

# *Urban Poverty and Affluence*

*The Anatomy of Wealth  
and Poverty*

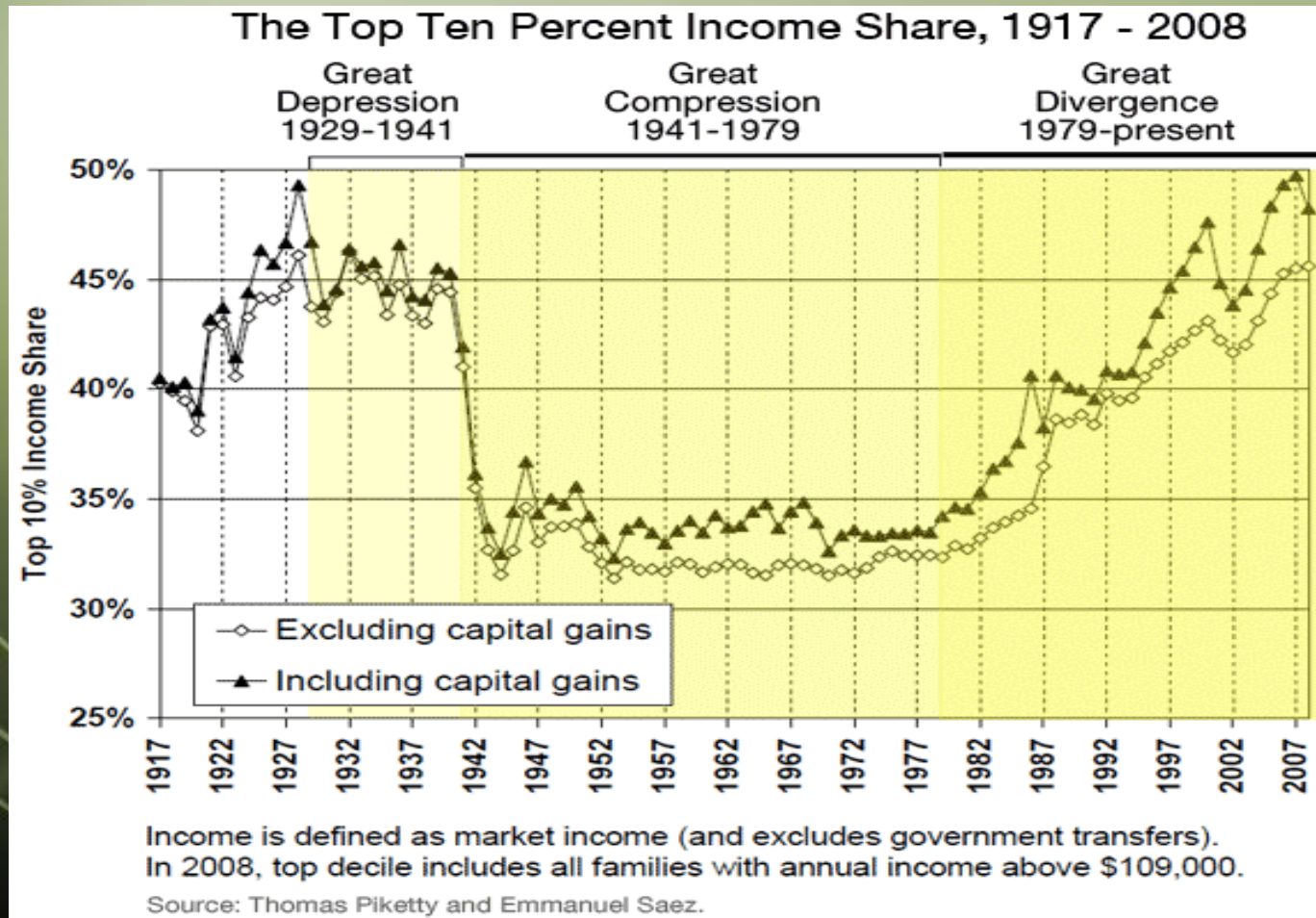
# *Income and Assets*

- ⊕ The wealth gap is the distance between rich and poor. It can be calculated in terms of income and/or assets.
  - ⊕ Income - wages earned by household members.
  - ⊕ Assets - stocks, bonds, cash, property, cars, houses and any item of economic value that could be converted to cash.

