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Federal Spending: Where Does the Money Go

Federal Budget 101

In fiscal year 2014, the federal government will spend around $3.8 trillion. These trillions of dollars make up a considerable chunk – around 22 percent – of the US. economy, as
measured by Gross Domestic Product (GDP). That means that federal government spending makes up a sizable share of all money spent in the United States each year. So, where does all that money go?

Mandatory and Discretionary Spending

The U.S. Treasury divides all spending into three groups: mandatory spending and discretionary spending and interest on debt. Interest on debt, which is much smaller than the other two categories, is the interest the government pays on its accumulated debt, minus interest income received by the government for assets it owns. This pie chart shows all projected federal spending in 2014 broken into these three categories.

Discretionary spending refers to the portion of the budget which goes through the annual appropriations process each year. In other words, Congress directly sets the level of spending on programs which are discretionary. Congress can choose to increase or decrease spending on any of those programs in a given year.
This pie chart shows how President Obama proposes dividing up $1.15 trillion in discretionary spending in fiscal year 2014.

Mandatory spending is largely made up of earned-benefit or entitlement programs, and the spending for those programs is determined by eligibility rules rather than the appropriations process. For example, Congress decides to create a program like the Supplemental Nutrition Assistance Program (SNAP), also known as food stamps. It then sets criteria for determining who is eligible to receive benefits from the program. The amount of money spent on SNAP each year is then determined by how many people are eligible and apply for benefits.

Congress therefore cannot decide each year to increase or decrease the budget for SNAP. Instead, it can review the eligibility rules and may change them in order to exclude or include more people.

Mandatory spending makes up around two-thirds of the total federal budget. The largest mandatory program is Social Security, which comprises more than a third of mandatory spending and around 22 percent of the total federal budget.
This chart shows where the projected $2.4 trillion in mandatory spending will go in fiscal year 2014.

Finally, putting together discretionary spending, mandatory spending, and interest on the debt, you can see how the total federal budget is divided into different categories of spending. This pie chart shows how President Obama proposes dividing up the whole federal budget in fiscal 2014. Income security programs like Social Security and unemployment insurance together comprise the largest slice, followed by Medicare & Health, and Military.
Spending in the Tax Code

When the federal government spends money on mandatory and discretionary programs, the U.S. Treasury writes a check to pay the program costs. But there is another type of federal spending that operates a little differently. Lawmakers have written hundreds of tax breaks into the federal tax code - for instance, special low tax rates on capital gains, and a deduction for home mortgage interest - in order to promote certain activities they deem beneficial to society. Those tax breaks function as a type of government spending. In fact, tax breaks are officially called tax expenditures within the federal government because, from the perspective of the government, they are no different from spending on any other government program. That's because, when the government issues a tax break, it chooses to give up tax revenue - so both spending and tax breaks result in the same outcome, which is less money in the U.S. Treasury. According to the White House, in fiscal year 2014 tax breaks are expected to cost the federal government $1.18 trillion - slightly more than all discretionary spending in the same year.
But unlike discretionary spending, which must be approved by lawmakers each year during the appropriations process, tax breaks do not require annual approval. Once written into the tax code, they remain on the books until lawmakers modify them. That means there is minimal oversight to ensure tax breaks actually achieve their intended purpose, even as they can grow in size from year to year as more taxpayers claim them for tax savings.

**Additional Resources**

You may want to visit NPP's interactive budget tools to learn more about where your tax dollars go:

[Cost of National Security](#)

View our numerous counters to see where your tax dollars are being spent.

[Search local spending data](#)

Find out how the government spends money on a variety of federal programs – from food and
housing to military and healthcare – in your state, county, and city. You can also see
corresponding social indicators – such as health insurance coverage, poverty rates, and
school district stats – that illustrate the impact of those dollars

**Your Tax Receipt**

How did the government spend your federal income tax dollars?

**Explore School District data**

See federal spending on education at the state and school district level.

**Use our Trade-Offs tool**

See the possibilities for how tax dollars from your state and city could be reallocated to
different federal spending priorities.

« Where Does the Money Come From

**Borrowing and the Federal Debt »**

### BUDGET BASICS

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**THE REPUBLICAN PARTY’S FUTURE**

**FILM, ELYSIUM, Matt Damon, Jodie Foster**

In 2159, two classes of people exist. The wealthy live on Elysium, a man-made space station and the
rest live on an overpopulated and destroyed earth. Damon plays a man who strives to bring equality to
these polarized worlds.

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**THE FIFTY-YEAR REPUBLICAN ASSAULT ON ECONOMIC JUSTICE**

(Goldwater’s first campaign 1964, Richard Viguerie’s data-base, think tanks 1970s, etc.)

