

Financial gap  
between the 1% and  
99%



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- Herbert “ Jeff” Cahoon

The wealth of America rests in the hands of just one percent of the country. Therefore it is not a long stretch of the imagination to understand what an uphill battle it is for the ninety-nine percent to gain better economic footing. Over the past few decades the so-called middle class has been steadily declining or has disappeared altogether. The cost of living over the past thirty years has grown exponentially when compared to income growth. The salaries of the chief executives at America’s corporations have dramatically increased while the wages of their workers have stagnated showing only minor growth. Even President Obama is concerned about the economic dearth of most of America’s population and the wealth distribution between the rich and poor. The picture of wealth and income inequality in America is not a favorable one and has threatened to undermine the ability for everyday people to believe in their ability to move upward economically.

Access to the American dream is one of the forces which not only drive the ambition of its citizens but is also why others see this country as a catalyst to fulfill their own dreams of economic success. However, since 1993 the incomes of most people have grown only slightly while for 1% of others it has grown significantly. Studies show that based on IRS income tax reporting the overall income during 1993 through 2012 grew by 17. 9%. However, when this percentage is categorized based on the top 1%, their total income during this period grew by 86. 1% of the 17. 9% overall growth, and 99% of Americans only saw their income grow by 6. 6% (Saez). This growth trend continues; even through the Great Recession (2007 and 2009) when top incomes dropped over 36% and lower incomes dropped almost 12%, the top

earners during the recovery period (2009 - 2012) gained back over 31% of their income, while the rest of the population's income regained less than half of a percent at 0.4%. This explains why most Americans do not see a significant difference in economic opportunities.

There is a problem when America's income belongs to just one out of every 100 people. The campaigns to raise the minimum wage is continuing to take on momentum and was seen in action just this past summer (2013) as fast food workers went on strike in New York for higher wages (USA Today). This is the beginning of people becoming frustrated that they are making only \$7.25 per hour while corporations like McDonald's profits have grown over 130% in the last four years (Rugh). The fear is that people will not be able to break the cycle of poverty and will continue to be dependent on social programs to help pay for basic needs such as utilities, healthcare, childcare, and food. Personal ownership of this economic dilemma is necessary to enact social change which may be the best defense. If this trend continues the wealth and economic gap will become even wider and social unrest is inevitable (USA Today, Growing wealth gap opens gate to social unrest). The prospect of realizing the American dream for some is becoming just that, only a dream.

President Obama realizes the wealth and economic disparity in this country is something that needs to be addressed and remedied. In a December 2013 speech he expresses goals of implementing changes such as pushing forward to increase minimum wages, education opportunities and enacting immigration reform which may help put a small dent in this huge problem (Goldfarb). The fact that the President recognizes there is a problem in this

area does provide a small measure of comfort. However, when such a small percentage of people hold so much wealth the fight to retain the power and the control it yields is a fierce one. The constant bickering between Republicans and Democrats has resulted in a divided nation which further undermines potential changes.

Americans overall are aware of and unhappy about the wealth gap between the rich and the working poor. Based on a nonpartisan fact tank Pew Research Center study, 61% of Americans feel that the distribution of wealth is unfair, only 35% disagreed. When the survey asked if America was biased towards the wealthy, working poor agreed by high percentages, but surprisingly 52% of high income earners thought so too. When asked if the wealth inequities were a significant problem, 36% of higher income earning respondents said yes, while only 14% of the 1% respondents said yes (Desilver). Clearly, while low and middle class Americans experience the impact of unfair wealth distribution, those that have the wealth don't see a problem and want to keep it. This wealth divide is also evident among Democrats and Republicans, as over half of Republicans feel the economic system is fair and three-fourths of the Democrats feel that it is not (Saez). The goal is to somehow bring these two opinions together to form a plan that would somehow help everyone. Denying that there is a crisis between the poor and the rich will eventually cause social havoc and uprising, should the disparity between these two groups continue.

The evidence shows that financial inequity is a fact. Questionable is how did it reach these proportions. Less than 50% of the net income is earned by working class Americans. This is the lowest net income earning in history. A <https://assignbuster.com/financial-gap-between-the-1-and-99/>

2014 article in the Nation's Newspaper, USA Today notes that the breakdown of the traditional family may be a contributing factor. Over 28% of American births were to single mothers in 1990 and in 2008 that number rose to over 40% (USA Today, Widening wealth gap defies simple solutions). However a larger contributor is technology advances resulting in the loss of jobs. While America's wealthy have found ways to increase their bottom line doing business differently by outsourcing, depressing wages, and increasing the cost of goods and services the working poor have not. Even as the message becomes evident that education is a key remedy against poverty, the cost of it has skyrocketed along with everything else.

There are two inequitable strategies, income disparity and wealth disparity. For the wealthiest only 19% of the monies actually comes from earned income, the other revenue is from investments, bonds, stock dividends, etc. (Domhoff). This positions the wealthiest with access to resources to carry out their own goals and endeavors. Their interest in America's corporations allow them to keep the senior officers happy, all the while encouraging practices to hinder economic growth in the working sector. Much of the income disparity had been created by the exponential growth of the incomes of the executive officer salaries in America's corporations. Many have moved into the 1% category earning upwards of three million dollars annually (Domhoff).

The solution to equalize earning potential is a complex and difficult one. There are no simple ones. However, it does help that the problem is identified and that people have acknowledged this issue and are paying attention to this unjust and unfair dilemma. There seems to be something inherently wrong that the richest nation in the world has citizens who are

concerned with obtaining the basic necessities such as food and shelter.

Some of the working poor are in a vacuum of poverty. Will taxpayers be able to support the growing number of citizens depending on the government for assistance on a long term basis? This is a real concern of the twenty-first century. No one has come up with a real formula to tighten the gap and the concern is that if it continues to widen it may *force* political change.

Americans should not question their access to upward economic mobility, it should be a given. Hard work usually produces successful results. These one-percenters are in their position of wealth because the other ninety-nine percent keep the economy moving with buying and selling and using services. One-percenters have the power to initiate changes that will make a difference.

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