## *The Distribution of Income*

- Between 1980 and 2006, the incomes of the top .1% of households rose from \$5.4 million to \$29.6 million.
- The ordinary family's income *fell* by \$72.
- In 2007, the top 1% of households received 23.5% of the nation's total income.
- During those years, the income of the top 1% of households rose by 94%, more than 10 times faster than the income of the bottom 90% of households.
- Despite the financial crisis, the number of millionaires in the US rose a whopping 16% to 7.8 million in 2009.

# The United States of Inequality



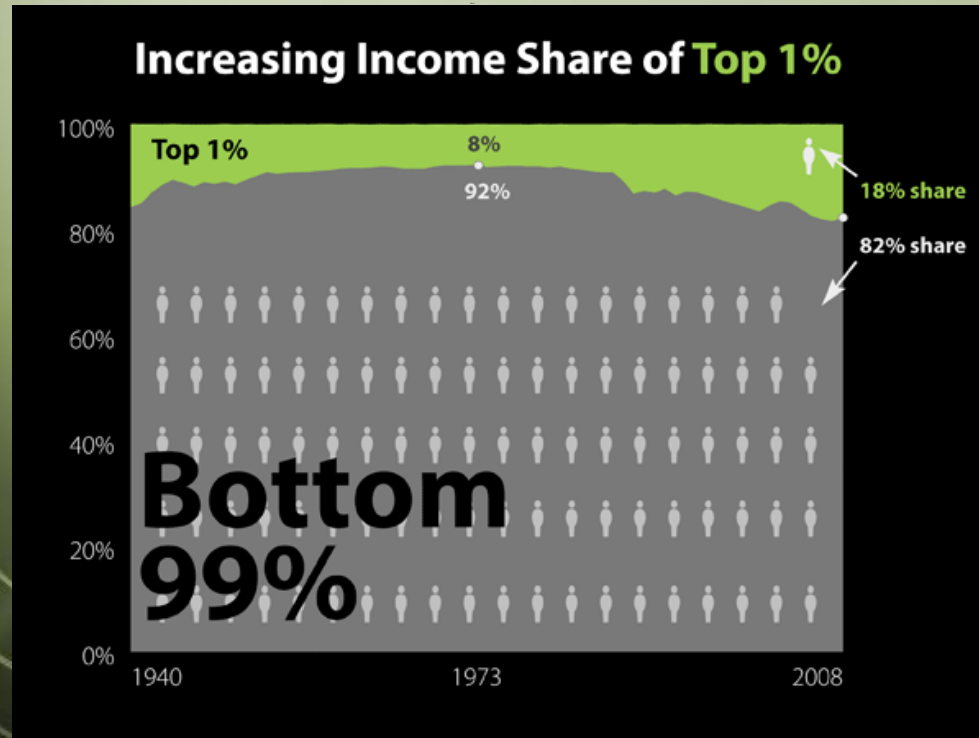
From Slate:

<http://www.slate.com/id/2266025/entry/2266026/>

During the 20<sup>th</sup> century, the United States experienced two major trends in income Distribution:

- From 1940 to 1973, incomes became more equal. The share taken by the very richest Americans (i.e., the top 1 percent and the top 0.1 percent) shrank.
- From 1979 to the present, incomes have become less equal. The share taken by the very richest Americans increased.