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Publication: April 2011

* Academic Trade

408 pages
An essential American dream—equal access to higher education—was becoming a reality with the GI Bill and civil rights movements after World War II. But this vital American promise has been broken. Christopher Newfield argues that the financial and political crises of public universities are not the result of economic downturns or of ultimately valuable restructuring, but of a conservative campaign to end public education’s democratizing influence on American society. *Unmaking the Public University* is the story of how conservatives have maligned and restructured public universities, deceiving the public to serve their own ends. It is a deep and revealing analysis that is long overdue.

Newfield carefully describes how this campaign operated, using extensive research into public university archives. He launches the story with the expansive vision of an equitable and creative America that emerged from the post-war boom in college access, and traces the gradual emergence of the anti-egalitarian “corporate university,” practices that ranged from racial policies to research budgeting. Newfield shows that the culture wars have actually been an economic war that a conservative coalition in business, government, and academia have waged on that economically necessary but often independent group, the college-educated middle class. Newfield’s research exposes the crucial fact that the culture wars have functioned as a kind of neutron bomb, one that pulverizes the social and culture claims of college grads while leaving their technical expertise untouched. *Unmaking the Public University* incisively sets the record straight, describing a forty-year economic war waged on the college-educated public, and awakening us to a vision of social development shared by scientists and humanists alike.

**RELATED LINKS**

- Read a *New York Review of Books* article about recent research into the problems of public universities
- Read an essay by Christopher Newfield on the HUP Blog about the ways in which the ongoing financial crisis has put public higher education at even greater risk
- Read a dialogue at *e-flux* in which Newfield discusses what the world’s knowledge workers—the “cognitariat”—can do about their current social and institutional predicaments
- Read an article by Newfield in the journal *Occasion* about public nanotechnology and social welfare
- Listen to an interview with Newfield on the HUP Podcast
- View more HUP titles on Higher Education
WEALTH INEQUALITY

Paul Krugman | Disinformation on Inequality
Paul Krugman, The New York Times, RSN, 04 January 14 PM,
Reader Supported News

Krugman writes: "We could have a debate about whether rising inequality is a problem, and whether measures intended to curb it would do more harm than good. But we can't have that kind of debate if the anti-populist side won't acknowledge basic facts - and it won't."
READ MORE

The Great Disparity by William Julius Wilson
July 10, 2012 | This article appeared in the July 30-August 6, 2012 edition of The Nation.

A review of these 2 books:

The Great Divergence
America's Growing Inequality Crisis and What We Can Do About It.
By Timothy Noah.
Buy this book.

Coming Apart
By Charles Murray.
Buy this book.

About the Author

William Julius Wilson

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Between 1947 and 1970, every income group in America experienced economic
advancement. As James K. Galbraith reminds us in *Created Unequal*, the **1950s and '60s** were unique because government policies—social as well as economic—provided a firm foundation for the gains experienced by families across the board. Lower-wage workers benefited from a wide range of protections, including steady increases in the minimum wage, and the government made full employment a high priority. There was also a **strong union movement** that ensured higher wages and more nonwage benefits for ordinary workers.

But **by the '80s**, the trends for lower-wage workers had been reversed. Families in the higher income groups—the top 20 percent—continued to enjoy steady income gains, adjusted for inflation, while families in the lower income brackets experienced stagnating or declining incomes. The **labor movement** began its downward spiral; macroeconomic policy was no longer geared to tight labor markets; and monetary policy, focused on lowering inflation above all else, became dominant. As part of the “**Reagan experiment**,” the tax structure became more regressive and Social Security taxes increased; also, when George W. Bush took office, tax cuts were passed that distinctly favored the wealthy at the expense of ordinary families. Finally, Congressional resistance to raising the minimum wage further threatened the economic security of disadvantaged families.

The **growing American disparity** became a hotly debated issue in academic circles, and concerns about rising inequality generated numerous research studies. Economists focused mainly on the causes of income inequality, while many sociologists and political scientists examined the related factors of social inequality, such as the increasingly limited access to affluent neighborhoods and elite colleges and universities. Before the emergence of Occupy Wall Street last year, Americans remained largely ignorant of these trends. But OWS, which morphed into Occupy as the protests spread to other cities across the country, had one
important effect: it raised public awareness of the growing economic inequality in the United States. As a result, research by social scientists on the subject, which had been largely ignored in public debates, has figured prominently in op-eds and news articles about the recession.

