2: MODERN INDIA

Source:
Lace, Edward. *In Spite of the Gods: The Strange Rise of Modern India*. New York: Doubleday, 2007.

Less than 10 percent of India's dauntingly large labor force is employed in the formal economy, which Indians call the "organized sector." That means that fewer than 40 million people, out of a total of 470 million workers, have job security in any meaningful sense. It means that only about 35 million Indians pay any kind of income tax, a low proportion by the standards of other developing countries. The rest, in more senses than one, are in the "unorganized economy." They are milking the family cow; making up the seasonal armies of mobile casual farmworkers; running small shops or street-side stalls; making incense sticks and bidis; driving rickshaws, working as maids, gardeners, and nightwatchmen; and bashing metal as mechanics in small-town repair shops.

Of the roughly 35 million Indians with formal sector jobs, which are, to some extent or other, registered, monitored, measured, and audited, 21 million are direct employees of the government. These are the civil servants, the teachers, the postal workers, the soldiers, the coal miners, and the ticket collectors of the Indian government's lumbering network of offices, railway stations, factories, and schools.

This leaves just 14 million people working in the private "organized" sector. Of these, fewer than 1 million--that is, less than a quarter of 1 percent of India's total pool of labor--are employed in information technology, software, back-office processing, and call centers. Software is clearly helping to transform India's self-confidence and the health of its balance of payments situation with the rest of the world. But India's IT sector is not, and is never likely to be, an answer to the hopes of the majority of India's job-hungry masses. Nor do foreign companies employ large numbers of Indians--estimates vary between 1 and 2 million people, depending on the definition of a foreign company. The remainder in the organized sector are employees of Indian private sector companies.

Understanding the difference between organized and unorganized India is the key to understanding why India's economy is so peculiar: at once confident and booming yet unable to provide secure employment to the majority of its people. Contrary to much of conventional wisdom in the West, which often, quite wrongly, sees Indian employees of foreign multinationals as exploited sweatshop labor, the 14 million who work either for Indian or foreign private companies are the privileged few--India's aristocracy of labor. In 1983...the average labor productivity of the worker in the private organized sector was six times that of his counterpart in the unorganized sector. By 2000 that gap had risen to nine times. The gap in earnings was similar. This is a world of difference. Crossing from one world to the other takes good education and skills, or a huge dose of luck. It does not happen often enough.

Source:

Abi Habib, Maria, and Sameer Yasir. "India's Coronavirus Lockdown Leaves Vast Numbers Stranded and Hungry." *The New York Times*. March 29, 2020. https://www.nytimes.com/2020/03/29/world/asia/coronavirus-india-migrants.html.

NEW DELHI — In one of the biggest migrations in India's modern history, hundreds of thousands of migrant laborers have begun long journeys on foot to get home, having been rendered homeless and jobless by Prime Minister Narendra Modi's nationwide lockdown to contain the spread of the coronavirus.

With businesses shut down in cities across the country, vast numbers of migrants — many of whom lived and ate where they worked — were suddenly without food and shelter. Soup kitchens in Delhi, the capital, have been overwhelmed. So far, more than a dozen migrant laborers have lost their lives in different parts of the country as they tried to return to their home, hospital officials said.

Thousands of migrants in Delhi, including whole families, packed their pots, pans and blankets into rucksacks, some balancing children on their shoulders as they walked along interstate highways. Some planned to walk hundreds of miles. But as they reached the Delhi border, many were beaten back by the police.

"You fear the disease, living on the streets. But I fear hunger more, not corona," said Papu, 32, who came to Delhi three weeks ago for work and was now trying to return to his home in Saharanpur in the state of Uttar Pradesh, 125 miles away.

While dozens of countries across the world are under lockdown to contain the virus's spread, in crowded and impoverished places like India, many fear that the measures could spark social unrest. Millions of people live in Indian slums, and staying at home for three weeks — as Mr. Modi has ordered — is a daunting prospect in such places, where dozens of family members often share a few rooms.

Migrant laborers have been protesting the lockdown across India. On Saturday, thousands came out to the streets in the southern state of Kerala, saying they had not eaten in days. The authorities urged them to disperse for their own safety, but they ignored the commands.

As of Sunday morning, just one of India's 36 state and territorial governments, Uttar Pradesh, had made arrangements to bring migrants home, commissioning about 1,000 buses. On Saturday, migrants waited in lines miles long on the outskirts of Delhi to board a few buses, and the overwhelming majority were turned away.

But by Sunday afternoon, the central government had ordered states to reverse course and seal their borders, ordering migrants to stay where they are. The reversal added to the already confused rollout of the lockdown, which has prompted state government actions often at odds with the central government's orders. The police, often confused, have resorted to violence.

India already had one of the world's largest homeless populations, and the lockdown has swelled its numbers exponentially, workers for nongovernmental organizations say. A 2011 government census put the number of homeless at 1.7 million, almost certainly a vast underestimate in this country of 1.3 billion, experts say.

Mr. Modi announced the lockdown, which includes a ban on interstate travel, with just four hours' notice on Tuesday, leaving the enormous migrant population stranded in big cities. Jobs lure at least 45 million people to cities from the countryside every year, according to government estimates.

