

Income Inequality in the US: The Impact on American Households

“Learn to do right; seek justice. Defend the oppressed. Take up the cause of the fatherless; plead the case of the widow.” Isaiah 1:17 (NIV)

Did you earn **less than** \$250,000 dollars last year? If so, the information in this article should concern you.

- In the first decade of the 21st century, the U.S. borrowed \$1 trillion in order to give tax cuts to households earning over \$250,000. *How much did you get?*
- Since 1990, CEO compensation has increased by 300%. Corporate profits have doubled. The average worker’s salary has increased 4%. Adjusted for inflation, the minimum wage has actually decreased. *How do your wages measure up?*
- Between 1979 and 2007, the wages of the top 1% rose 10 times more than the bottom 90 percent. *Did you get your share?*
- Over 20 percent of all American children live below the poverty line. This rate is higher than almost all other developed countries. *Do you want more for our children?*

By one measure, U.S. income inequality is the highest it has been since 1928. ([The Pew Research Center](#))

In 81 percent of American counties, the median income, about \$52,000, is less than it was **15 years ago**. This is despite the fact that the economy has grown 83 percent in the past quarter-century and corporate profits have doubled. American workers produce twice the amount of goods and services as 25 years ago, but earn less.

A skewed economy where average Americans don’t share in the gains produced by their labor doesn’t just hurt family balance sheets; it undermines the country’s economic growth and makes it harder for working families to get ahead. New research from the World Bank reveals that while rising income inequality may boost income growth for the rich, it actually **slows income growth for the poor**. A **recent study** released by the International Monetary Fund found that inequality undermines economic growth. ([Center for American Progress](#))

American workers’ wages, as a percent of the overall economy, have dropped to an historic low. ([The New York Times](#))

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Tax rates for the middle class have remained essentially unchanged since 1960. Tax rates on the highest earning Americans have plunged from an almost 70% tax rate in 1945 down to around 35% today. Corporate tax rates have dropped from 30 percent in the 1950s to under 10 percent. ([35 Soul-Crushing Facts about American Income Inequality](#)) Between 1979 and 2007, the wages of the top 1% rose **10 times more** than the bottom 90 percent.

Despite massive tax cuts, corporations have not created [new jobs](#) in America. The job creators have been small new businesses that have not enjoyed the same huge tax breaks.

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The black-white income gap in the U.S. has persisted. [\(The Pew Research Center\)](#)

The average white American's median wealth is [20 times higher](#) (\$113,000) than the average African American (\$5,600) and 18 times the Hispanic American (\$6,300).

Labor markets can provide economic security through earned income, employer-provided health coverage, paid leave and workplace retirement plans. But inequality in the labor market is responsible for 20% of the growth in the racial wealth gap in the last 25 years, and unemployment another 9%.

Unequal outcomes in the labor market can come from employment discrimination, geographic barriers to jobs and differing levels of social capital.

Additionally, black and Latino families earn a lower return on their incomes, meaning they are less able to turn each additional dollar of income into wealth. A white family will typically see a return of \$19.51 for each dollar earned, while a black family will see only \$4.80 in return and Latino families \$3.63. [\(The Racial Wealth Gap: Why a Typical White Household Has 16 Times the Wealth of a Black One\)](#)

Over 20 percent of all American children live below the poverty line. This rate is higher than almost all other developed countries. [\(National Center for Children in Poverty\)](#)

Success in school is difficult for children facing poverty. Income inequality and poverty greatly affect academic achievement. [\(The Opportunity Dodge\)](#)

School voucher programs which have become popular may actually harm the opportunities for children living in poverty to receive a quality education. [\(Why Vouchers Won't Fix Vegas Schools\)](#)

A college education is all but necessary to flourish in the labor market, establish financial stability and build wealth. But the gap in college attainment by whites versus blacks and Latinos has widened over the last decade. In 2011, 34% of whites completed a four-year college degree, whereas just 20% of blacks and 13% of Hispanics did.

48.8 million Americans—including 16.2 million children—live in households that lack the means to get enough nutritious food on a regular basis. As a result, they struggle with hunger at some time during the year. Hungry children do not learn as easily as children who are well-fed. [\(Hungry Children Aren't Getting the Resources They Need\)](#)

Public education plays a key role in growing the middle class and ensuring that all children, regardless of their backgrounds, have an opportunity to achieve at high levels. Unfortunately, the nation's current school finance system—primarily based on local property taxes in many places—exacerbates rather than improves resource disparities between high- and low-income communities. With income inequality continuing to rise and wealth becoming increasingly concentrated at the top of the income distribution, it is more critical than

ever for districts, states, and the federal government to take seriously their responsibility to provide an excellent education for all students. ([A Fresh Look at School Funding](#))

“Urban Gentrification” makes finding affordable housing difficult for low-wage earners. ([The Huffington Post](#))

The "development" of urban centers means the displacement of low and moderate-income long-time residents along with new housing and amenities for the rich. A first step in ending the growing economic inequality, which is deeply tied to ongoing racial inequality, is to stop this displacement.