Giving this public attention, the publication of Timothy Noah’s *The Great Divergence* and Charles Murray’s *Coming Apart* could not be more timely. Unlike the growing mountains of academic research being filtered through the press, these two well-written and engaging books are clearly meant for a general readership (Noah’s book originated as a series of articles in *Slate*). But that is all they have in common, because their analyses of the growing economic and social disparities in America are strikingly different.

Although scholars of inequality will find little that’s new in *The Great Divergence*, it is nonetheless a very impressive and important book. Fully aware of the public’s belated—but growing—interest in the rising inequality, Noah thinks the problem has to be fully understood before it can be adequately addressed. Accordingly, he has attempted “to synthesize the best [social science research] for non-experts who would like to know, at long last, what’s been happening to the economy, especially in the United States.”

Noah documents the drastic changes between the Great Compression (the period of growing income equality between 1932 and 1979) and the Great Divergence (the period of increasing income inequality after 1979). He shows that the level of inequality in the United States is not only more extreme than in other advanced industrialized democracies, but has also increased at a much faster rate. This trend, he points out, is not linked to the usual factors, such as black/white income disparity, the unequal treatment of women or the influx of
immigrants. Although African-Americans have certainly felt the adverse effects of the Great Divergence, black/white income disparity hasn’t been a factor in its emergence, as both the black middle class and the white middle class have fallen behind. Nor has the unequal treatment of women been a factor, since the male/female wage gap has actually shrunk by nearly half during the past several decades. As for immigration, the most dramatic difference between the Great Compression and the Great Divergence is the pronounced and widening income gap between the rich and the middle class, not between the rich and the poor. And immigration’s impact on the income of middle-class Americans—as distinct from its impact on the income of high school dropouts—has been minimal.

* * *

So what have been the significant factors underlying the Great Divergence? Noah identifies four: the increasing importance of a college degree due to the shortage of better-educated workers; trade between the United States and low-wage nations; changes in government policy in labor and finance; and the decline of the labor movement. He also considers the extreme changes in the wage structure of corporations and the financial industry, in which American CEOs typically receive three times the salaries earned by their European counterparts.

Noah cites a widely discussed study by the Harvard economists Claudia Goldin and Lawrence Katz, *The Race Between Education and Technology*, which estimates, in Noah’s words, that the increase in the economic returns to “people with college diplomas or advanced degrees, whose limited supply bid up their salaries,” accounts for roughly 60 percent of the growth in wage inequality between 1973 and 2005. The American education
system has not been able to supply a sufficient number of better-educated workers to meet demand during the Great Divergence, which he calls “terrible news for everyone else.”

The research Noah draws on reveals that trade with low-wage nations, “which was negligible until the twenty-first century,” is responsible for around 12 to 13 percent of the Great Divergence. Why? The increasing trade in manufactured goods with developing countries has resulted in a larger number of trading partners whose workers earn considerably less than their counterparts in the United States. “As recently as 1975,” states Noah, “America’s top ten trading partners had included Italy, the Netherlands, and Belgium, all high-wage nations. China didn’t make the cut. By 1990, China made the top ten, but just barely; it ranked tenth. By 2005, the three European nations had all been displaced by Asian nations, of which the biggest player by far was China.” As of 2005, China paid workers 3 percent of what workers in the United States received. This recent dramatic shift in international trade, Noah argues, drove up the wage gap between skilled and low-skilled workers in this country, as the latter found themselves in greater competition with workers producing the same goods for lower wages in developing nations. We replaced high-wage nations with low-wage nations as our main trading partners, and this lowered average wages in the United States.

The evidence on how government policy—particularly under Republican presidents—and a resurgent business lobby altered income distribution tends to be less comprehensive and more impressionistic, but, according to Noah, “the impact of government action (and inaction) in three particular areas—labor, finance, and corporate compensation—is relatively clear and well documented.” As for the fortunes of the labor movement during the Great Divergence, Noah cites a 2007 study by the Harvard economist Richard Freeman, which estimates that the decline of union membership accounts for about 20 percent of the Great Divergence
among all workers. And a 2011 study by the sociologists Bruce Western and Jake Rosenfeld concludes that the demise of unions has contributed as much to men’s wage inequality as the relative increase in salaries for college graduates. Western and Rosenfeld associate the demise of organized labor with changes in the economy and intensified political opposition. In particular, employment growth outside the traditional union stronghold of manufacturing created a newly competitive economic environment and prompted employers in unionized industries to intensify their opposition to organized labor’s demands. Employer resistance unfolded in an increasingly adverse political environment for unions, especially corporate donations to anti-union policy-makers and the rightward shift of the National Labor Relations Board under Republican administrations, which made union organizing more difficult. “Draw one line on a graph charting the decline of union membership,” Noah writes, “then superimpose a second line charting the decline in middle-class income share (with ‘middle class’ defined broadly as the middle 60 percent), and you will find that the two lines are nearly identical.”