Many of those migrants are fed and housed at the shops and construction sites where they work, and as businesses closed, hundreds of thousands — if not millions — were suddenly without their homes and a regular source of food.

A group of 13 men walking along a Delhi highway last week, bound for their homes in Uttar Pradesh, said they had not eaten in nearly two days. They had about $3 between them, they said.

"This may have been a good decision for the wealthy, but not those of us with no money," said Deepak Kumar, a 28-year-old truck driver, referring to the lockdown.

Sirens approached in the distance, and the men ran away, worried it was the police. It turned out to be an ambulance, and the men regrouped and set off again.

Aid workers warn that the situation could deteriorate into violence if the desperation increases and people continue to go without food.

Soup kitchens across Delhi are unable to cope with the demand, which aid workers estimate has tripled. Fights have been breaking out. The government has given the police no explicit policy for dealing with stranded migrants, and many officers have lashed out.

"In the absence of a clear policy, the migrants have been left to the whims of police. And there are instances where the police treat them inhumanely," said Ashwin Parulkar, a senior researcher for the Center for Policy Research in Delhi who studies India's homeless population.

Usually, the homeless are fed by India's array of religious institutions: Hindu temples, Sikh gurdwaras and mosques. But now, everything is closed, and shelters are feeling the strain.

"Every time we start distributing food, we are charged by the crowd," he said.

Safe Approach started an open-air soup kitchen in northeast Delhi last week. It now serves 8,000 people. As people lined up for food there on Thursday, police cars circled, sirens blaring.

"Leave this place! Go inside. Separate! Separate! Maintain distance!" the police yelled through a loudspeaker.

As a group of men and boys, some disabled and hobbling on makeshift crutches, walked along the highway toward the soup kitchen, police officers suddenly began beating them with bamboo sticks. "Maintain social distance!" they yelled.

A boy of about 15 was hit in the mouth, his wails exposing his blood-soaked teeth. An angry crowd formed to console him. "Why would they do that!" screamed a man waiting for food. "He was walking here. Why would they treat us like this!"

Mr. Tripathi, the supervisor, turned to reporters. "Go, we cannot ensure your safety," he said.

Despite government orders to allow the transportation of essential items like food and medicine during the lockdown, vendors complain their delivery trucks are being harassed by the police and their stores forced to shut.

"I've never seen such desperation," said Ricky Chandael, a supervisor at another shelter. "Before, charitable people would come and donate to our shelter, but they can't reach us because of the lockdown. And every day, there are at least 100 new people showing up here for food."
As lunchtime neared and the crowd grew, Mr. Chandael, like Mr. Tripathi, advised reporters to leave for their safety.

On Thursday, the government announced a $22.5 billion relief package to support the millions made unemployed by the lockdown. But it is unclear how much that will help migrants and others in India's enormous off-the-books work force — believed to make up 80 percent of India's 470 million workers — who are likely to have trouble getting access to the benefits.

The aid, including cash and food handouts, is tied to registration in national labor databases, which omit many migrant workers, or a home address, which many migrants do not have.

Mr. Modi has said that shutting down for three weeks is India's only hope to prevent a devastating epidemic. As of Sunday, 980 people in the country had tested positive for the coronavirus, with 24 dead.

Supervisors at a shelter for women and children in Nizamuddin, a neighborhood in Central Delhi, said the government had given them soap for the first time, and that they were under orders to teach those seeking shelter about the coronavirus, and to force them to wash their hands and take showers.

"It's hard; they aren't used to washing all the time," said Rajesh Kumar, the shelter's supervisor.

The previous night, he said, about 70 women with dozens of children had started banging on the gate to the shelter, begging to be let in, saying they had been beaten by the police for sleeping on the road. But the shelter was full and Mr. Kumar had to turn them away.

Mr. Kumar said most homeless people he encountered had known nothing about the coronavirus, and had awakened one day to find the police shooing them off the streets, ordering them to practice social distancing — a new catchword in India, as in most of the world.

"But where do the homeless go?" he asked.

3: GLOBAL NORTH / GLOBAL SOUTH

Source:
Ellis, Elisabeth Gaynor, and Anthony Ellis. *World History: Connections to Today, The Modern Era*. Upper Saddle River, NJ: Prentice Hall, 1999.

Today, an economic gulf divides the world into two spheres--the relatively rich nations of the global North and the relatively poor nations of the global South.

Rich nations

The global North includes the industrial nations of Western Europe and North America, as well as Japan and Australia. Most are located in the temperate zone north of the Equator. They control most of the world's wealth. Although pockets of poverty exist, the standard of living in the North is generally high. Most people are literate, earn adequate wages, and have basic health services. Rich nations have a lower birthrate and higher life expectancy than do the nations of the global South.

With a few exceptions, such as socialist Sweden, most rich nations have basically capitalist economies. Economic decisions about what to produce and for whom are generally regulated by the free market, not by the government. Still, their governments support economic growth through transportation and communication systems, public education, and social services.

