

Data and Background Materials for the
Community Conversation about
**POVERTY, INEQUALITY,
and ECONOMIC JUSTICE**

IU South Bend, Wiekamp Hall

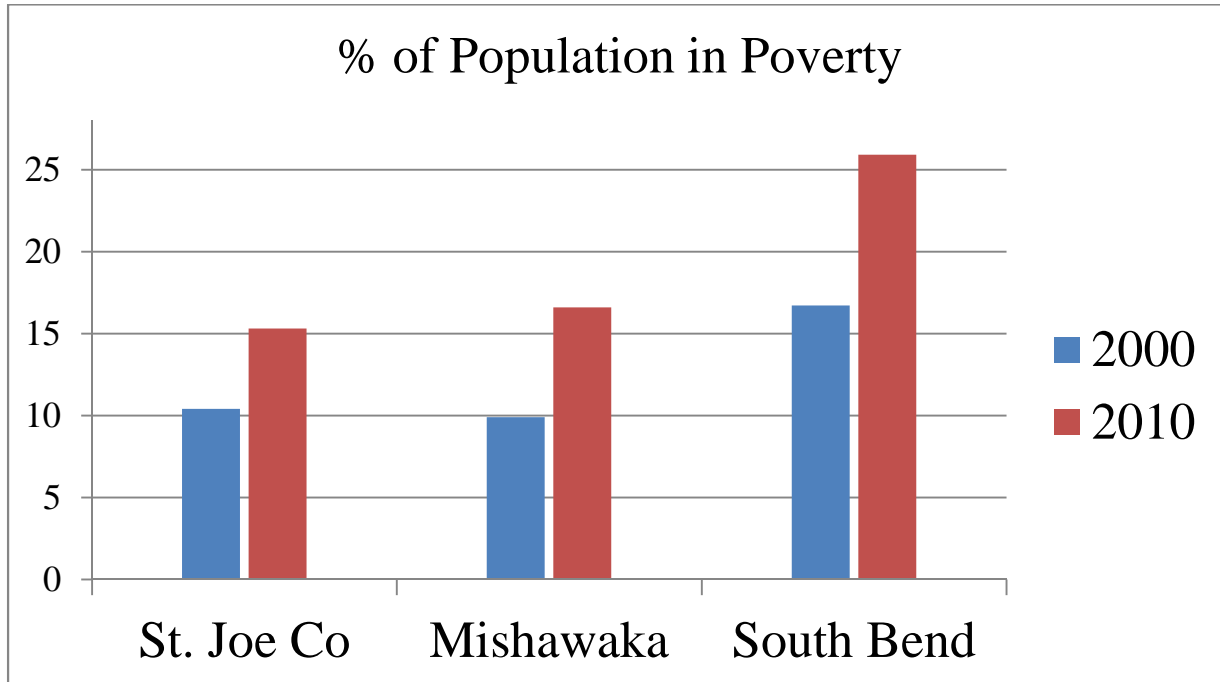
September 15, 2012

Updated data and source notes

Prepared by the
Community Forum for Economic Development

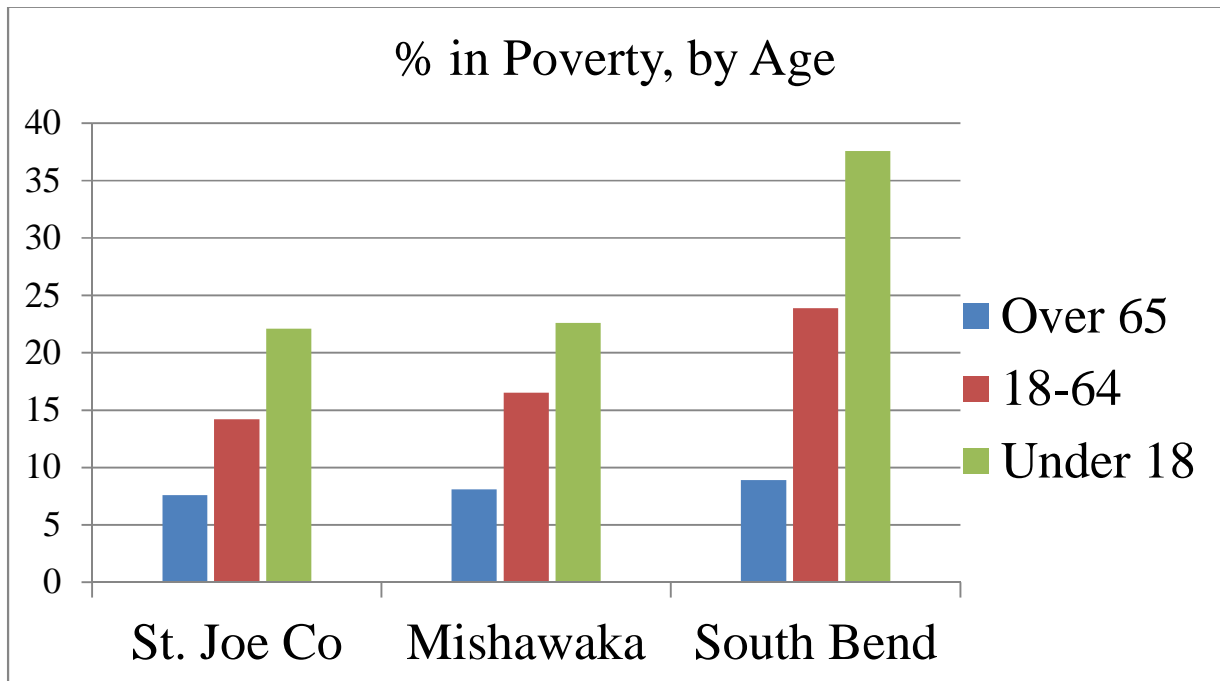
POVERTY

Poverty has increased significantly since 2000:

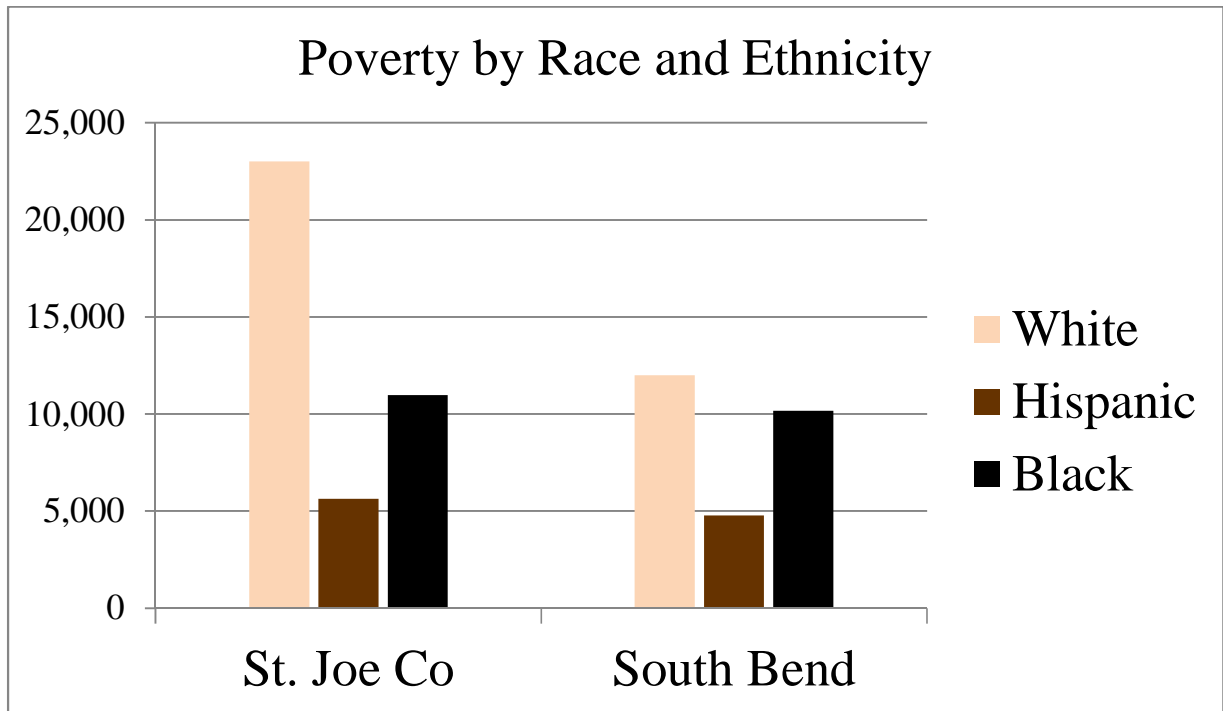


Poverty income levels are defined by the Census Bureau; the current level for a family of four is \$23,050. Many researchers view these definitions as inadequate and consider 200% of the levels necessary for a basic standard of living. See Sources and Notes section for further discussion.

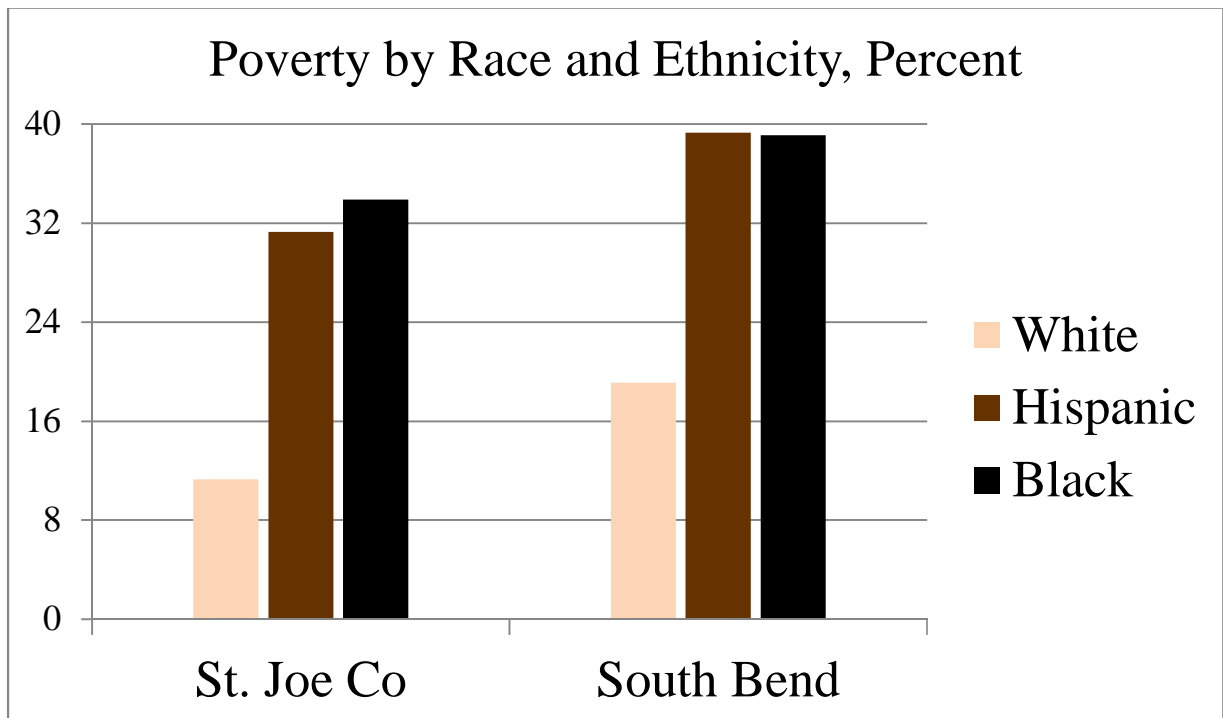
Present-day poverty falls heavily on children:



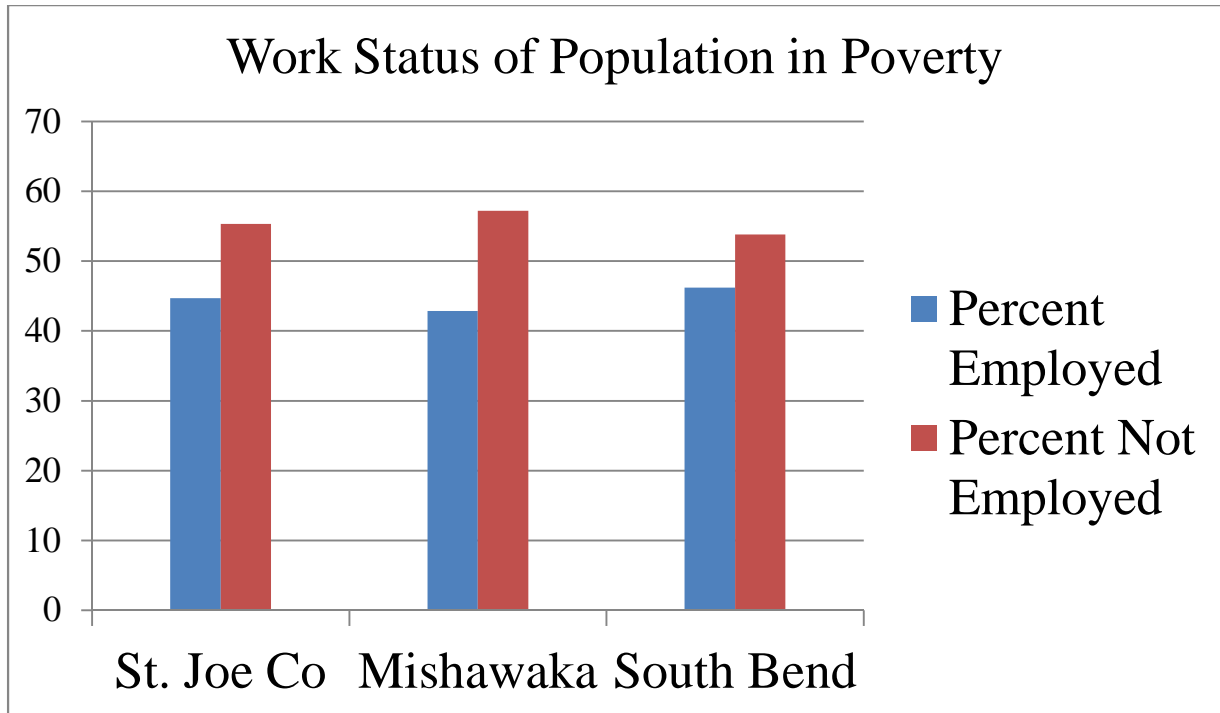
The majority of poor people are white:



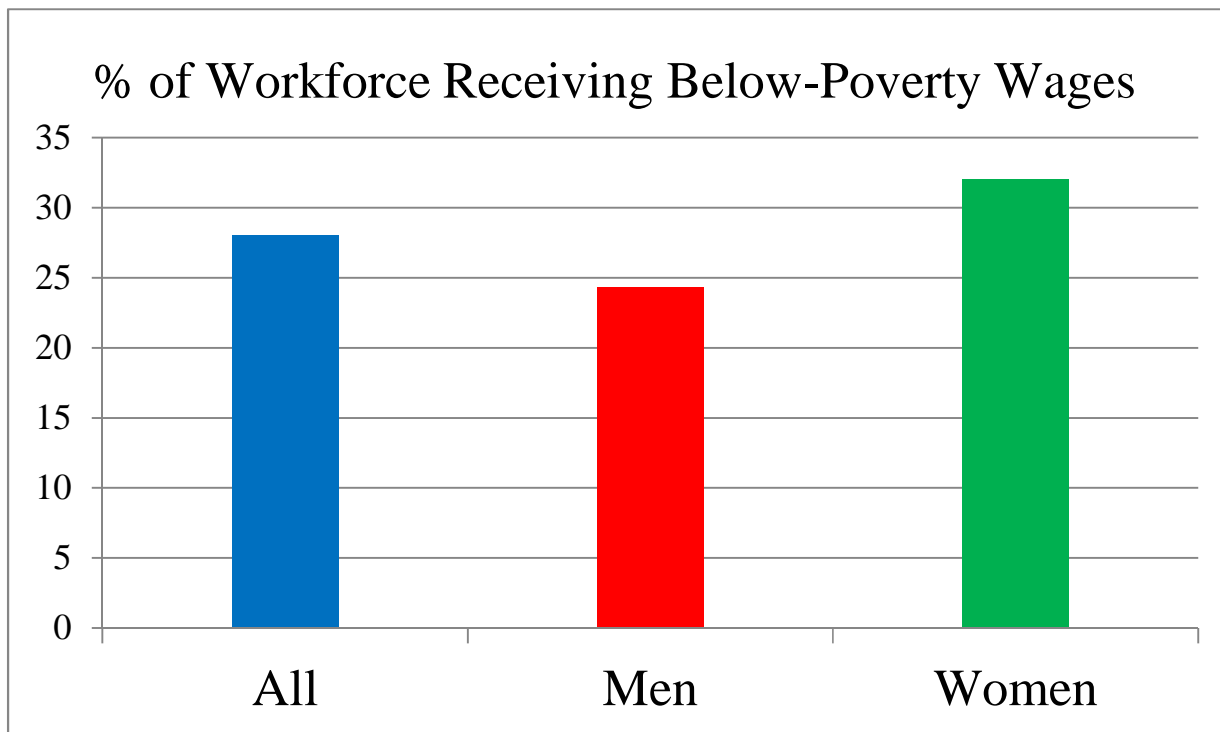
But a higher percentage of Hispanic and Black people are in poverty:



The working poor make up nearly 50% of the poverty population:



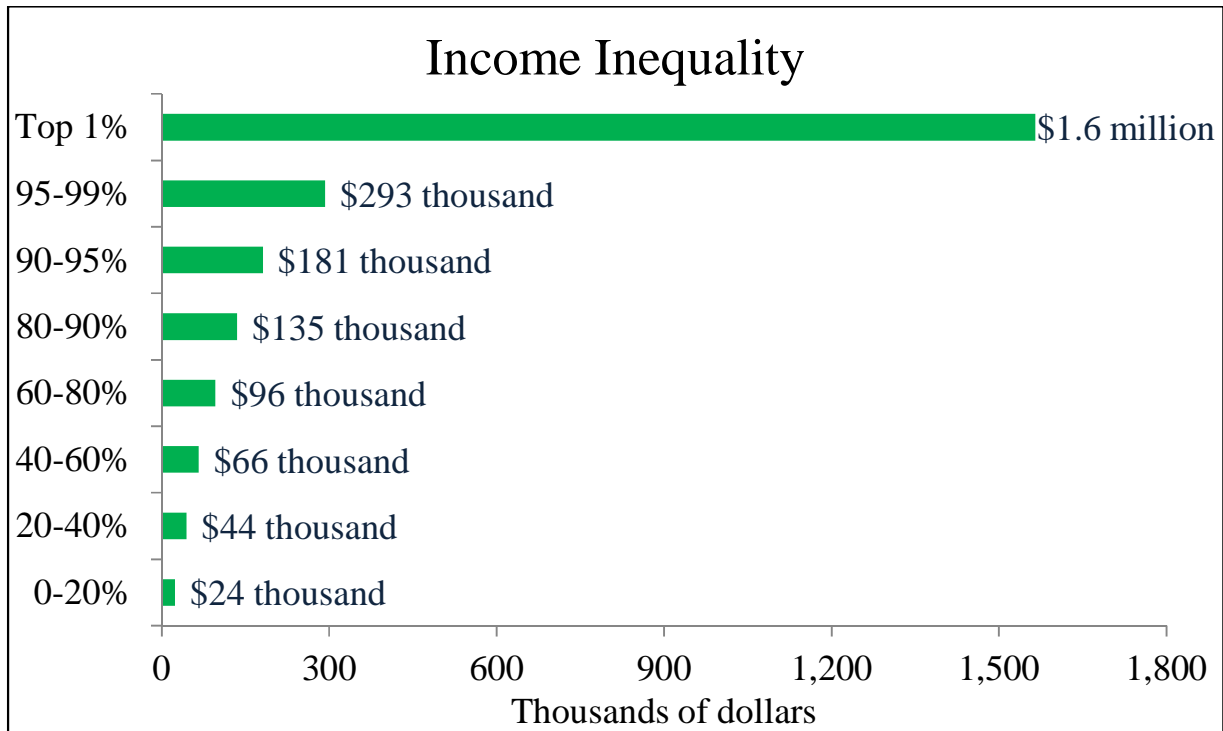
Among the working poor, women are more likely to receive poverty-level wages:



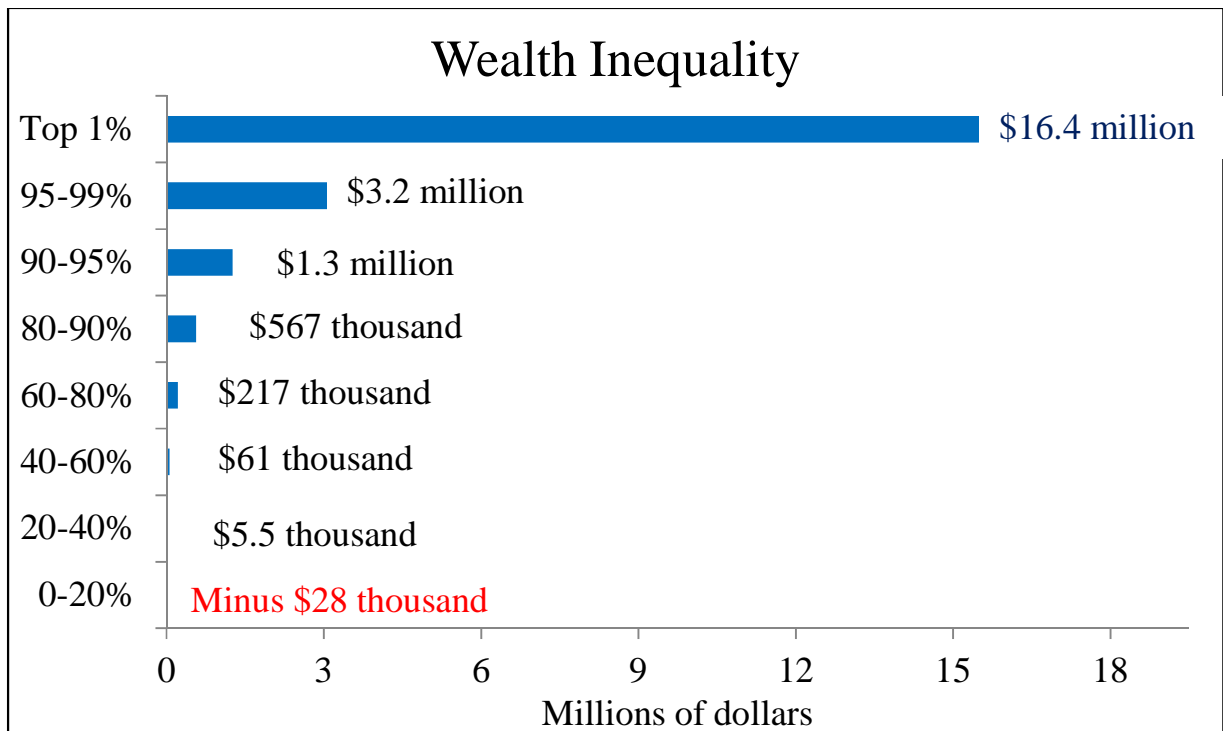
The poverty-wage is the wage that a full-time, full-year worker would have to earn to live above the federally defined poverty level for a family of four. In 2011, this was \$11.06 an hour.

INEQUALITY

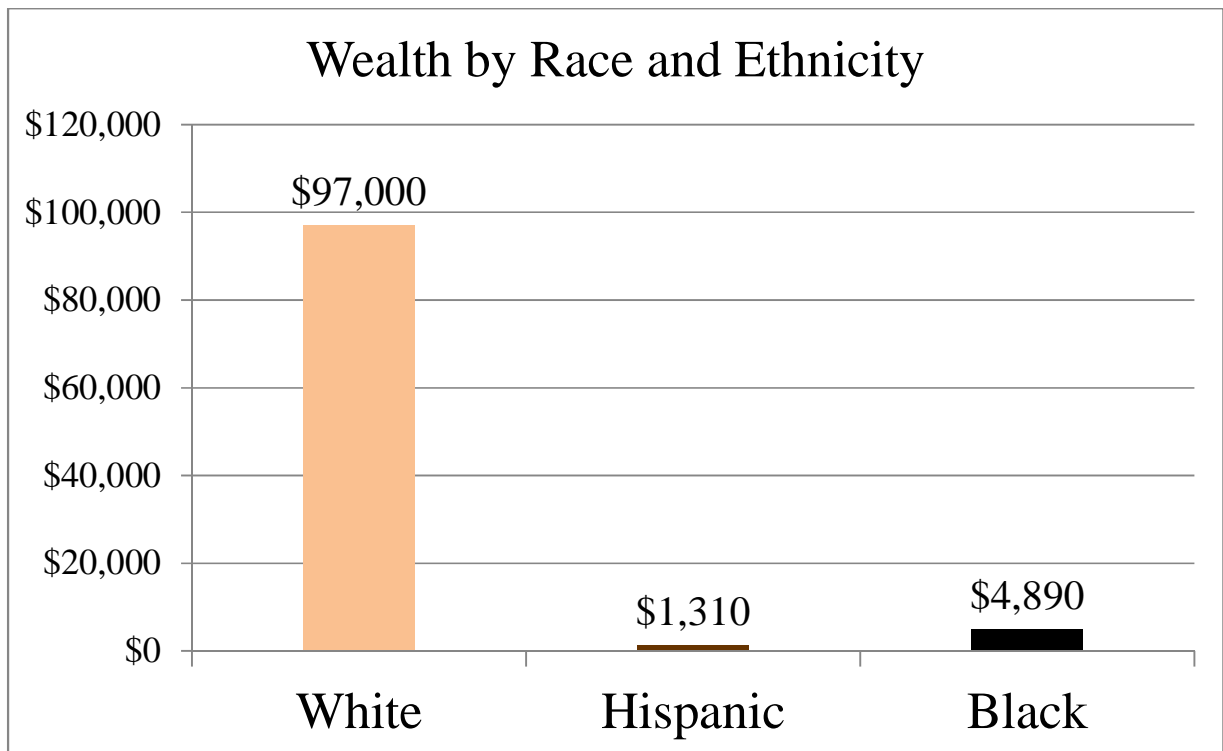
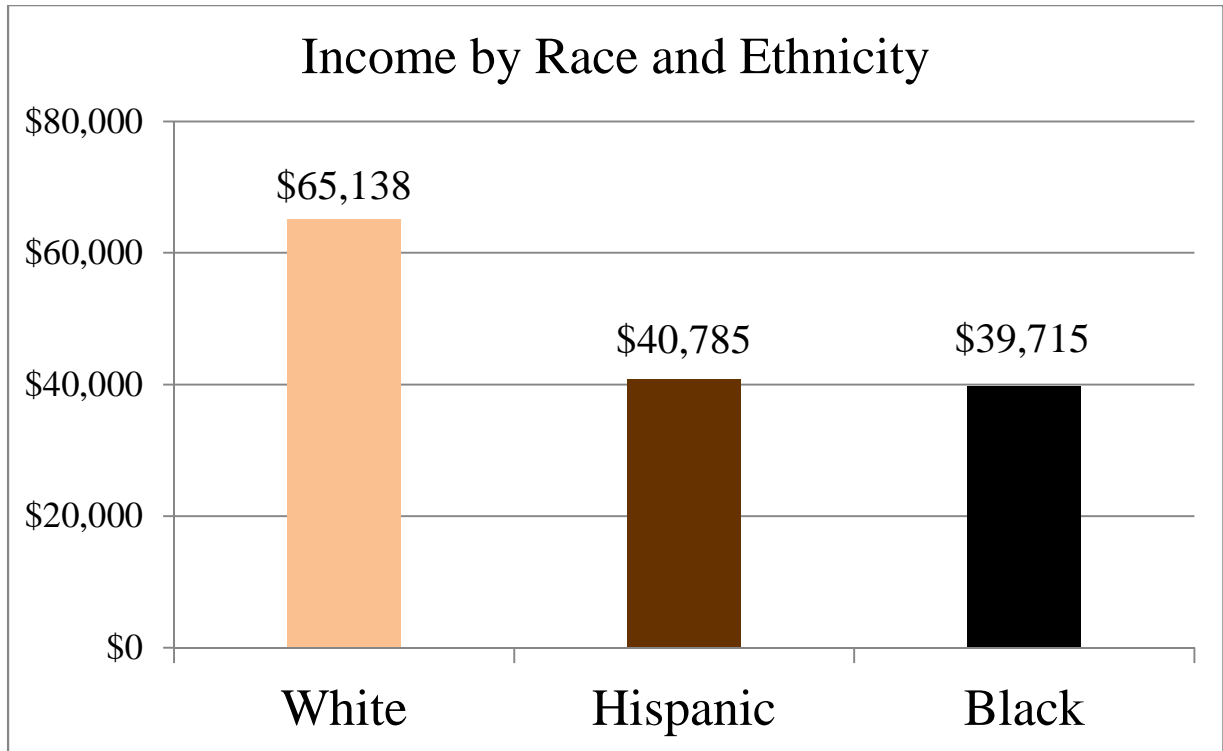
The average income of the richest 1% is much greater than that of the rest of the population:



There is also wealth inequality. Wealth is defined as net worth, which is assets (what you own, what you've saved, or what other people owe you) less liabilities (what you owe).

