's residents, more than 40 percent of whom live in poverty, have been dealing with other economic issues for decades, such as a rapid erosion of jobs and neglect and disinvestment. At the same time they were being poisoned by their drinking water, they were paying the highest bills in the country for it.