Poor nations

The global South refers to the developing world. Most of these nations lie in Asia, Africa, and Latin America in the zone between the tropics of Cancer and Capricorn. The South has three quarters of the world's population and much of its natural resources. Some nations have enjoyed strong growth, especially the Asian "tigers"--Taiwan, Hong Kong, Singapore, and South Korea--and the oil-exporting nations of the Middle East. Overall, though, the global South remains generally poor and underdeveloped.

For most people in the developing world, life is a daily struggle for survival. About one billion people worldwide live in extreme poverty. A World Bank report noted: "A disproportionate number of [the poor]--perhaps two in five--are children under ten, mainly in large families. More than three quarters of them live in rural areas, the rest in urban slums--but almost all in very crowded conditions."

Migration

Despite some growth, the gap between rich and poor nations is growing. The imbalance has created resentment and led to the migration of people from poor regions to wealthier countries. Every year, economic refugees, as well as refugees created by war, flood into Western Europe, North America, and Australia, hoping to find a better life. Millions of other refugees, however, remain in...countries close to their homes.

Economic Interdependence

Rich and poor nations are linked by many trade and financial ties. The nations of the global North control much of the world's capital, trade, and technology. But they depend increasingly on low-paid workers in developing states to produce manufactured goods as inexpensively as possible. This shift in labor has led to a loss of manufacturing jobs in many western nations.

Huge **multinational corporations**, enterprises with branches in many countries, have invested in the developing world. They bring new technology to mining, agriculture, transportation, and other industries. Rich nations also provide aid, technical advisors, and loans.

At the same time, however, poor nations claim that the North has a stranglehold on the global economy. With their great buying power, rich countries control the prices of most goods and commodities produced by the South. Also, mulktinational corporations remove many profits from developing countries and often limit workers' attempts to seek higher wages. As a result, some emerging nations see interdependence as a new form of imperialism.

Source:

United Nations News. "Rising Inequality Affecting More Than Two-Thirds of the Globe, but It's Not Inevitable: New UN Report." Economic Development. January 21, 2020. https://news.un.org/en/story/2020/01/1055681.

Inequality is growing for more than 70 per cent of the global population, exacerbating the risks of divisions and hampering economic and social development. But the rise is far from inevitable and can be tackled at a national and international level, says a flagship study released by the UN on Tuesday.

The World Social Report 2020, published by the UN Department of Economic and Social Affairs (DESA), shows that income inequality has increased in most developed countries, and some middle-income countries - including China, which has the world's fastest growing economy.

The challenges are underscored by UN chief António Guterres in the foreword, in which he states that the world is confronting "the harsh realities of a deeply unequal global landscape", in which economic woes, inequalities and job insecurity have led to mass protests in both developed and developing countries.

"Income disparities and a lack of opportunities", he writes, "are creating a vicious cycle of inequality, frustration and discontent across generations."

'The one per cent' winners take (almost) all

The study shows that the richest one per cent of the population are the big winners in the changing global economy, increasing their share of income between 1990 and 2015, while at the other end of the scale, the bottom 40 per cent earned less than a quarter of income in all countries surveyed.

One of the consequences of inequality within societies, notes the report, is slower economic growth. In unequal societies, with wide disparities in areas such as health care and education, people are more likely to remain trapped in poverty, across several generations.

Between countries, the difference in average incomes is reducing, with China and other Asian nations driving growth in the global economy. Nevertheless, there are still stark differences between the richest and poorest countries and regions: the average income in North America, for example, is 16 times higher than that of people in Sub-Saharan Africa.

Four global forces affecting inequality

The report looks at the impact that four powerful global forces, or megatrends, are having on inequality around the world: technological innovation, climate change, urbanization and international migration.

Whilst technological innovation can support economic growth, offering new possibilities in fields such as health care, education, communication and productivity, there is also evidence to show that it can lead to increased wage inequality, and displace workers.

Rapid advances in areas such as biology and genetics, as well as robotics and artificial intelligence, are transforming societies at pace. New technology has the potential to eliminate entire categories of jobs but, equally, may generate entirely new jobs and innovations.

For now, however, highly skilled workers are reaping the benefits of the so-called "fourth industrial revolution", whilst low-skilled and middle-skilled workers engaged in routine manual and cognitive tasks, are seeing their opportunities shrink.

Opportunities in a crisis

As the UN's 2020 report on the global economy showed last Thursday, the climate crisis is having a negative impact on quality of life, and vulnerable populations are bearing the brunt of environmental degradation and extreme weather events. Climate change, according to the World Social Report, is making the world's poorest countries even poorer, and could reverse progress made in reducing inequality among countries.

If action to tackle the climate crisis progresses as hoped, there will be job losses in carbon-intensive sectors, such as the coal industry, but the "greening" of the global economy could result in overall net employment gains, with the creation of many new jobs worldwide.

For the first time in history, more people live in urban than rural areas, a trend that is expected to continue over the coming years. Although cities drive economic growth, they are more unequal than rural areas, with the extremely wealthy living alongside the very poor.

The scale of inequality varies widely from city to city, even within a single country: as they grow and develop, some cities have become more unequal whilst, in others, inequality has declined.