“Urban gentrification” is occurring as close to home as Winston-Salem, North Carolina. Developers have submitted plans that call for razing the 92 historic apartment buildings of Ardmore Terrace and Cloverdale Apartments in the Ardmore community and replacing them with 15 larger three-story apartment buildings. ([Plan would Raze Cloverdale and Ardmore Terrace Apartments](#))

Americans are relatively unconcerned about the wide income gap between rich and poor. ([The Pew Research Center](#))

Americans in the upper fifth of the income distribution earn 16.7 times as much as those in the lowest fifth — by far the widest such gap among the 10 advanced countries in the Pew Research Center’s 2013 global attitudes survey. Yet **barely half** (47%) of Americans think the rich-poor gap is a very big problem. Among advanced countries, only Australians expressed a lower level of concern; however, in Australia the top fifth earned just 2.7 times the income of the bottom fifth. Citizens of countries across the globe are becoming disturbed about rising inequality. ([With 41% of global wealth in the hands of less than 1%, elites and citizens agree inequality is a top priority](#))

Despite the fact that congressional leaders have expressed concern regarding rising income inequality in the United States, some members of Congress continue to promote policies that would advance this economic trend. The House and Senate recently passed their budget resolutions for fiscal year 2016. These proposals call for a repeal of the Affordable Care Act as well as steep cuts in funding to social safety net programs and a freeze on Pell Grant awards. These cuts would have devastating effects on low-income families and people of color, worsening existing gaps in health insurance coverage, income, and educational attainment and increasing current levels of inequality.

The income gap is a spiritual issue that should concern all people of faith.

Since Christians believe that all people are made in God’s image, their historic stance has been that all people are precious in God’s sight. Christian denominations such as the Quakers were some of the first to campaign for women's rights; they became leaders in the anti-slavery movement, and they were among the first to pioneer humane treatment for individuals with mental illness, and for prisoners.

Islam teaches that the community is responsible to care for the less able **within the community**. Islam not only requires the fulfillment of everyone’s basic needs, primarily through a respectable source of earning, but also emphasizes an equitable distribution of income and wealth so that, in the words of the Holy Qur’an, “Wealth does not circulate only among your rich.” (59:7) ([Equitable Distribution of Wealth: The Economic System of Islam](#))

Giving to the poor is an obligation for believers in the [Jewish community](#). Tzedakah is the Hebrew word for charity. The word "tzedakah" is derived from the Hebrew root Tzadei-Dalet-Qof, meaning righteousness, justice or fairness. In Judaism, giving to the poor is not viewed as a generous, magnanimous act; it is simply an act of justice and righteousness, the performance of a duty, giving the poor their due. ([Tzedakah: Charity](#))

The 21st century brings new challenges for people of faith in their struggle to win equal opportunities for all people. The first duty for concerned individuals is to become informed. Faithful people are encouraged to do additional research on income inequality and to seek ways to ameliorate its impact on American households. Voting for candidates at the local, state, and national levels whose agendas include plans for narrowing the income inequality gap is a first step in creating more equitable income distribution.

Queries for Considering My Role

- *Am I mindful of how my lifestyle and my investments can contribute to the improvement of the human condition, or to the exploitation of others?*
- *How do I work to overcome social, legal, economic, and political injustices?*
- *What actions am I taking to assure everyone has equal access to education, housing, and employment?*

Additional Information:

America's wealth gap between middle-income and upper-income families is widest on record

<http://www.pewresearch.org/fact-tank/2014/12/17/wealth-gap-upper-middle-income/>

A stagnating minimum wage has led to increased wage inequality

<http://www.epi.org/chart/cooper-snapshot-federal-minimum-wage-as-a-percentage-of-the-average-u-s-production-worker-wage-1964-2014/>

Center for American progress

<https://www.americanprogress.org/>

Growing apart: A political history of American inequality

<http://scalar.usc.edu/works/growing-apart-a-political-history-of-american-inequality/index>

Investing in millennials through an economy that works for all

<https://www.americanprogress.org/issues/poverty/report/2015/09/09/120777/investing-in-millennials-through-an-economy-that-works-for-all/>

Runaway CEO pay in 30 seconds (Video)

<http://www.epi.org/multimedia/runaway-ceo-pay-30-seconds/>

Talk poverty.org

<http://talkpoverty.org/>

NC Peace Resource Center (ncpeaceresource.org)

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