Finally, one cause of the spectacular rise in top income gains in the United States during the Great Divergence has been the shift in the principal activity and structure of investment banks—from banking to trading, and from partnership structures to publicly traded corporations—as well as the government deregulation of Wall Street. While top income gains have increased in many developed countries, nowhere are they growing as fast as in the United States. For example, the top 1 percent’s increase in the share of income during the Great Divergence (through 2005) was 17 percent in the United States, in comparison with an increase of 2 percent or less in France and Germany.

To reverse these trends, Noah recommends enacting a more progressive tax code to
prevent budget cuts from eliminating programs that aid the poor and the middle class. He also calls for enlarging the federal payroll to accommodate a jobs program—patterned after the Works Project Administration—that would provide time-limited work for lower- and middle-income people struggling to find employment, as well as relaxing immigration barriers to attract more skilled labor and enlarge the applicant pool, which would depress wages somewhat in high-skill industries and thereby deflate the college and grad-school wage premium. Noah advocates a number of other measures as well, such as universalizing preschool education (because research suggests that early schooling can dramatically affect income distribution in later life); using government levers to impose price controls on colleges and universities (thereby enlarging the pool of educated workers to meet demand and reducing the currently high inequality between educated and uneducated workers); and building on the 2010 Dodd-Frank financial reform bill with additional regulation of Wall Street (to create greater competition within the banking sector and thereby reduce unseemly compensation levels). Finally, Noah stresses the importance of electing Democratic presidents, because, as he explains, the research of political scientist Larry Bartels reveals that “Democratic administrations since 1948 presided over income gains that diminish as you move up the income scale, while Republican administrations have presided over income gains that diminish as you move down the income scale.”

Conservatives will denounce—and some liberals will question—these recommendations. But as Noah points out, the problem is acute, and we need to “get started while the vast disparities in how people live and what they have still have the power to offend our sense of fair play. The worst thing we could do to the Great Divergence is get used to it.”

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With *Coming Apart*, Charles Murray provides a starkly different account of the growing economic and social disparities in the United States. Murray argues that America is “coming apart at the seams—not the ethnic seams, but the seams of class.” He elaborates his thesis by methodically chronicling the formation of two very distinct classes that have significantly diverged in core values and behavior—so much so that their underlying American roots are now barely recognizable, in his view. The two classes are a new upper class, which is a subset of the upper middle class, and a new lower class, which is a subset of the working class; their polarization, Murray argues, is not linked to income inequality, because this divergence of values and behavior has occurred in both good economic times and bad.

Thanks to Murray’s rhetorical adroitness, his passion against government encroachment, and his strong belief in the bootstrap ethic and untrammeled individualism, many conservatives and libertarians have already hailed *Coming Apart* as a powerful statement on current conditions in American society. Yet despite Murray’s detailed presentation of statistical data to support his arguments about the role of values in the growing separation of the new upper class and the new lower class, he consistently neglects to cite evidence that competes with or contradicts his powerfully stated conclusions.

Murray claims to have devised “an intuitively understandable way to think about the trends in the larger classes from which they are drawn”: a comparison of two emblematic neighborhoods named Belmont and Fishtown. These neighborhoods are real places: Belmont is an affluent white suburb of Boston, and Fishtown is a predominantly white working-class neighborhood in Philadelphia. Murray restricts his analysis to the white population and describes how both places have evolved over the past half-century.
Belmont represents the neighborhood of the new upper class, or “cognitive elite,” which Murray defines as “the most successful 5 percent of adults ages 25 and older who are working in managerial positions, in the professions (medicine, the law, engineering and architecture, the sciences, and university faculty), and in content-production jobs in the media.” The new upper class has accumulated greater wealth because of the sharp increase in financial returns on intelligence. This greater brainpower is conspicuously on display in elite universities such as Harvard, Yale and Princeton, which attract the smartest students, many of them offspring of the new upper class (which, according to Murray, now produces a disproportionate number of the brightest children). These students tend to interact, marry and then have children who are themselves more likely to become members of the “cognitive elite.” Thus, Murray argues, an aristocracy of inherited intelligence has replaced an aristocracy of inherited wealth.

Moreover, in places like Belmont, members of the new upper class have walled themselves off in “SuperZips”—urban or suburban pockets where nearly everyone is wealthy and interactions with Americans unlike themselves are few or nil. Insulated in the same neighborhoods, new upper-class families develop distinct tastes, habits and lifestyles that further distinguish them from ordinary American families.