# *Stunning Rise in Income for Top 1%*

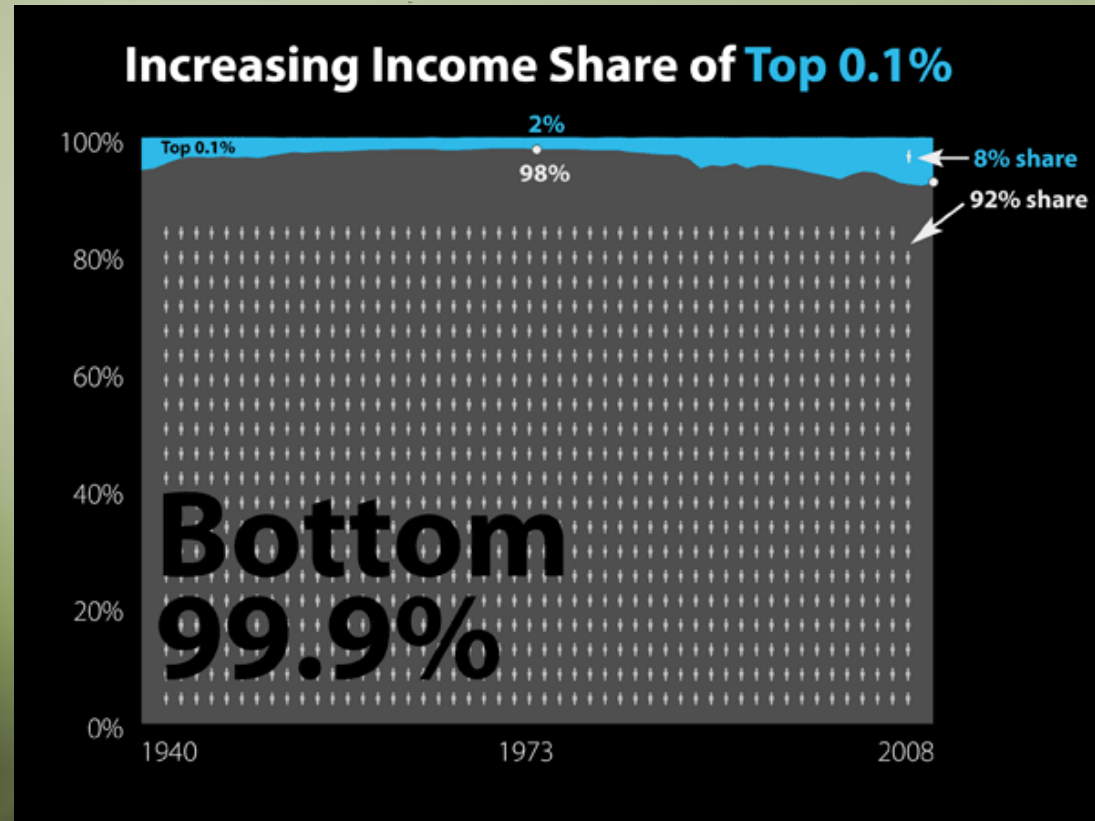


# Even More Stunning Rise by Top .1%

Since 1979, the top 1 percent's income share has more than doubled.

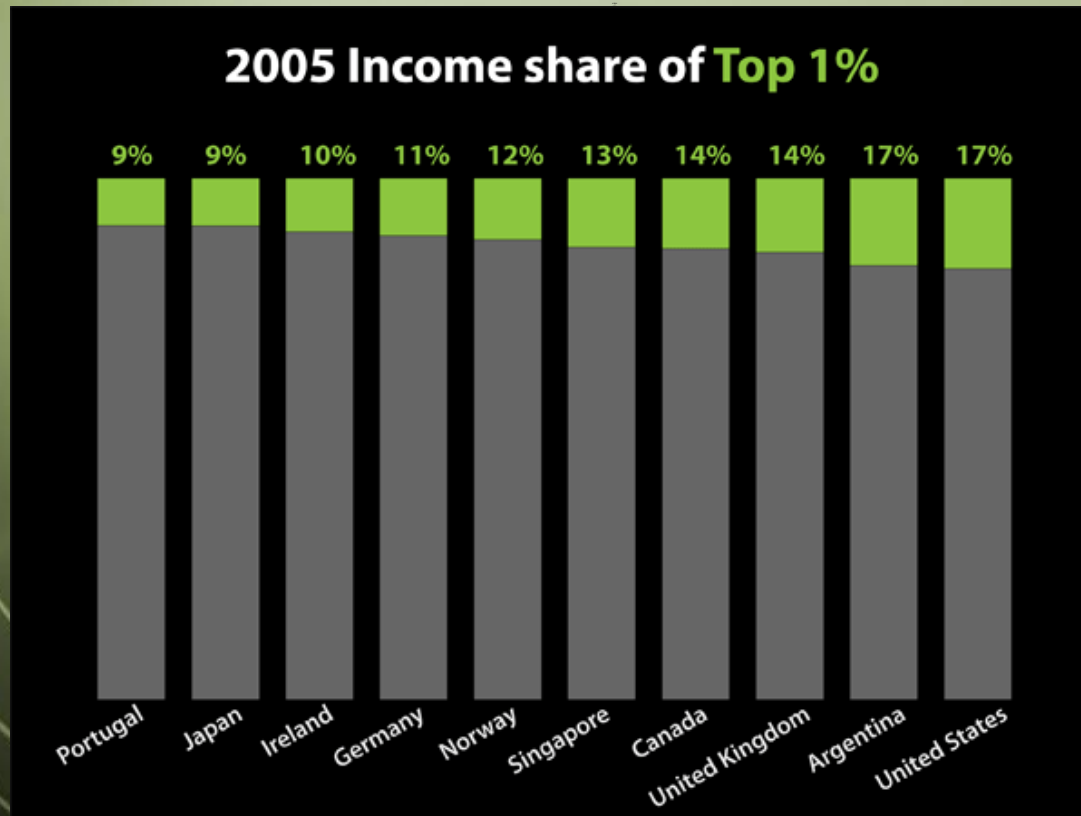
If the top 1 percent are the Rich, the top 0.1 percent (who today earn about \$1 million or more) are the Stinking Rich.

