

## CCC Class – June 12 and 19, 2011 – U.S. Income Inequality

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### References

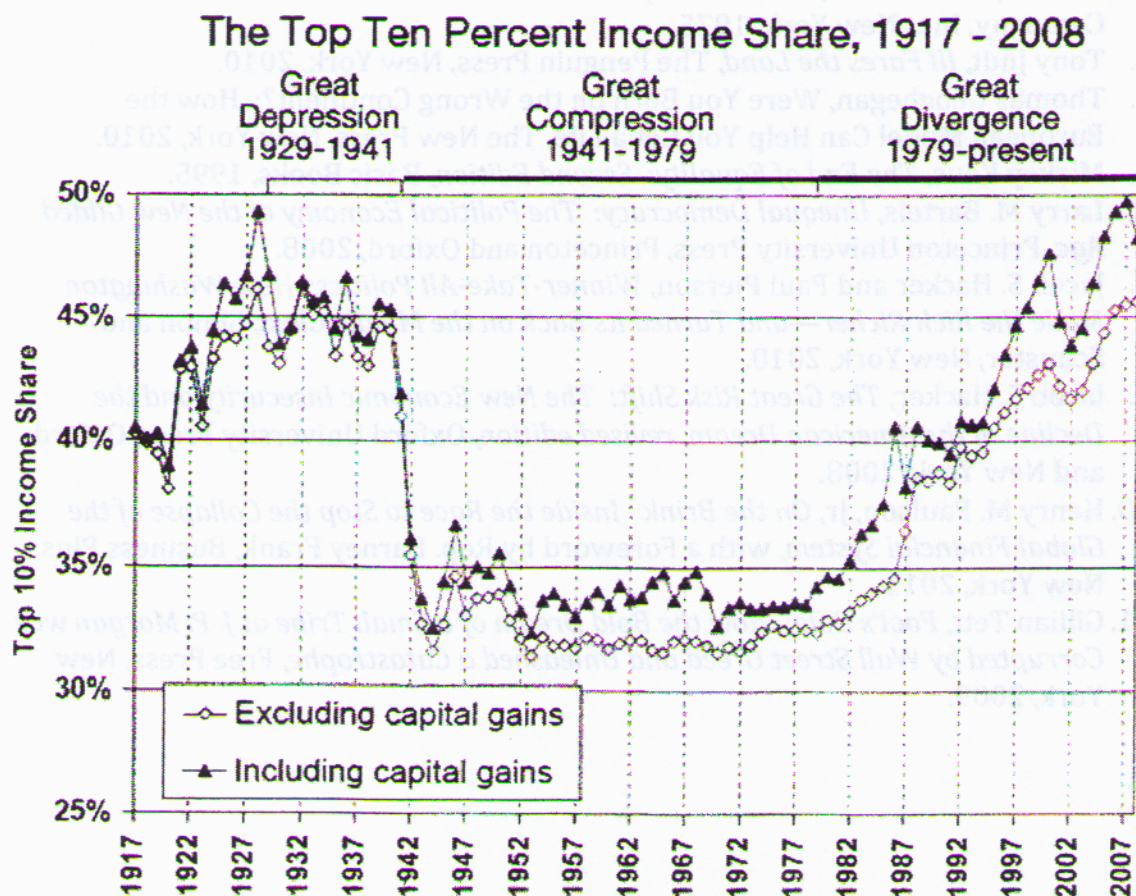
1. Timothy Noah, *The Great Divergence*. This was a 10-part essay, 41 pages in length. Go to [www.slate.com](http://www.slate.com), search for Timothy Noah, and you'll find the ten parts of the essay; or else go directly to <http://www.slate.com/id/2266025/>. There's a box where you can find the average annual income in any U.S. zipcode. For example, it's \$93,790 in 70808, \$21,540 in 70802. You can also find the whole essay in a pdf file. This URL should get to it directly: [http://img.slate.com/media/3/100914\\_NoahT\\_GreatDivergence.pdf](http://img.slate.com/media/3/100914_NoahT_GreatDivergence.pdf)
2. Go to <http://www.itepnet.org/whopays.htm> for an analysis of state and local taxes, in all fifty states and D.C., giving the effective tax rates on people at various income levels. The richest 1% pay about 5.1% of their incomes in state and local taxes; the lowest 20% pay about 10.9%. The two most regressive states in this regard are Washington and Florida. The least regressive four are Delaware, D.C., New York, and Vermont.
3. Christopher Hibbert, *The House of Medici: Its Rise and Fall*, William Morrow & Company, Inc., New York, 1975.
4. Tony Judt, *Ill Fares the Land*, The Penguin Press, New York, 2010.
5. Thomas Geoghegan, *Were You Born on the Wrong Continent?: How the European Model Can Help You Get a Life*, The New Press, New York, 2010.
6. Mickey Kaus, *The End of Equality: Second Edition*, Basic Books, 1995.
7. Larry M. Bartels, *Unequal Democracy: The Political Economy of the New Gilded Age*, Princeton University Press, Princeton and Oxford, 2008.
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10. Henry M. Paulson, Jr, *On the Brink: Inside the Race to Stop the Collapse of the Global Financial System*, with a Foreword by Rep. Barney Frank, Business Plus, New York, 2011.
11. Gillian Tett, *Fool's Gold: How the Bold Dream of a Small Tribe at J. P. Morgan was Corrupted by Wall Street Greed and Unleashed a Catastrophe*, Free Press, New York, 2009.