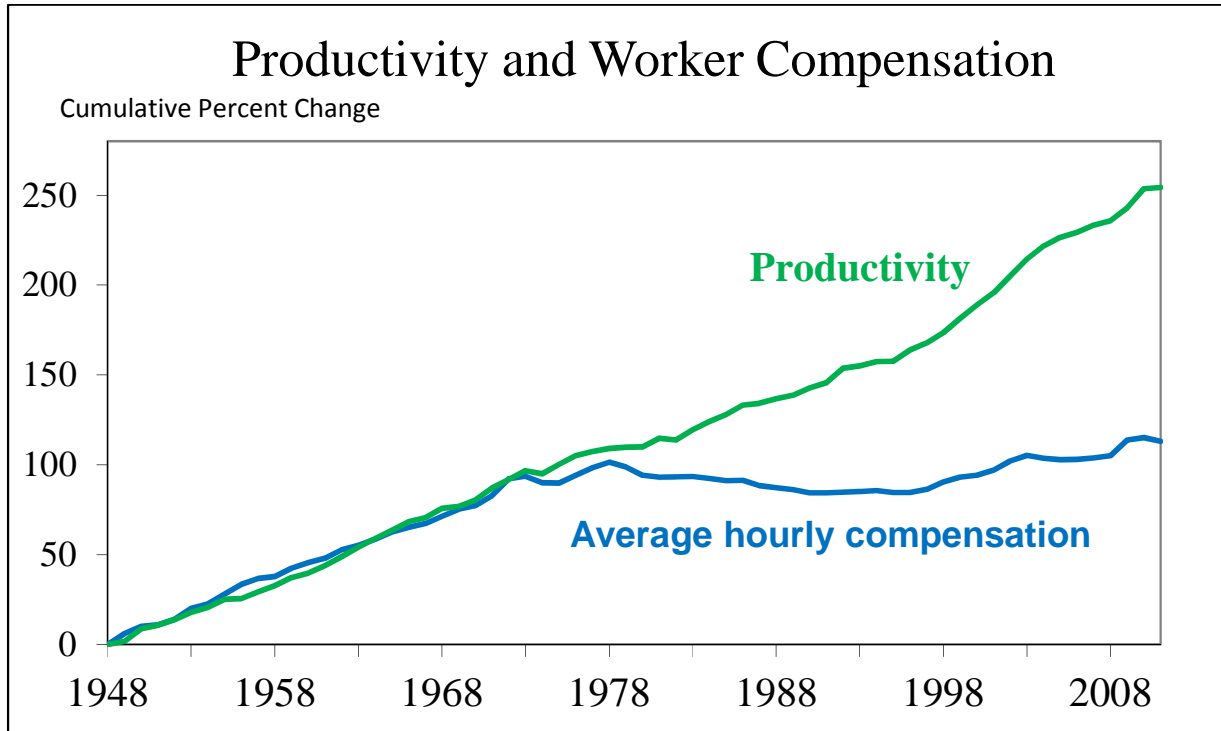


Income and wealth are unequally distributed by race and ethnicity (the data are median values):