Since 1979, their income share has *quadrupled*.



Thomas Piketty and Emmanuel Saez.  
Chart by Catherine Mulbrandon of [VisualizingEconomics.com](http://VisualizingEconomics.com).

# *U.S. Compared to other Countries*



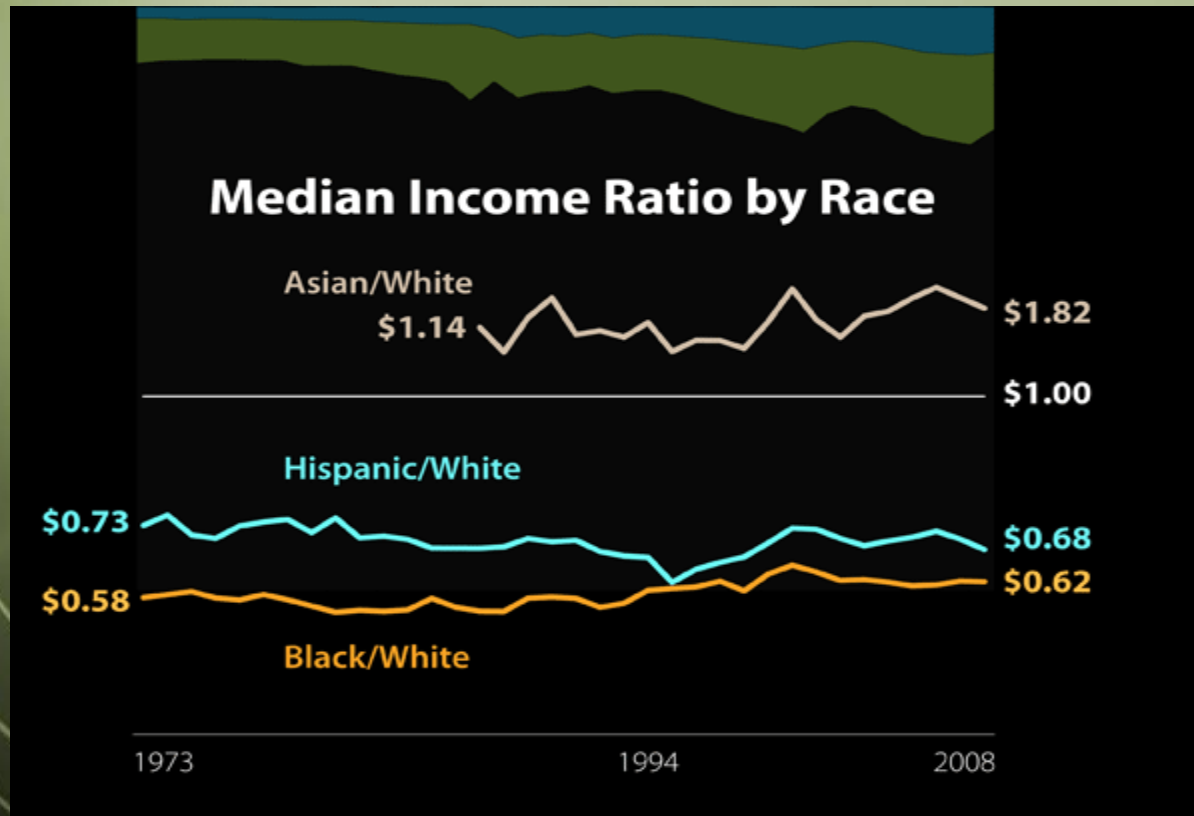
Sources: Anthony B. Atkinson, Thomas Piketty and Emmanuel Saez.  
Chart by Catherine Mulbrandon of [VisualizingEconomics.com](http://VisualizingEconomics.com).