Migration a 'powerful symbol of global inequality'

The fourth megatrend, international migration, is described as both a "powerful symbol of global inequality", and "a force for equality under the right conditions".

Migration within countries, notes the report, tends to increase once countries begin to develop and industrialize, and more inhabitants of middle-income countries than low-income countries migrate abroad.

International migration is seen, generally, as benefiting both migrants, their countries of origin (as money is sent home) and their host countries.

In some cases, where migrants compete for low-skilled work, wages may be pushed down, increasing inequality but, if they offer skills that are in short supply, or take on work that others are not willing to do, they can have a positive effect on unemployment.

Harness the megatrends for a better world

Despite a clear widening of the gap between the haves and have-nots worldwide, the report points out that this situation can be reversed. Although the megatrends have the potential to continue divisions in society, they can also, as the Secretary-General says in his foreword, "be harnessed for a more equitable and sustainable world". Both national governments and international organizations have a role to play in levelling the playing field and creating a fairer world for all.

Reducing inequality should, says the report, play a central role in policy-making. This means ensuring that the potential of new technology is used to reduce poverty and create jobs; that vulnerable people grow more resilient to the effects of climate change; cities are more inclusive; and migration takes place in a safe, orderly and regular manner.

Three strategies for making countries more egalitarian are suggested in the report: the promotion of equal access to opportunities (through, for example, universal access to education); fiscal policies that include measures for social policies, such as unemployment and disability benefits; and legislation that tackles prejudice and discrimination, whilst promoting greater participation of disadvantaged groups.

While action at a national level is crucial, the report declares that "concerted, coordinated and multilateral action" is needed to tackle major challenges affecting inequality within and among countries.

The report's authors conclude that, given the importance of international cooperation, multilateral institutions such as the UN should be strengthened and action to create a fairer world must be urgently accelerated.

The UN's 2030 Agenda for Sustainable Development, which provides the blueprint for a better future for people and the planet, recognizes that major challenges require internationally coordinated solutions, and contains concrete and specific targets to reduce inequality, based on income.

4: CAPITALISM & DEMOCRACY

Source:

Muller, Jerry Z. "Capitalism and Inequality: What the Right and the Left Get Wrong." *Foreign Affairs*. March/April 2013.

Inequality is indeed increasing almost everywhere in the postindustrial capitalist world. But despite what many on the left think, this is not the result of politics, nor is politics likely to reverse it, for the problem is more deeply rooted and intractable than generally recognized. Inequality is an inevitable product of capitalist activity, and expanding equality of opportunity only increases it--because some individuals and communities are simply better able than others to exploit the opportunities for development and advancement that capitalism affords. Despite what many on the right think, however, this is a problem for everybody, not just those who are doing poorly or those who are committed to egalitarianism--because if left unaddressed, rising inequality and economic insecurity can erode social order and generate a populist backlash against the capitalist system at large.

Over the last few centuries, the spread of capitalism has generated a phenomenal leap in human progress, leading to both previously unimaginable increases in material living standards and the unprecedented cultivation of all kinds of human potential. Capitalism's intrinsic dynamism, however, produces insecurity along with benefits, and so its advance has always met resistance. Much of the political and institutional history of capitalist societies, in fact, has been the record of attempts to ease or cushion that insecurity, and it was only the creation of the modern welfare state in the middle of the twentieth century that finally enabled capitalism and democracy to coexist in relative harmony.

In recent decades, developments in technology, finance, and international trade have generated new waves and forms of insecurity for leading capitalist economies, making life increasingly unequal and chancier for not only the lower and working classes but much of the middle class as well. The right has largely ignored the problem, while the left has sought to eliminate it through government action, regardless of the costs. Neither approach is viable in the long run. Contemporary capitalist polities need to accept that inequality and insecurity will continue to be the inevitable result of market operations and find ways to shield citizens from their consequences--while somehow still preserving the dynamism that produces capitalism's vast economic and cultural benefits in the first place.

https://time.com/5888024/50-trillion-income-inequality-america/

The Top 1% of Americans Have Taken $50 Trillion From the Bottom 90%—And That's Made the U.S. Less Secure

BY **NICK HANAUER** AND **DAVID M. ROLF** SEPTEMBER 14, 2020 9:30 AM EDT

Hanauer is an entrepreneur and a venture capitalist, the founder of the public-policy incubator Civic Ventures, and the host of the podcast Pitchfork Economics.

Rolf is Founder and President Emeritus of SEIU 775 and the author of The Fight for Fifteen (New Press, 2016)

Like many of the virus's hardest hit victims, the United States went into the COVID-19 pandemic wracked by preexisting conditions. A fraying public health infrastructure, inadequate medical supplies, an employer-based health insurance system perversely unsuited to the moment—these and other afflictions are surely contributing to the death toll. But in addressing the causes and consequences of this pandemic—and its cruelly uneven impact—the elephant in the room is extreme income inequality.

How big is this elephant? A staggering *$50 trillion*. That is how much the upward redistribution of income has cost American workers over the past several decades.