Nowhere are these cultural differences more evident, Murray claims, than when comparisons are made between Belmont and Fishtown. People in Fishtown tend to be unhappy and dysfunctional because of a sharp decline in the traditional bonds of civil society. Marriage has declined in both places, but Fishtown has experienced a more substantial decline, represented by the significant percentage of poor, unwed mothers. And though industriousness is still a characteristic feature of Belmont, it has plummeted among white
males in Fishtown, whose high rate of joblessness can be attributed not to a lack of employment opportunities but to a preference for leisure. In other words, white males in Fishtown are lazy. Also, crime is far worse in Fishtown than in Belmont, with an alarming rate of men either incarcerated, on parole or on probation. Finally, although religion and church attendance have declined in Belmont, they have declined much more sharply in Fishtown.

According to Murray, these trends reveal a withering away of the traditional bonds of civil society in lower-class white America, accompanied by a decline in neighborliness, trust, civic engagement and political awareness, all of which contribute to feelings of unhappiness. Murray argues that the new upper class should be partly blamed for this predicament: it has suffered a collapse in self-confidence and therefore is reluctant to preach what it practices—to insist that others uphold and protect marriage, industriousness, honesty and religiosity. This reluctance emerges from a code of ecumenical niceness—people should respect the ways of others, regardless of race, national origin, gender, sexual preference or cultural practices—that the new upper class teaches its children. “The new upper class still does a good job of practicing some of the virtues, but it no longer preaches them,” Murray states. “It has lost self-confidence in the rightness of its own customs and values, and preaches nonjudgmentalism instead.”

Murray dismisses the idea of ameliorating the social and economic disparities with the sort of programs proposed by Noah, such as higher taxes on the rich and greater spending on the poor. And he categorically rejects programs that could be associated with the European welfare state, which, he maintains, is imploding. For Murray, “institutions deteriorate in the advanced welfare states for reasons that are intrinsic to the nature of the welfare state,” and the richest and most robust institutions are in “states that allow people to work out their lives
on their own and in company with other people around them.”

* * *

Murray leans hard on a tone of authority that he hasn’t earned. For starters, he never presents any evidence directly linking the poor social outcomes of the white working class with its “crumbling” moral values. Indeed, it is impossible to verify or conclusively prove such causal relationships without conducting longitudinal studies based on direct interviews with randomly drawn samples of people from carefully defined geographic areas. In the absence of such rigorous research, Murray could at least have tried to make a plausible case for his arguments by attempting to engage studies or empirical arguments that present fundamentally different points of view.

Noah points out in *The Great Divergence* that the wage stagnation experienced by working-class families and the income gains enjoyed by the top 20 percent of the population—and even more so by the top 5 and top 1 percent—are not unique to the United States. Severe wage stagnation and income inequality have also occurred recently in other industrialized democracies, though the gains of the affluent are more extreme in the United States. Are we to assume that values play a role in the poorer outcomes of lower-wage workers in these countries as well? And if not, why? A discussion of similar cross-cultural trends is missing from *Coming Apart*.

Moreover, as Noah shows, many factors have contributed to the income stagnation in the bottom tiers and the overall increasing inequality in the United States. Paramount among these are changes in the economy that have placed a greater premium on college-educated workers, advances in technology and the offshoring of manufacturing jobs to lower-wage
countries. One can hardly understand the impact of these dynamic contributing structural factors to our rising inequality by focusing almost exclusively on so-called changes in the values of the American population.

Furthermore, as Greg Duncan of the University of California, Irvine, and Richard Murnane of Harvard University have pointed out, recent social science research reveals that growing income inequality has widened the disparity in resources that rich and poor families can invest in their children, thereby exacerbating residential segregation and diminishing the interaction between rich and poor in a number of social settings. Lacking the financial, human and political resources of the wealthy, institutions in poorer neighborhoods (such as schools) decline in quality, which in turn adversely affects the education and life chances of children born in poor families. Also, Duke University researchers have shown that layoffs triggered by plant closings not only disrupt children’s family life but also deplete the pool of resources available for school improvement. In short, these divergent outcomes can be thoroughly explained by analyzing the structural factors, and without introducing the subject of values.

As Paul Krugman has demonstrated, since 1973 the entry-level wages of male high school graduates, after adjusting for inflation, have plummeted 23 percent. To make matters worse, a collapse in employment benefits has accompanied these changes. For example, a 2010 study by the Economic Policy Institute revealed that employer-provided health insurance coverage among private sector workers who are high school graduates (ages 18 to 64) declined from 70 percent in 1979 to 50 percent in 2008. Murray fails to address the impact of any of these factors in his discussion of the collapse of moral values in Fishtown, just as he fails to address how the increasing returns to higher education so painstakingly documented by Noah and others create greater social and economic inequalities. Accordingly, more disadvantaged
groups fall further and further behind as economic and social inequality become more entrenched, thereby curtailing social mobility.