## *In NYC...*

- ⊕ NYC-area gap between rich & poor is the largest in the nation
- ⊕ According to QC's [Andrew A. Beveridge](#), the median income among New Yorkers in the top 5 percent was \$857,000, nearly twice the total income of those in the bottom 60 percent.
- ⊕ The top 20 percent made about 42 times as much as the bottom 20 percent.
- ⊕ In the Bronx, nearly 28 percent of residents — and 47 percent of its households headed by women with children — were living in poverty.

# Why the Bronx?



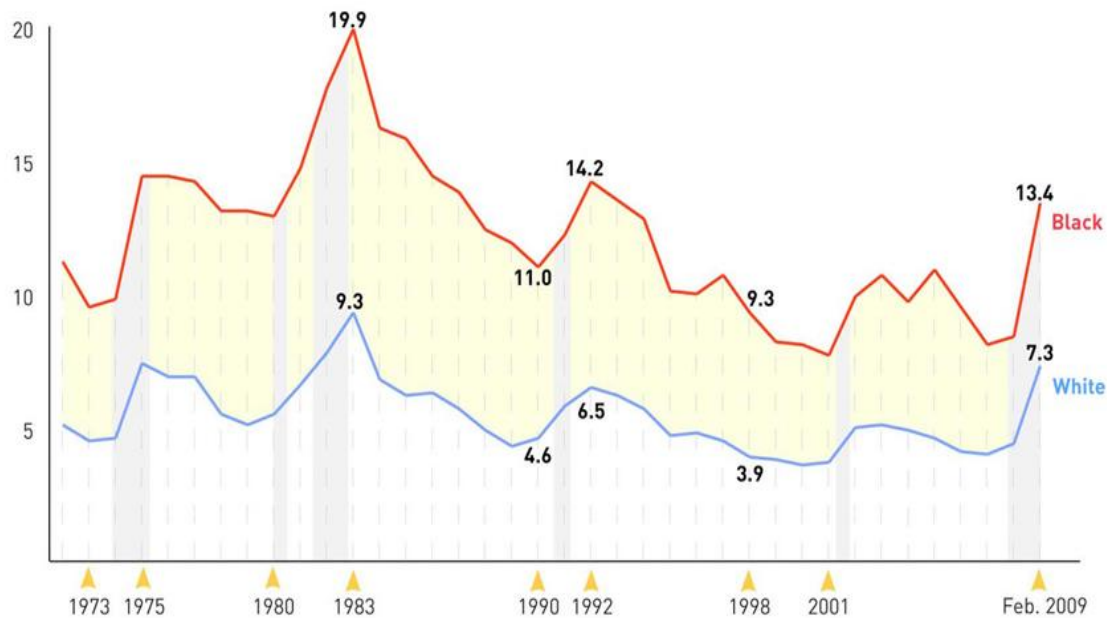
Source: Census Bureau.

Chart by Catherine Mulbrandon of [VisualizingEconomics.com](http://VisualizingEconomics.com).

# Unemployment Rates by Race

## UNEMPLOYMENT BY RACE, 1972-2009:

Comparison of February Unemployment Rates for Whites and Blacks, 1972-2009, Seasonally Adjusted