This is not some back-of-the-napkin approximation. According to a groundbreaking new working paper by Carter C. Price and Kathryn Edwards of the RAND Corporation, had the more equitable income distributions of the three decades following World War II (1945 through 1974) merely held steady, the aggregate annual income of Americans earning below the 90th percentile would have been $2.5 trillion higher in the year 2018 alone. That is an amount equal to nearly 12 percent of GDP—enough to more than double median income—enough to pay every single working American in the bottom nine deciles an additional $1,144 a month. Every month. Every single year.

Price and Edwards calculate that the cumulative tab for our four-decade-long experiment in radical inequality had grown to over $47 trillion from 1975 through 2018. At a recent pace of about $2.5 trillion a year, that number we estimate crossed the $50 trillion mark by early 2020. That's $50 trillion that would have gone into the paychecks of working Americans had inequality held constant—$50 trillion that would have built a far larger and more prosperous economy—$50 trillion that would have enabled the vast majority of Americans to enter this pandemic far more healthy, resilient, and financially secure.

As the RAND report [whose research was funded by the Fair Work Center which co-author David Rolf is a board member of] demonstrates, a rising tide most definitely did not lift all boats. It didn't even lift most of them, as nearly all of the benefits of growth these past 45 years were captured by those at the very top. And as the American economy grows radically unequal it is holding back economic growth itself.

Even inequality is meted out unequally. Low-wage workers and their families, disproportionately people of color, suffer from far higher rates of asthma, hypertension, diabetes, and other COVID-19 comorbidities; yet they are also far less likely to have health insurance, and far more likely to work in "essential" industries with the highest rates of coronavirus exposure and transmission. It is no surprise then, according to the CDC, that COVID-19 inflicts "a disproportionate burden of illness and death among racial and ethnic minority groups." But imagine how much safer, healthier, and empowered all American workers might be if that $50 trillion had been paid out in wages instead of being funneled into corporate profits and the offshore accounts of the super-rich. Imagine how much richer and more resilient the American people would be. Imagine how many more lives would have been saved had our people been more resilient.

It is easy to see how such a deadly virus, and the draconian measures required to contain it, might spark an economic depression. But look straight into the eyes of the elephant in the room, and it is impossible to deny the many ways in which our extreme inequality—an exceptionally American affliction—has made the virus more deadly and its economic consequences more dire than in any other advanced nation. Why is our death toll so high and our unemployment rate so staggeringly off the charts? Why was our nation so unprepared, and our economy so fragile? Why have we lacked the stamina and the will to contain the virus like most other advanced nations? The reason is staring us in the face: a stampede of rising inequality that has been trampling the lives and livelihoods of the vast majority of Americans, year after year after year.

Of course, America's chronic case of extreme inequality is old news. Many other studies have documented this trend, chronicled its impact, and analyzed its causes. But where others have painted the picture in terms of aggregate shares of GDP, productivity growth, or other cold, hard statistics, the RAND report brings the inequality price tag directly home by denominating it in dollars—not just the aggregate $50 trillion figure, but in granular demographic detail. For example, are you a typical Black man earning $35,000 a year? You are being paid at least $26,000 a year *less* than you would have had income distributions held constant. Are you a college-educated, prime-aged, full-time worker earning $72,000? Depending on the inflation index used (PCE or CPI, respectively), rising inequality is costing you between $48,000 and $63,000 a year. But **whatever your race, gender, educational attainment, urbanicity, or income, the data show, if you earn below the 90th percentile, the relentlessly upward redistribution of income since 1975 is coming out of your pocket.**

As Price and Edwards explain, from 1947 through 1974, real incomes grew close to the rate of per capita economic growth across all income levels. That means that for three decades, those at the bottom and middle of the distribution saw their incomes grow at about the same rate as those at the top. This was the era in which America built the world's largest and most prosperous middle class, an era in which inequality between income groups steadily shrank (even as shocking inequalities between the sexes and races largely remained). But around 1975, this extraordinary era of broadly shared prosperity came to an end. Since then, the wealthiest Americans, particularly those in the top 1 percent and 0.1 percent, have managed to capture an ever-larger share of our nation's economic growth—in fact, almost all of it—their real incomes skyrocketing as the vast majority of Americans saw little if any gains.

What if American prosperity had continued to be broadly shared—*how much more would a typical worker be earning today?* Once the data are compiled, answering these questions is fairly straightforward. Price and Edwards look at real taxable income from 1975 to 2018. They then compare actual income distributions in 2018 to a counterfactual that assumes incomes had continued to keep pace with growth in per capita Gross Domestic Product (GDP)—a 118% increase over the 1975 income numbers. Whether measuring inflation using the more conservative Personal Consumption Expenditures Price Index (PCE) or the more commonly cited Consumer Price Index for all Urban Consumers (CPI-U-RS), the results are striking.