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Timothy Noah's essay discusses the following factors as possible causes of the increases in U.S. income inequality in the period since around 1980. He concludes that 1) – 3) are insignificant and assigns rough percentages to the others.

- 1) Differences in income between racial groups.
- 2) Differences in income between men and women. 2b) Single parenthood.
- 3) Transformative technology, especially computers.
- 4) Immigration. 5%
- 5) Tax policy. 5%
- 6) International trade. 10%
- 7) Declining power of organized labor. 20%
- 8) Decisions by Wall Street and corporations on pay. 30%
- 9) Various failures in our educational system. 30%



Income is defined as market income (and excludes government transfers).  
In 2008, top decile includes all families with annual income above \$109,000.

Source: Thomas Piketty and Emmanuel Saez.



## CCC Class -- June 12 and 19, 2011 – Income Inequality – Readings

The Bible readings are from the Revised English Bible.

**Exodus 20:17:** Do not covet your neighbour's household: you must not covet your neighbour's wife, his slave, his slave-girl, his ox, his donkey, or anything that belongs to him.

**Exodus 23: 6, 9:** You must not deprive the poor man of justice in his lawsuit ... Do not oppress the alien, for you know how it feels to be an alien; you yourselves were aliens in Egypt.

**Deuteronomy 8: 12-18:** When you have plenty to eat and live in fine houses of your own building, when your herds and flocks, your silver and gold, and all your possessions increase, do not become proud and forget the LORD your God who brought you out of Egypt, out of that land of slavery ... Nor must you say to yourselves, 'My own strength and energy have gained me this wealth.'

**Deuteronomy 15: 7, 8, 10, 11:** When in any of your settlements in the land which the LORD your God is giving you one of your fellow-countrymen becomes poor, do not be hard-hearted or close-fisted towards him in his need ... The poor will always be with you in your land, and that is why I command you to be open-handed towards any of your countrymen there who are in poverty and need.

**Deuteronomy 24: 19-22:** When you reap the harvest in your field and overlook a sheaf, do not go back to pick it up; it is to be left for the alien, the fatherless, and the widow ... When you gather the grapes from your vineyard, do not glean afterwards; what is left is for the alien, the fatherless, and the widow. Keep in mind that you were slaves in Egypt; that is why I command you to do this.

**Amos 8: 4-7:** Listen to this, you that grind the poor and suppress the humble in the land while you say, 'When will the new moon be over so that we may sell grain? When will the Sabbath be past so that we may expose our wheat for sale, giving short measure in the bushel and taking overweight in the silver, tilting the scales fraudulently, and selling the refuse of the wheat; that we may buy the weak for silver and the poor for a pair of sandals?' The LORD has sworn by the arrogance of Jacob: I shall never forget any of these activities of theirs.