* * *

The considerable shortcomings of Coming Apart are also evident in Murray’s failure to address the well-documented literature that challenges his interpretation of why marriages have declined so drastically among working-class women. Increased participation in the labor market over the past four decades has made women more financially independent, and therefore less dependent on marriage for economic survival. As Murray demonstrates, the decline in marriage rates has been unevenly distributed across income levels, with higher rates of decline prevailing at lower income levels. But is this decline a clear indication that values concerning the desirability of marriage have changed?

Ethnographic research conducted in Philadelphia and Camden, New Jersey, by sociologists Kathryn Edin of Harvard and Maria Kefalas of St. Joseph’s University has shown that low-income white, Puerto Rican and black single women all value marriage and hope to be married someday. But Edin and Kefalas argue that when poor women postpone marriage, it is because they face a shortage of “marriageable” men in their social world, where economic changes have severely reduced employment opportunities for low-income men. Not surprisingly, better-off men partner with better-off women, and poor women therefore wait until they find a man they can trust—a man who has, over time, proven to be a responsible partner and father. The dreams of these women include financial security and owning a house before getting married, and consequently some end up never getting married at all.

Nor can Murray reconcile his argument about the collapse of moral values among working-
class whites with data from two key sources: the National Vital Statistics System, which shows a sharp drop in teenage pregnancies among all racial and ethnic groups since 1991, and the Justice Department's Uniform Crime Reports, which show a significant drop in violent crimes among all racial and ethnic groups during the same period. Relatedly, research by Brian Jacob and Tamara Wilder Linkow reveals that the percentage of children expecting to obtain a four-year college degree has rapidly increased over the past twenty years, and this increase was greater for children whose parents were not college graduates. Obviously, the expectations of these children have either been thwarted or were unrealistic to start. But such expectations hardly reinforce the view of a collapse in the perceived value of higher education. The most generous conclusion one can reach about Murray's book is that, if changing values are the root of the great economic and social disparities between the new upper and lower classes in America, *Coming Apart* does a very poor job of proving it.

William Julius Wilson  
*July 10, 2012 | This review appeared in The Nation.*

### WEALTH INEQUALITY

Watson on Politzane

Joseph Stiglitz, 2 books and an article

**Video Showing the Huge Gap Between Super Rich and Everyone Else Goes Viral**

By Bruce Watson 03/04/13 Personal Finance, Savings Experiment, Savings Bonds, Tax Laws, Savings Accounts, Saving
For much of the past decade, policymakers and analysts have decried America's incredibly low savings rate, noting that U.S. households save a fraction of the money of the rest of the world. Citing a myriad of causes -- from cheap credit to exploitative bank practices -- they've noted that the average family puts away less than 4 percent of its income.

"Wealth Inequality in America," a six-minute video produced by a YouTube user named "Politizane," casts an interesting angle on the plummeting savings rate. Set to depressing piano music and packed with crystal-clear animations, it gives a powerful snapshot of the American economic landscape. Noting that "The top 1 percent own nearly half the country’s stocks, bonds, and mutual funds," the video goes on to contrast those impressive holdings with the rest of the country. By comparison, it points out, the bottom 50 percent of earners own only 0.5 percent of those investments.

It isn't hard to see why there is such a yawning gap between the richest Americans and the rest of us. Since 1976, the share of national income earned by the top one percent of workers has nearly tripled, from 9 percent to 24 percent. It's not hard to see why their share has increased: As Clinton administration Labor Secretary Robert Reich recently pointed out, the economy has roughly doubled in size over the last 30 years -- and, in an ideal world, more money in the economy should mean more money in everyone's pocket.

But the distribution of this huge economic bonanza has been startlingly uneven. While the earnings of the top 1 percent have tripled, the average household income has effectively stagnated. Put another way, there's a reason Americans haven't saved: they haven't had much money to save.
In terms of information, Politizane's video isn't offering anything new: Its analysis of American perceptions of wealth distribution, the line between rich and poor and the issue of America's wealth continuum echo stories that have been in the media for years. But there's something about seeing the country's wealth gap in easy-to-follow animations that allows the dry analysis to hit home. Or, as the video puts it, these illustrations make it easier for viewers to "wake up and realize that the reality in this country is not at all what we think it is."