Periods of Recession in the US

Source: Current Population Survey, Bureau of Labor Statistics, 2009

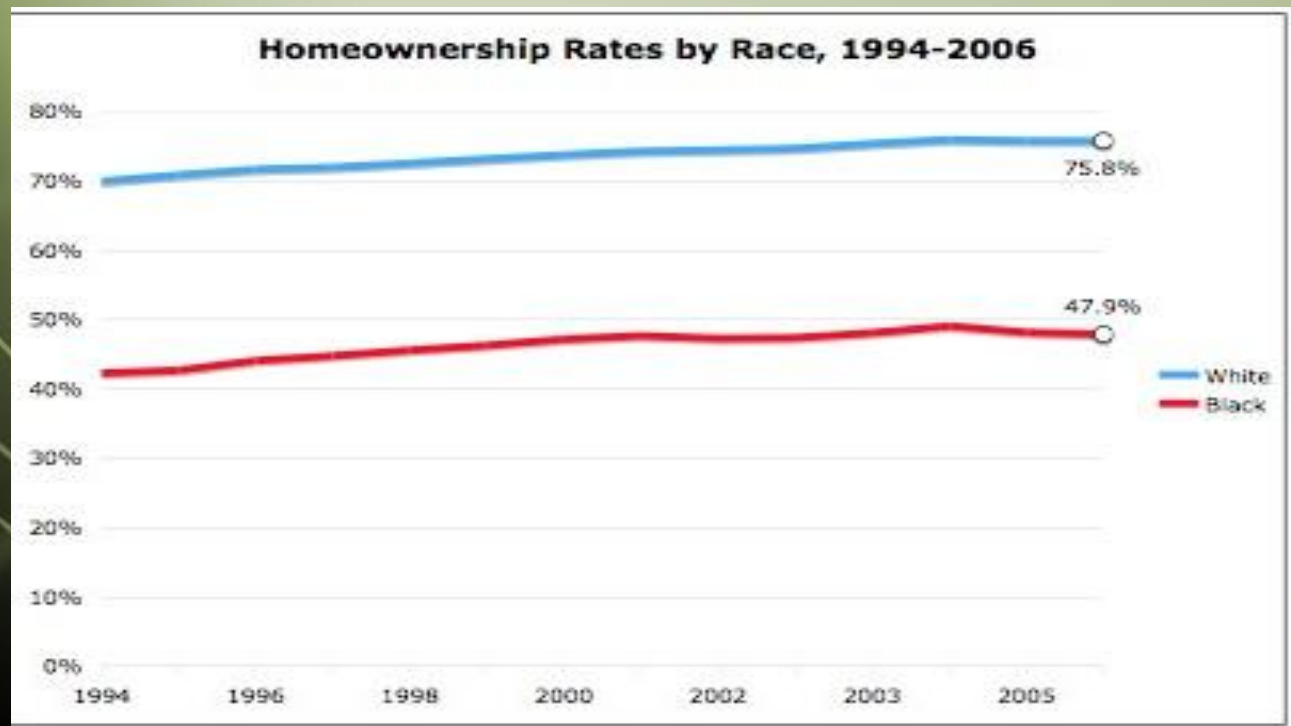
# *Assets*

According to Goldsmith and Blakely:

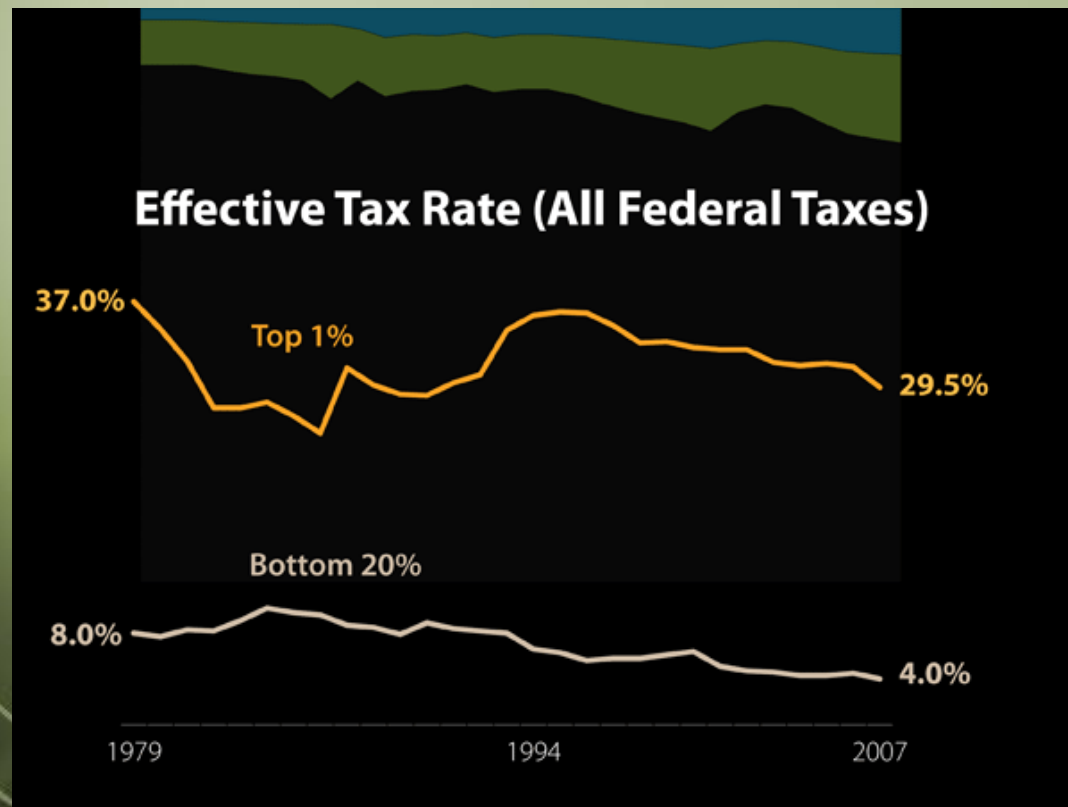
- ⊕ In 2002, white households had median net worth of \$87,000, 16x the median wealth of African American households and 16x that for Hispanic households
- ⊕ That's twice as high as comparable numbers a decade earlier.
- ⊕ One quarter of African American households have no net wealth and 42% have net assets worth less than \$10,000.
- ⊕ 15% of white families are this asset poor.