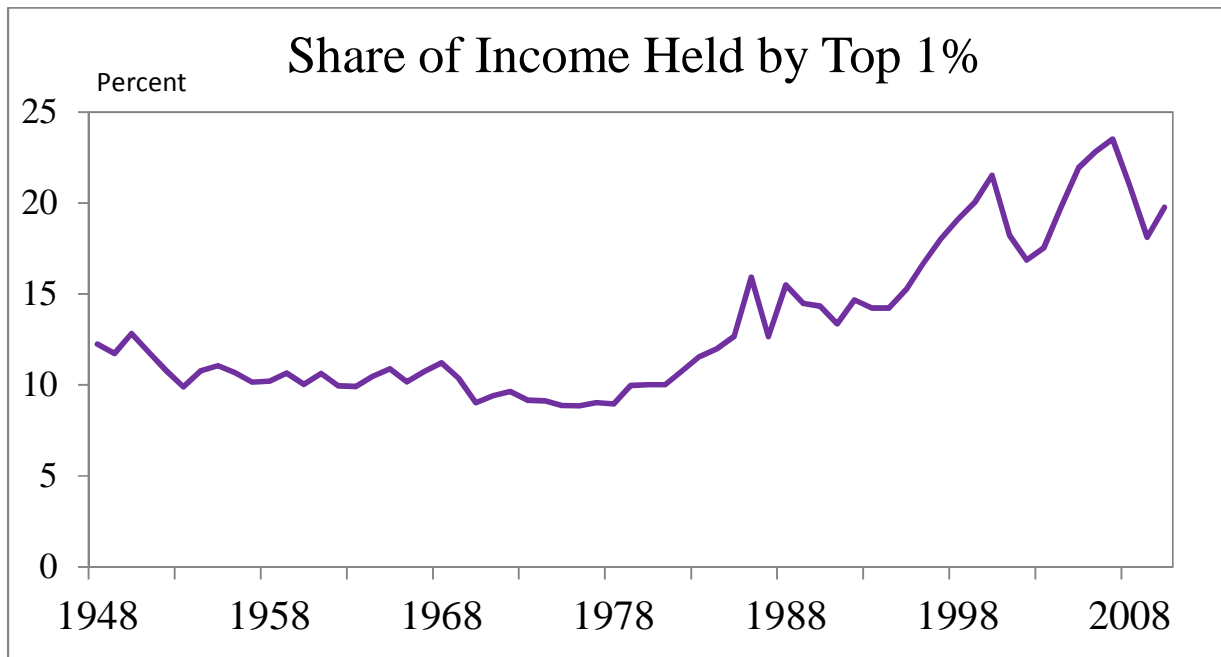


ECONOMIC JUSTICE

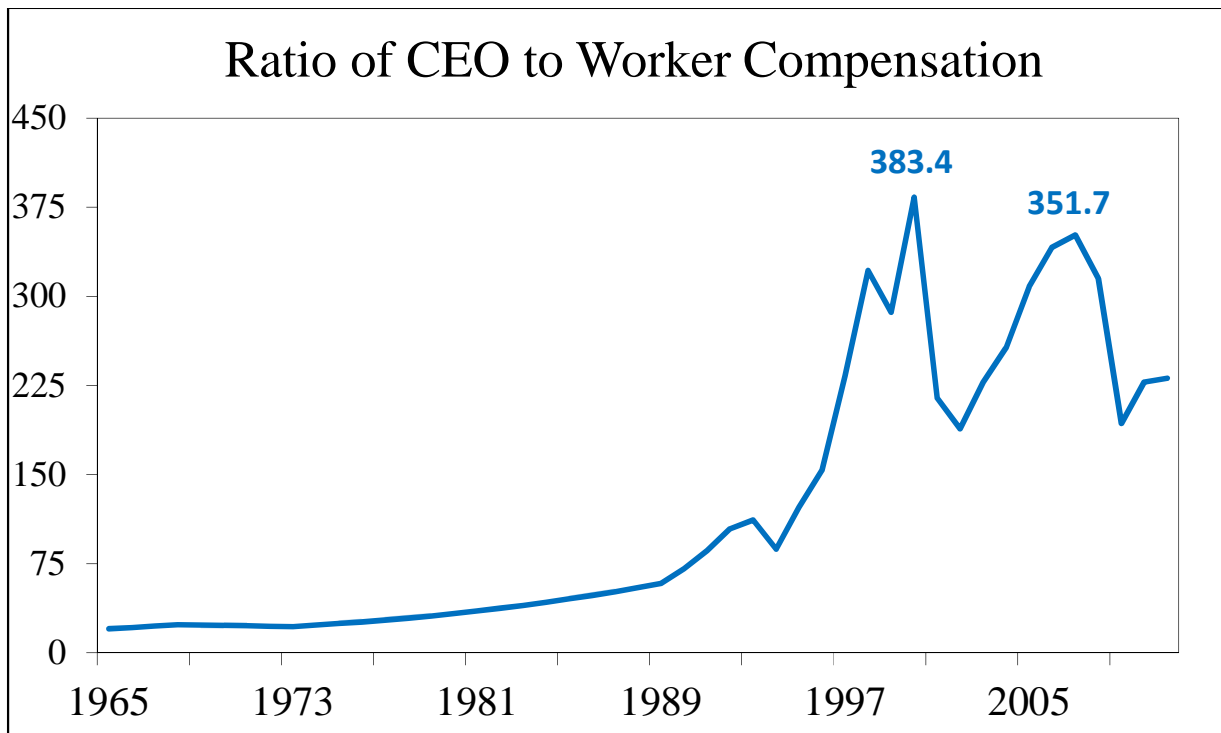
Since the 1980s, changes in the rules for how the economy works have increased employers' bargaining power over workers. As a result, the gap between workers' pay and their productivity has grown:



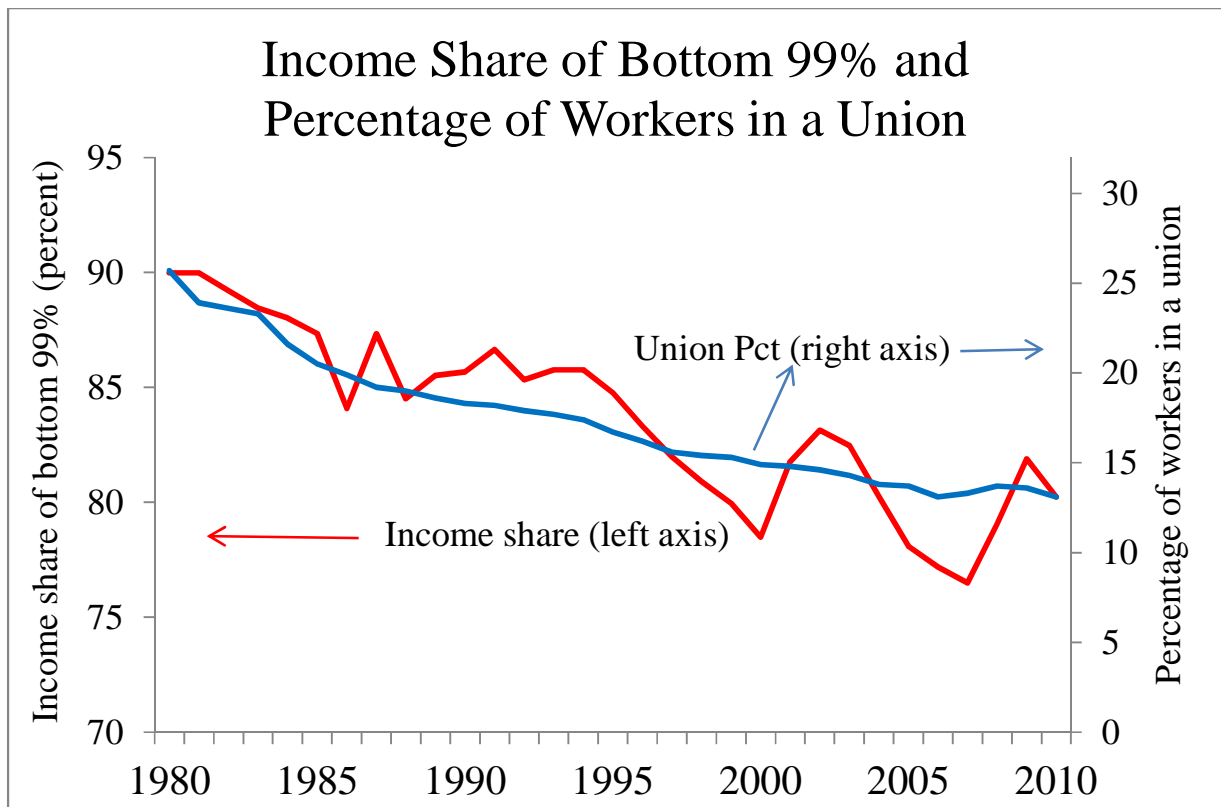
The gap has resulted in higher corporate profits, which has meant higher payments to those, like the top 1%, who are significant owners of corporate stock:



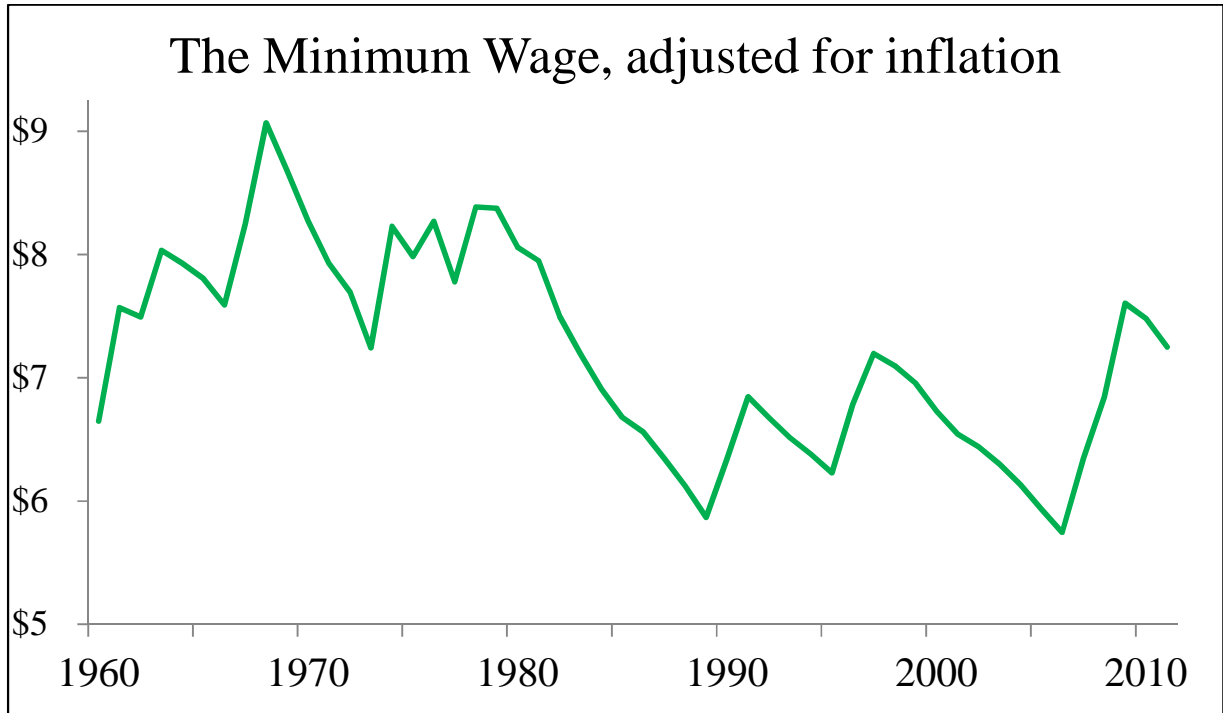
It has also meant higher payments to corporate CEOs:



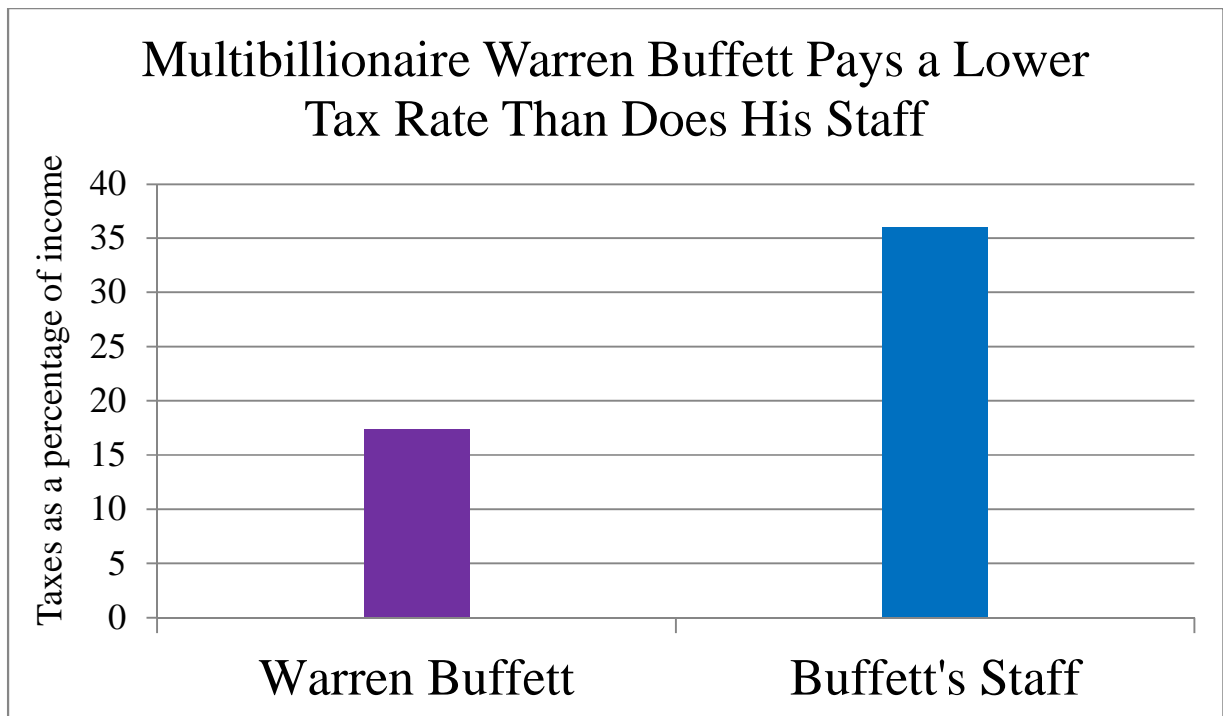
Increased corporate power has also led to a decline in the number of workers represented by a union. This decline has been accompanied by a decline in the share of household income going to the vast majority:



Economic power has meant political power and the ability to shape, not only the rules for how the economy works, but also many areas of public policy. Poverty and inequality have increased as the social safety net and taxes on the wealthy have been cut. For example, Congress has failed to raise the minimum wage to keep up with inflation:

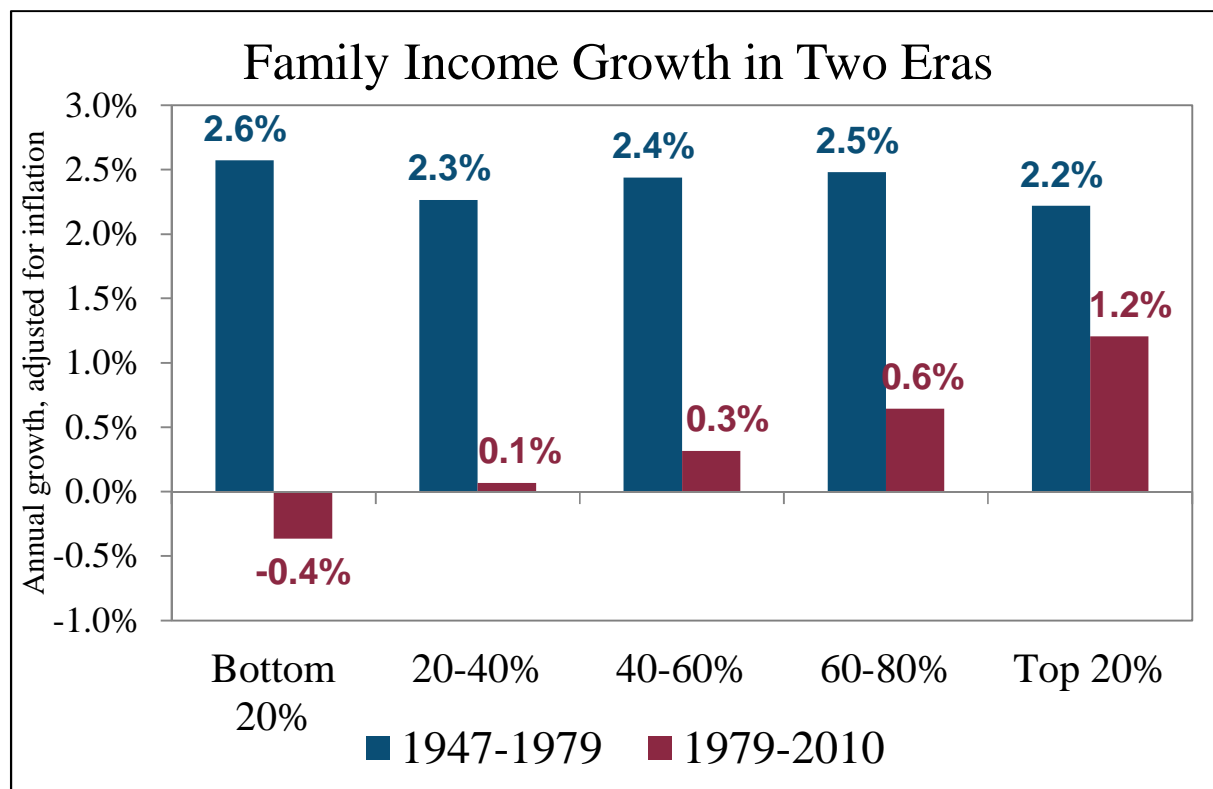


while cutting taxes for the rich:



Banking and finance is a second area in which rules for how the economy works were changed to benefit the rich and powerful. In the context of inequality, the deregulation of Wall Street banks led to the most severe financial crisis and recession since the Great Depression.