Income Distribution for All Adults with Income, in 2018 Dollars (PCE)

	1975	2018	Counterfactual
25th %	$9,000	$15,000	$20,000
Median	$26,000	$36,000	$57,000
75th %	$46,000	$65,000	$100,000
90th %	$65,000	$112,000	$142,000
95th %	$80,000	$164,000	$174,000
99th %	$162,000	$491,000	$353,000
Top 1% Mean	$252,000	$1,160,000	$549,000

Data Source: RAND; Graphics: Mary Traverse for Civic Ventures

At every income level up to the 90th percentile, wage earners are now being paid a fraction of what they would have had inequality held constant. For example, at the median individual income of $36,000, workers are being shortchanged by $21,000 a year—$28,000 when using the CPI—an amount equivalent to an *additional* $10.10 to $13.50 an hour. But according to Price and Edwards, this actually understates the impact of rising inequality on low- and middle-income workers, because much of the gains at the bottom of the distribution were largely "driven by an increase in hours not an increase in wages." To adjust for this, along with changing patterns of workforce participation, the researchers repeat their analysis for full-year, full-time, prime-aged workers (age 25 to 54). These results are even more stark: **"Unlike the growth patterns in the 1950s and 60s," write Price and Edwards, "the majority of full-time workers did not share in the economic growth of the last forty years."**

Income Distribution for Full-Year, Full-Time, Prime-Aged Workers in 2018 Dollars (PCE)

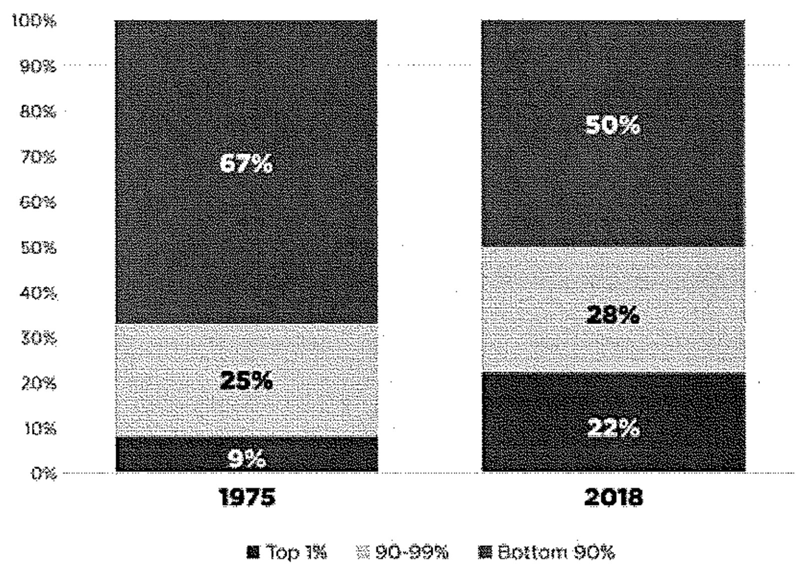
	1975	2018	Counterfactual
25th %	$28,000	$33,000	$61,000
Median	$42,000	$50,000	$92,000
75th %	$58,000	$81,000	$126,000
90th %	$77,000	$133,000	$168,000
95th %	$91,000	$191,000	$198,000
99th %	$257,000	$761,000	$560,000
Top 1% Mean	$289,000	$1,384,000	$630,000

Data Source: RAND; Graphics: Mary Traverse for Civic Ventures

On average, extreme inequality is costing the median income full-time worker about $42,000 a year. Adjusted for inflation using the CPI, the numbers are even worse: half of all full-time workers (those at or below the median income of $50,000 a year) now earn less than half what they would have had incomes across the distribution continued to keep pace with economic growth. And that's per worker, not per household. At both the 25th and 50th percentiles, households comprised of a married couple with one full-time worker earned thousands of dollars less in 2018 dollars than a comparable household in 1975—and $50,000 and $66,000 less respectively than if inequality had held constant—a predicament compounded by the rising costs of maintaining a dignified middle-class life. **According to Oren Cass, executive director of the conservative think tank American Compass, the median male worker needed 30 weeks of income in 1985 to pay for housing, healthcare, transportation, and education for his family. By 2018, that "Cost of Thriving Index" had increased to 53 weeks (more weeks than in an actual year). But the counterfactual reveals an even starker picture: In 2018, the combined income of married households with two full-time workers was barely more than what the income of a single-earner household would have earned had inequality held constant. Two-income families are now working twice the hours to maintain a shrinking share of the pie, while struggling to pay housing, healthcare, education, childcare, and transportations costs that have grown at two to three times the rate of inflation.**

This dramatic redistribution of income from the majority of workers to those at the very top is so complete that even at the 95th percentile, most workers are still earning less than they would have had inequality held constant. **It is only at the 99th percentile that we see incomes growing faster than economic growth**: at 171 percent of the rate of per capita GDP. But even this understates the disparity. **"The average income growth for the top one percent was substantially higher," write Price and Edwards, "at more than 300 percent of the real per capita GDP rate."** The higher your income, the larger your percentage gains. As a result, the top 1 percent's share of total taxable income has more than doubled, from 9 percent in 1975, to 22 percent in 2018, while **the bottom 90 percent have seen their income share fall, from 67 percent to 50 percent.** This represents a direct transfer of income—and over time, wealth—from the vast majority of working Americans to a handful at the very top.