# Homeownership

- ⊕ In 2006 the black home ownership rate sat at 47 percent and the Latino at 49.7 percent, compared with 75 percent for whites.
- ⊕ Many of those homes were bought with subprime mortgages.



# *Effective Tax Rates – what people actually pay*



Source: Congressional Budget Office.

Chart by Catherine Mulbrandon of [VisualizingEconomics.com](http://VisualizingEconomics.com).

# *Mobility and Meritocracy*

- ⊕ Why don't Americans pay more attention to growing income disparity?
- ⊕ One reason may be our enduring belief in social mobility.
- ⊕ Is the U.S. a meritocracy?, a country where people are judged on their individual abilities rather than their family connections?

# *Declining Mobility*

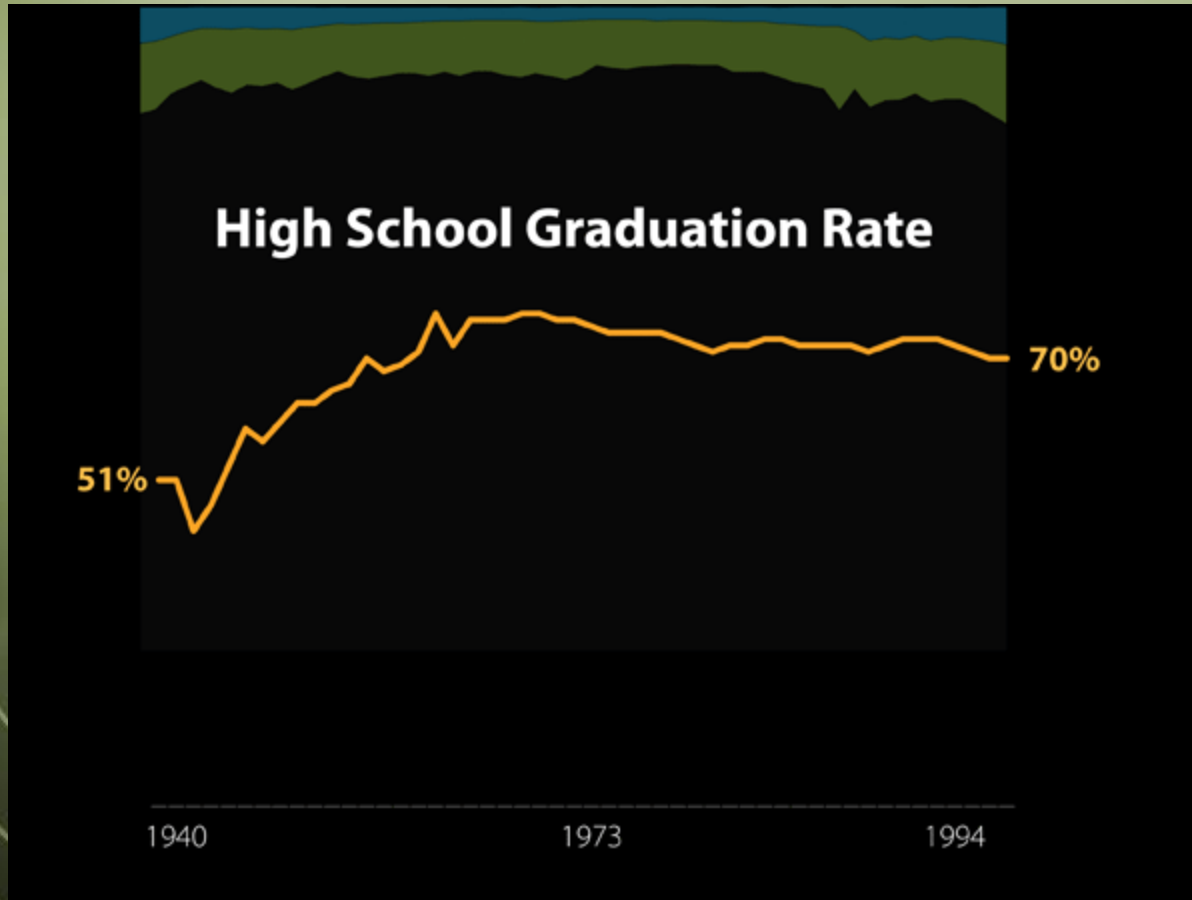
- ⊕ Social mobility appears to have declined since the 1970s.
  - ⊕ A 1978 study found that 23% of adult men who had been born in the bottom fifth of the population had made it into the top fifth.
  - ⊕ A recent update of this study showed that only 10% of the adult men born in the bottom quarter had made it to the top quarter.
  - ⊕ Moreover, nearly 70% of the sons in 1998 had remained either at the same level or were doing worse than their fathers were doing in 1979.
  - ⊕ The only group that showed significant upward mobility was the rich.