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Tagged: Bruce Watson, capital gains tax, Finance, income inequality

JOSEPH STIGLITZ

-- Freefall: America, Free Markets, and the Sinking of the World

Economy. Nobel Economist Joseph Stiglitz: Assault on Social Spending, Pro-Rich Tax Cuts Turning U.S. into Nation "Of the 1 Percent, by the 1 Percent, for the 1 Percent"

This week Republicans unveiled a budget proposal for 2012 that cuts more than $5.8 trillion in government spending over the next decade. The plan calls for sweeping changes to Medicaid and Medicare, while reducing the top corporate and individual tax rates to 25 percent. We speak to Nobel Prize-winning economist Joseph Stiglitz, who addresses the growing class divide taking place in the United States and inequality in a new Vanity Fair article titled "Of the 1, by the 1, for the 1%." Stiglitz is a professor at Columbia University and author of numerous books, most recently Freefall: America, Free Markets, and the Sinking of the World Economy. "It’s not just that the people at the top are getting richer," Stiglitz says. "Actually, they’re gaining, and everybody else is decreasing... And right now, we are worse than old Europe."

http://www.democracynow.org/2011/4/7/nobel_economist_joseph_stiglitz_assault_on


http://books.wwnorton.com/books/the-price-of-inequality/Related to This Book
A forceful argument against America's vicious circle of growing inequality by the Nobel Prize–winning economist.

The top 1 percent of Americans control 40 percent of the nation’s wealth. And, as Joseph E. Stiglitz explains, while those at the top enjoy the best health care, education, and benefits of wealth, they fail to realize that “their fate is bound up with how the other 99 percent live.”

Stiglitz draws on his deep understanding of economics to show that growing inequality is not inevitable: moneyed interests compound their wealth by stifling true, dynamic capitalism. They have made America the most unequal advanced industrial country while crippling growth, trampling on the rule of law, and undermining democracy. The result: a divided society that cannot tackle its most pressing problems. With characteristic insight, Stiglitz examines our current state, then teases out its implications for democracy, for monetary and budgetary policy, and for globalization. He closes with a plan for a more just and prosperous future.


Stiglitz writes: "Today, the United States has less equality of opportunity than almost any other advanced industrial country. Study after study has exposed the myth that America is a land of opportunity."

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“We've found through our experience that timid supplications for justice will not solve the problem,” declared the Rev. Martin Luther King Jr. in 1967 as he announced the civil rights movement’s pivot toward the economic justice message of the Poor People’s Campaign. “We've got to massively confront the power structure.”


1. The Rich Don’t Always Win - Seven Stories Press catalog.sevenstories.com › All

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Two interviewed about the poor, working class, US capitalism

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Contrasted Pope Francis to Paul Ryan.
His “Exhortation” to all people.

US right wing, Paul Ryan, et al. attacking PF; e.g. Rush Limbaugh called him a Marxist. But PF simply devoted to the poor.

PF does oppose US unregulated capitalism, the “deified market.”

RCC should end obsession with abortion, gay marriage, sex.

“Two movements” in the world: cruelty and kindness.

Most important Catholic tradition: economic justice: blessed are the poor.

PHILIP LEVINE, POET of JUSTICE, US POET LAUREATE

“A large ironic Whitman in the industrial heartland.”

Detroit destroyed by loss of industrial jobs and by freeways through neighborhoods.

Read several poems: “They Feed They Lion” (?)

“The Helmet”

“Coming Close”

Collection: *What Work Is*, won National Book Award

*The Nation* Magazine’s Economic/Social Justice Tradition

The January 20, 2014 number contains 11 small to large articles on inequality in the US. Editorial on the 50th Anniversary of the War on Poverty. Article on a hero from the past: Fiorello La Guardia. And one on a hero of the present: Bill de Blasio. Articles on declining wages but wage increase for D.C. and NYU students unionize. And more. (--Dick).

TEA-PARTY VS. THE PEOPLE

Let them starve? Food-stamp cuts won’t aid poor

By BRUCE McMATH

SPECIAL TO THE DEMOCRAT-GAZETTE, December 2013

The Tea Party wing of the new Republican Party wants to slash spending on food stamps. As justification, they point to the growth in food-stamp usage, ignoring that we remain in the deepest recession since the Depression.

Invariably the argument goes something like, “according to the government’s own statistics” (our government is an adversary in the Tea Party mind), “the number of people in poverty has not declined despite all the money spent on public assistance.”
The statement is true enough, but misleading, or in the case of the Tea Party, misled. Government poverty numbers are based only on earned income, not charity or public assistance. The point of the number is to indicate what portion of the population cannot, with earnings alone, maintain a minimum standard of living. Hence, money spent on public assistance cannot affect the poverty census.