**Edmund Burke, in "A Letter to a Member of the National Assembly," 1791, said:** "Society cannot exist, unless a controlling power upon will and appetite be placed somewhere; and the less of it there is within, the more there must be without. It is ordained in the eternal constitution of things, that men of intemperate minds cannot be free."

**Warren Buffet, at the 2011 annual meeting of Berkshire Hathaway:** "I think that any institution that requires bailing out by society should see its CEO ... left dead broke."

**Charlie Munger, at the same meeting:** "The hedge fund managers of America are getting lower tax rates than physics professors or cab drivers. That is demented."

**Henry Paulson, while he was still Secretary of the Treasury, said that** the increasing income inequality in the United States is probably due not in any way to public policies, but to market forces and globalization.

**Alan Greenspan, in 2005:** This [increasing income inequality] is not the type of thing which a democratic society—a capitalist democratic society—can really accept without addressing.

**Mitch Daniels, in a speech to CPAC, February 11, 2011:** We must display a heart for every American, and a special passion for those still on the first rung of life's ladder. Upward mobility from the bottom is the crux of the American promise, and the stagnation of the middle class is in fact becoming a problem, on any fair reading of the facts. Our main task is not to see that people of great wealth add to it, but that those without much money have a greater chance to earn some.

**The Book of Discipline of the United Methodist Church, 2008, Section 163:** "We claim all economic systems to be under the judgment of God no less than other facets of the created order. Therefore, we recognize the responsibility of governments to develop and implement sound fiscal and monetary policies that provide for the economic life of individuals and corporate entities and that ensure full employment and adequate incomes with a minimum of inflation. We believe private and public economic enterprises are responsible for the social costs of doing business, such as employment and environmental pollution, and that they should be held accountable for those costs. We support measures that would reduce the concentration of wealth in the hands of a few. We further support efforts to revise tax structures and to eliminate governmental support programs that now benefit the wealthy at the expense of other persons."



## Readings for the Second Sunday

**Mark 19: 23-26:** Jesus said to his disciples, 'Truly I tell you: a rich man will find it hard to enter the kingdom of Heaven. I repeat, it is easier for a camel to pass through the eye of a needle than for a rich man to enter the kingdom of God.' The disciples were astonished when they heard this, and exclaimed, 'Then who can be saved?' Jesus looked at them and said, 'For men this is impossible; but everything is possible for God.'

**Excerpts from an article by Lee Iococca (Driving Force: Henry Ford) in the Dec. 7, 1998 issue of TIME:** He was no prince in his social attitudes. But Henry Ford's mark in history is almost unbelievable. ... what really mattered to him was mass consumption. He figured that if he paid his factory workers a real living wage and produced more cars in less time for less money, everyone would buy them. By 1912 there were 7,000 Ford dealers across the country. ... in 1914, the world's first automatic conveyor belt could churn out a car every 93 minutes. The same year, Henry Ford shocked the world with what probably stands as his greatest contribution ever: the \$5-a-day minimum-wage scheme. The average wage in the auto industry then was \$2.34 for a 9-hr. shift. Ford not only doubled that, he also shaved an hour off the workday. In those years it was unthinkable that a guy could be paid that much for doing something that didn't involve an awful lot of training or education. The Wall Street Journal called the plan "an economic crime," and critics everywhere heaped "Fordism" with equal scorn. But as the wage increased later to a daily \$10, it proved a critical component of Ford's quest to make the automobile accessible to all. The critics were too stupid to comprehend that because Ford had lowered his costs per car, the higher wages didn't matter—except for making it feasible for more people to buy cars. In 1905, when there were 50 start-up companies a year trying to get into the auto business, his backers at the new Ford Motor Co. were insisting that the best way to maximize profits was to build a car for the rich. ... instead of listening to his backers, Ford [ignored them and] eventually bought them out.

**Timothy Noah, in the closing paragraph of his essay:** What is the ideal distribution of income in society? I couldn't tell you, and historically much mischief has been accomplished by addressing this question too precisely. But I can tell you this: We've been headed in the wrong direction for far too long.