# *Declining Mobility*

- ⊕ Another study showed that 42% of those born into the poorest fifth ended up where they started—at the bottom.
- ⊕ Another 24% moved up slightly to the next-to-bottom group.
- ⊕ Only 6% made it to the top fifth.
- ⊕ Upward mobility was particularly low for black families.
- ⊕ A person born into the top fifth is over five times as likely to end up at the top as a person born into the bottom fifth.
- ⊕ 37% of those born into the top fifth remained there, whereas barely 7% of those born into the top 20% ended up in the bottom fifth.

# *Education and Inequality*



The flat line in this chart creates inequality.

Source: Claudia Goldin.

Chart by Catherine Mulbrandon of [VisualizingEconomics.com](http://VisualizingEconomics.com).

# *Education and Inequality*

A study by the Pew Research Center shows:

- Getting a community college degree increases earnings by an average of \$7,900 annually—an earnings increase of 29 percent over those with only a high school diploma.
- Further, per-credit returns to community and four-year colleges are similar: both convey an annual earnings increase of roughly four to six percent for every 30 credits (two semesters) of courses completed.

# *Categorical Inequality*

- ⊕ According to sociologist, Douglass Massey, inequality is created by two mechanisms:
  - ⊕ Exploitation - when one group expropriates the resources produced by one group;
  - ⊕ Opportunity hoarding - when one group excludes others from access to scarce resources.

# *The American Stratification System*

- ⊕ In the United States, exploitation and opportunity hoarding are built into the way that markets function.
- ⊕ Categorical inequality is created whenever those in power offer competitive advantages to some groups (in-groups) over others (out-groups).
- ⊕ Out-groups (women and people of color) have been forced to compete on unfavorable terms.
  - ⊕ Examples: protecting Wall Street, not Main Street; school segregation; and paying women less than men for the same work.

# *Conclusion*

- ⊕ The U.S. is an unequal place in terms of income and assets.
- ⊕ Social mobility is on the decline.
- ⊕ Incomes are more polarized than they were in the past.
  - ⊕ The gulf between rich and poor is wider than ever before.
  - ⊕ The racial wealth gap persists
  - ⊕ Goldsmith and Blakely argue that these disparities cannot hold – they likely led to the current economic situation!