Figure 2. Distribution of Taxable Income for 1975 to 2018



Data Source: RAND; Graphics: Mary Traverse for Civic Ventures

But given the changing demographic composition of the U.S. workforce, these topline numbers can only tell part of the story. The U.S. workforce is now better educated and more urban than it was in 1975. It is also far less white and male—with white men falling from over 60 percent of the prime-aged workforce in 1974 to less than 45 percent by 2018. These changes are important, because while there was far more equality between the income distributions in 1975, there was also more inequality *within* them—notably in regard to gender and race.

For example, in 1975, the median income of white women was only 31 percent of that of white men; by 2018 white women were earning 68 percent as much. Likewise, the median income of Black men as a share of their white counterparts' earnings rose from 74 percent in 1975, to 80 percent in 2018. **Clearly, income disparities between races, and especially between men and women, have narrowed since 1975, and that is a good thing. But unfortunately, much of the narrowing we see is more an artifact of four decades of flat or declining wages for low- and middle-income white men than it is of substantial gains for women and nonwhites.**

Median Income for Adults with Positive Earnings by Race-Gender (PCE)

	1975	2018	Counterfactual
All Groups	$26,000	$36,000	$57,000
White Men	$38,000	$44,000	$83,000
White Women	$15,000	$30,000	$33,000
Black Men	$28,000	$35,000	$61,000
Black Women	$15,000	$30,000	$33,000
Other Men	$32,000	$48,000	$70,000
Other Women	$19,000	$32,000	$41,000

Data Source: RAND; Graphics: Mary Traverse for Civic Ventures

Much has been made about white male grievance in the age of Trump, and given their falling or stagnant real incomes, one can understand why some white men might feel aggrieved. **White, non-urban, non-college educated men have the slowest wage growth in every demographic category.** But to blame their woes on competition from women or minorities would be to completely miss the target. In fact, ***white men still earn more* than white women at all income distributions, and substantially more than most non-white men and women.** Only Asian-American men earn higher. Yet there is no moral or practical justification for the persistence of any income disparity based on race or gender.

The counterfactuals in the table above appear vastly unequal because they extrapolate from the indefensible 1975-levels of race and gender inequality; they assume that inequality remained constant both between income distributions and *within* them—that women and nonwhites had not narrowed the income gap with white men. But surely, this cannot be our goal. In an economy freed from race and gender bias, and that shares the fruits of growth broadly across all income distributions, the most appropriate counterfactual for all the groups in this table would be the aggregate counterfactual for "All Groups": a median income of $57,000 a year for all adults with positive earnings ($92,000 for full-time prime-age workers). That would be the income for all workers at the 50th percentile, regardless of race or gender, had race and gender inequality within distributions been eliminated, and inequality between distributions not grown. By this measure we can see that **in real dollars, women and nonwhites have actually lost *more* income to rising inequality than white men, because starting from their disadvantaged positions in 1975, they had far more to potentially gain.** Per capita GDP grew by 118 percent over the following four decades, so there was plenty of new income to spread around. **That the majority of white men have benefited from almost none of this growth isn't because they have lost income to women or minorities; it's because they've lost it to their largely white male counterparts in the top 1 percent who have captured nearly all of the income growth for themselves.** According to economist Thomas Piketty, men accounted for 85 percent of the top income centile in the mid-2010s—and while he doesn't specify, these men are overwhelmingly *white*.

Thus, **by far the single largest driver of rising inequality these past forty years has been the dramatic rise in inequality *between white men*.**

The data on income distribution by educational attainment is equally revealing, in that it calls the lie on the notion of a "skills gap"—a dominant narrative that has argued that rising inequality is largely a consequence of a majority of American workers failing to acquire the higher skills necessary to compete in our modern global economy. If workers were better educated, this narrative argues, they would earn more money. Problem solved.

Indeed, at every income distribution, the education premium has increased since 1975, with the income of college graduates rising faster than their less educated counterparts. But this growing gap is more a consequence of falling incomes for workers without a college degree than it is of rising real incomes for most workers with one—for not only have workers without a degree secured none of the gains from four decades of economic growth, below the 50th percentile they've actually seen their real incomes *decline*. College educated workers are doing better. The median real income for full-time workers with a four-year degree has grown from $55,000 a year in 1975 to $72,000 in 2018. But that still falls far short of the $120,000 they'd be earning had incomes grown with per capita GDP. Even at the 90th percentile, a college educated full-time worker making $191,000 a year is earning less than 78 percent what they would have had inequality held constant.

The reality is that American workers have never been more highly educated. In 1975, only 67 percent of the adult US workforce had a high school education or better, while just 15 percent had earned a four-year college degree. By 2018, 91 percent of adult workers had completed high school, while the percentage of college graduates in the workforce had more than doubled to 34 percent. In raw numbers, the population of adult workers with a high school education or less has fallen since 1975, while the number of workers with a four-year degree has more than quadrupled.