The new rules have undermined the performance of the economy. Before the rules were changed, we had shared prosperity. But since then we have had, not only riches at the top and poverty at the bottom, but also stagnation for the broad majority and a shrinking of the whole economic pie:



The real question for the future is how to change the rules to overcome poverty and benefit the broad majority, not just the rich and powerful; it is an issue not of government vs. no government, but in whose interests government is used. Every family should have the opportunity to live in dignity and be free of poverty, and every child should have the opportunity to reach his or her potential. Achieving this objective is, as Nelson Mandela has said, “an act of justice.”

SOURCES AND NOTES FOR CHARTS

p. 2, top: US Census Bureau, American Community Survey, 2010, Table S1701, Poverty Status in the Past 12 Months (data for 2010 are a 3-year average of 2008-2010); 2000, Table QT-P34, Poverty Status in 1999 of Individuals, Census 2000 Summary File 3.

<http://factfinder2.census.gov/faces/nav/jsf/pages/index.xhtml> The poverty levels defined by the Census Bureau are based upon a formula derived in 1963-1964, using a U.S. Department of Agriculture food budget "designed for temporary or emergency use when funds are low." At the time, a family spent about 1/3 of its income on food, so the cost of the food budget was multiplied by 3 to get the income necessary to avoid poverty. Today, food budgets are more like 1/6 of family income, and other expenses, like child care, housing, and medical costs, have assumed greater importance. However, the official definition of poverty, except for adjustments for inflation, has not changed since the 1960s.

p. 2 bottom, through p. 4, top: US Census Bureau, American Community Survey, 2010, Table S1701, Poverty Status in the Past 12 Months. In the charts on p. 3, comparable data for poverty by race and ethnicity are not available for Mishawaka. "Percent Employed" in the chart on p. 4 are those people over the age of 16 who worked full-time or part-time in the past 12 months.

p. 4, bottom: Economic Policy Institute, The State of Working America. Data for 2011. <http://stateofworkingamerica.org/chart/swa-wages-figure-4e-share-workers-earning/> Original data source: Current Population Survey, sponsored jointly by the Census Bureau and the Bureau of Labor Statistics.

p. 5, top: Congressional Budget Office, The Distribution of Household Income and Federal Taxes, 2008 and 2009, Supplemental Data Spreadsheet. <http://cbo.gov/publication/43373> Table 3, Average before-tax income for the years 2007-2009, adjusted for inflation.

p. 5, bottom: Economic Policy Institute, The State of Working America. The data are for 2010. <http://stateofworkingamerica.org/chart/swa-wealth-table-6-3-change-average-wealth/> Average wealth.

p. 6, top: Economic Policy Institute, The State of Working America, <http://stateofworkingamerica.org/chart/swa-income-table-2-5-median-family-income/> The data are for median family income for 2010 (adjusted for inflation). If households are ordered by wealth, the median is the middle value.

p. 6, bottom: Economic Policy Institute, The State of Working America, <http://stateofworkingamerica.org/chart/swa-wealth-figure-6e-median-household-wealth/> The data are for 2010 and represent the median wealth of households.

p. 7, top: Economic Policy Institute, The State of Working America, <http://stateofworkingamerica.org/chart/swa-wages-figure-4u-change-total-economy/> Compensation data are adjusted for inflation. Examples of these rule changes: free-trade agreements that have made it easier for multinational corporations to shift production overseas; deregulation of industry that has intensified wage competition and undermined labor standards; and procedures for organizing unions that have become more time-consuming and difficult. In addition, many corporations have become more intent on cutting labor costs by, for example, outsourcing, using temporary and on-call workers, and downsizing.

p. 7, bottom: Thomas Piketty and Emmanuel Saez, "Income Inequality in the United States, 1913-1998," *Quarterly Journal of Economics*, February 2003, pp. 1-39, Tables and Figures Updated to 2010 in Excel format, March 2012, Table A-3. <http://elsa.berkeley.edu/~saez/> Income includes capital gains. Declines in the stock market during 2000-2002 (tech, or "dot-com," stock collapse) and 2007-2009 (housing speculation collapse) led to a decline in the income share of the top 1% during those times; the same is true of the chart on CEO-to-worker compensation on the top of p. 8.

p. 8, top: Economic Policy Institute, The State of Working America, <http://stateofworkingamerica.org/chart/swa-wages-figure-4-ceo-worker-compensation/> Ratio of average CEO total direct compensation to average annual production worker compensation. Includes stock options realized. At a ratio of more than 260 to 1 of CEO pay to worker pay, CEOs receive more in one day than workers get paid in a year. (At 5 days per week and 52 weeks per year, there are 260 working days per year.)

p. 8, bottom: Income Share of Bottom 99%: Piketty and Saez dataset cited for chart on p. 7, bottom. Percentage of Workers in a Union: Economic Policy Institute, The State of Working America, <http://stateofworkingamerica.org/chart/swa-wages-figure-4ad-union-coverage-rate/>

p. 9, top: Economic Policy Institute, The State of Working America, <http://stateofworkingamerica.org/chart/swa-wages-figure-4-ae-real-minimum-wage/> Original data source: US Department of Labor, Wage and Hour Division. The ability to shape public policy has meant, for example, that tax subsidies for industries like oil and agribusiness proliferate, while investment in the inner city stagnates; the ability of the federal government to negotiate drug prices for Medicare Part D is blocked in order to protect the profits of the pharmaceutical companies.

p. 9, bottom: Warren Buffett, "Stop Coddling the Super-Rich," *The New York Times*, August 14, 2011. Includes income and payroll taxes. Much of the income of the top 1% comes from their investments, such as stocks and bonds. The income from these investments is generally taxed at lower rates than income from wages and salaries. For example, income from most dividends and from capital gains (the profits made from selling stock at a higher price than the purchase price) is taxed at 15% (if the stock is held for more than one year). Much of the income of managers of hedge funds and private equity funds (relatively unregulated financial institutions that invest the money of wealthy individuals) is also taxed at 15%.

p. 10: Economic Policy Institute, The State of Working America, <http://stateofworkingamerica.org/charts/real-annual-family-income-growth-by-quintile-1947-79-and-1979-2010/> Original data source: U.S. Census Bureau, Income, Poverty and Health Insurance Coverage in the United States: 2010 – Historical Income Tables, Table F3: Mean Income Received by Each Fifth and Top 5 Percent of Families. Deregulation allowed Wall Street banks to push predatory mortgage loans on low-income borrowers, package the loans into risky financial products, and sell them to financial institutions like hedge funds financed by wealthy individuals. The whole process depended on speculation in house prices. When that speculation ended and the house of cards collapsed in 2007-2008, the severe financial crisis and recession followed.