Likewise, the goal of public assistance, such as food stamps, is not to reduce poverty, but rather to alleviate the worst consequences of it: hunger and homelessness. To the extent that people living in poverty are not hungry or homeless, these programs are effective.

But the Tea Party runs on folk wisdom and articles of faith sustained by well-nourished racial stereotypes and/or cherished political and economic dogma. In Alice’s Wonderland, it is an article of faith that poverty programs create poverty. Thus one can “repeal” poverty by repealing public assistance—no one will starve, they will just suddenly find a job paying a living wage.

No doubt, welfare risks dependency, but addressing that risk was the focus of welfare reform under Bill Clinton and the earned-income tax credit under Ronald Reagan. Today there is little evidence that a significant number of people choose welfare as a lifestyle; the incentive is just not there. Still the myth continues.

To be real, over 7 percent of the population is unemployed but seeking work, and a full quarter of those who are employed earn less than $10 an hour. These people are not choosing to be unemployed or underpaid. Cutting safety-net assistance to those who can’t earn a living wage, even when working, will not eliminate poverty; it will increase hunger, homelessness and crime, and help scar another generation of children born into poverty. Instead of repealing public assistance, how about focusing on reducing poverty and hence the need for public support in the first place?

For decades we had a living minimum wage in this country. Re-establishing it would instantly remove millions of working poor from the poverty rolls. Why would we not? Post-war wages in the early 20th Century matched productivity gains until the 1970s, meaning that standards of living rose in tandem with increased worker productivity, and at least kept pace with inflation. Since then, while productivity increased over 80 percent from 1972 to 2011, wages have risen only half that and working class wages an eighth of it. Adjusted for inflation, the 1968 minimum wage today would be $10.56, not $7.25. There is no rational foundation for this; it simply reflects a shift in the political power from labor to capital.

If we continue to allow people and corporations to command the labor of others at below living wages—a sort of free-market/slave-labor system—we have two choices: We can leave people to live on the street and starve or we augment their inadequate wages with public assistance. So far, the latter is what we have chosen to do. As wages have stagnated, the cost and participation in publicly funded programs have naturally increased; it is as certain as the movements of a seesaw. Though preferable to letting people starve, rationally viewed, middle-class taxpayers are facilitating cheap labor and providing a huge public subsidy for certain employers, artificially lowering the natural cost of basic labor.

Cutting the food-stamp program, currently designed to assure adequate diets to the poor, is an overt step toward the first option. Certainly it fits the Tea Party’s free-market ideology, as presumably inadequate diets and homelessness would eventually reduce the labor “surplus,” thereby in time raising wages to a living level. It’s Charles Dickens’ Scrooge solution (“Let them starve!”).

But, contrary to Tea Party folk wisdom, markets don’t reflect divine wisdom. Indeed, markets can be quite arbitrary; our policy about a living wage should not be. Re-establishing a livable minimum wage would not only dramatically reduce the numbers of people living in poverty, it would also bring much-needed new demand to the economy, the missing ingredient in our recovery.

This would bring more jobs, which would mean more tax revenue as well as less need for public assistance, leading to lower government deficits and more money for education and public investment. This is an obvious virtuous cycle.

The well-being of a nation depends on optimizing the potential for all people, not just the
privileged at the top. Labor should be rewarded with a living wage so that fewer need to be on public assistance and all who can work have the dignity of self-sufficiency. Doing so is part of a constructive path to reducing public assistance of all types.

Bruce McMath is an Arkansas native, attorney and proud Southern liberal with a degree in economics and finance.

Jonathan Chait | Republican Reform?

Jonathan Chait, New York Magazine, RSN

Chait writes: "If John Boehner's support for immigration reform is a kind of Prague Spring for the mainstream of the elected Republican Party, the equivalent among conservative intelligentsia can be found in the latest issue of National Affairs, which launches a double-barreled assault on conservative dogma." READ MORE

[But Chait argues that the possibility of the Republican Party repudiating its far-right turn that began in 1960s and 1970s is not likely. –Dick]

Contact Arkansas Congressional Delegation

Arkansas is represented in Congress by two senators and four representatives. Here is how to reach them. None of the senators or representatives publishes his e-mail address, but each can be contacted by filling in forms offered through his website.

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JONESBORO: (870) 268-6925
LITTLE ROCK: (501) 372-7153
LOWELL: (479) 725-0400
MOUNTAIN HOME: (870) 424-0129
STUTTGART: (870) 672-6941
EL DORADO: (870) 863-4641
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