Number of Adults with Income (in Millions) by Level of Education

	1975	2018	% Change
Less than High School	44.5	22.6	-49%
High School	51.4	68.7	34%
Some College	21.1	67.2	218%
College	19.5	83.4	328%

Data Source: RAND; Graphics: Mary Traverse for Civic Ventures

It is impossible to argue that a "skills gap" is responsible for rising income inequality when the rate of educational attainment is rising faster than the rate of growth in productivity or per capita GDP. Yes, workers with college degrees are doing better than those without; the economy we've built over the past 45 years has been more unequal to some than to others. But below the 90th percentile, even college graduates are falling victim to a decades-long trend of radical inequality that is robbing them of most of the benefits of economic growth.

The iron rule of market economies is that we all do better when we all do better: when workers have more money, businesses have more customers, and hire more workers. Seventy percent of our economy is dependent on consumer spending; the faster and broader real incomes grow, the stronger the demand for the products and services American businesses produce. This is the virtuous cycle through which workers and businesses prospered together in the decades immediately following World War II. But as wages stagnated after 1975, so too did consumer demand; and as demand slowed, so did the economy. A 2014 report from the OECD estimated that rising income inequality knocked as much 9 points off U.S. GDP growth over the previous two decades—a deficit that has surely grown over the past six years as inequality continued to climb. That's about $2 trillion worth of GDP that's being frittered away, year after year, through policy choices that intentionally constrain the earning power of American workers.

COVID-19 may have triggered our current crisis, but it wasn't its only cause. For **even had our political leaders done everything right in the moment, our response to the pandemic would still have been mired in the footprint of extreme inequality: a $50 trillion upward redistribution of wealth and income—$297,000 per household—that has left our families, our economy, and our democracy far less capable of fighting this virus than in other advanced nations.** This is the America that stumbled into the COVID-19 pandemic and the economic catastrophe it unleashed: An America with an economy $2 trillion smaller and a workforce $2.5 trillion a year poorer than they otherwise would be had inequality held constant since 1975. **This is an America in which 47 percent of renters are cost burdened, in which 40 percent of households can't cover a $400 emergency expense, in which half of Americans over age 55 have no retirement savings at all. This is an America in which 28 million have no health insurance, and in which 44 million underinsured Americans can't afford the deductibles or copays to use the insurance they have.** This is an America that recklessly rushed to reopen its economy in the midst of a deadly pandemic because businesses were too fragile to survive an extended closure and workers too powerless and impoverished to defy the call back to work.

There are some who blame the current plight of working Americans on structural changes in the underlying economy—on automation, and especially on globalization. According to this popular narrative, the lower wages of the past 40 years were the unfortunate but necessary price of keeping American businesses competitive in an increasingly cutthroat global market. But **in fact, the $50 trillion transfer of wealth the RAND report documents has occurred entirely *within* the American economy, not between it and its trading partners.** No, **this upward redistribution of income, wealth, and power** wasn't inevitable; ***it was a choice***—a direct result of the trickle-down policies *we chose* to implement since 1975.

We chose to cut taxes on billionaires and to deregulate the financial industry. *We chose* to allow CEOs to manipulate share prices through stock buybacks, and to lavishly reward themselves with the proceeds. *We chose* to permit giant corporations, through mergers and acquisitions, to accumulate the vast monopoly power necessary to dictate both prices charged and wages paid. *We chose* to erode the minimum wage and the overtime threshold and the bargaining power of labor. For four decades, we chose to elect political leaders who put the material interests of the rich and powerful above those of the American people.

Other nations are suffering less from COVID-19 because they made better choices, and the good news is that America can, too. Economics is a choice. We could choose to raise the federal minimum wage to $15 or $20 an hour and peg it to productivity growth like in the decades before 1975. We could choose to revalue work so that the majority of Americans once again earn time-and-a-half pay for every hour worked over 40 hours a week. We could choose to provide affordable high-quality healthcare, childcare, and education to all Americans, while modernizing our social insurance and retirement systems so that contract and gig workers aren't left out and left behind. We could choose to make it easier for workers to organize, and to defend the rights and interests of those who can't. We could choose to build a more equitable, resilient, and prosperous America—an America that grows its economy by intentionally including every American in it. But given our nation's radical redistribution of wealth and power these past 40 years, it won't be easy.

What American workers need are multiple simultaneous experiments in rebuilding worker power, from tweaking existing labor laws to sectoral bargaining to the creation of whole new trade associations and broad-based not-for-profit organizations. For example, imagine an AARP for all working Americans, relentlessly dedicated to both raising wages and reducing the cost of thriving—a mass membership organization so large and so powerful that our political leaders won't dare to look the other way. Only then, by matching power with power, can we clear a path to enacting the laws and policies necessary to ensure that that trickle-down economics never threatens our health, safety, and welfare again.

There is little evidence that the current administration has any interest in dealing with this crisis. Our hope is that a Biden administration would be historically bold. But make no mistake that both our political and economic systems will collapse absent solutions that scale to the enormous size of the problem. The central goal of our nation's economic policy must be nothing less than the *doubling of median income*. We must dramatically narrow inequality between distributions while eliminating racial and gender inequalities within them. This is the standard to which we should hold leaders from both parties. To advocate for anything less would be cowardly or dishonest or both.