

Rich getting richer, poor getting poorer

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The harder Tina Flores works, the more it seems like she falls behind.

The Oakland woman is a full-time secretary at Kaiser Permanente, where her husband David holds a job as a records clerk. Together the two of them earn about \$75,000. But, with three kids in the family, a \$2,300 mortgage payment due each month and the \$150 a week it takes to fill the tank on the Flores' Honda van, that's not enough to pay the bills.

So she recently cut her monthly contribution to her retirement plan to \$140 from \$300. And she's selling homemade cakes and pies on the side to bring in something extra.

"My whole motto is self-sufficiency," Flores, 41, said. "But what are we working for? We're not prospering from all the work we're doing."

Flores is not alone. Economic data show that a huge swath of low- and middle-income families, both in California and across the nation, are barely scraping by. By many measures, their living standards are stagnating or declining as the prices of such necessities as food, fuel and medicine rise faster than wages.

Today, two liberal Washington research groups are set to issue reports on income trends in the 50 states showing that the gap between those at the bottom and middle of the income scale and those at the top is widening at an accelerating pace.

In California, the poorest 20 percent of families saw their incomes rise 1.4 percent in the 2004-06 period compared with 1998-2000, after adjusting for inflation, according to the study by the Center on Budget and Policy Priorities and the Economic Policy Institute. The income of the middle 20 percent of families rose 3.8 percent. By contrast, the top 20 percent gained 13 percent after inflation, while the income of the top 5 percent jumped 20.8 percent.

Nationwide, families at the bottom and middle of the income scale fared even more poorly than their counterparts in California.

Across the country, average incomes fell 2.5 percent from 1998-2000 with 2004-06 for the bottom fifth of families, while edging up 1.3 percent for those in the middle. The top fifth registered a 9.1 percent gain.

No shared prosperity

"We are not seeing shared prosperity," said Jean Ross, director of the California Budget Project, a liberal research group in Sacramento that is helping distribute the report. "There's a pulling away at the top that's



leaving the bottom 80 percent of families behind."

The groups responsible for today's study issued a similar report two years ago. And government data show income inequality has been rising for more than 25 years.

The trend reflects a range of factors, according to the report's authors, including stagnant wages at the bottom of the income scale, robust pay increases at the top, and a hollowing out of jobs in the middle as manufacturing employment drops. In addition, investment income has grown faster than wages, benefiting those with large stock and bond portfolios. Government tax, trade and labor policies also contribute, the report contends.

Liberal groups are pressing for policies to reduce income inequality, including increasing minimum wages and strengthening unemployment insurance. Free-market advocates warn against such measures and, in some cases, question the reliability of inequality data.

Robert Higgs, a senior fellow in political economy with the libertarian Independent Institute in Oakland, argues that living standards have risen for all income groups.

Much better off

"The lowest-income people are much better off than they used to be," he said. "If you just look at the baskets of consumer goods that people are acquiring, it's just not consistent with data that shows people are not better off."

Even if inequality were increasing, it doesn't follow that society should do anything about it, Higgs said.

"Journalists almost invariable accept as a fundamental premise that making distribution of income more equal is a good thing," he said. "But distribution of income is in a sense irrelevant to any issue of policy."

Today's report is based on U.S. census income data through 2006. It counts wages and unearned income ranging from interest and dividends to food stamps and welfare benefits. Because of faulty data, it doesn't calculate capital gains on sales of stock and other assets, which add to inequality.

Recent data suggest that the economic downturn is intensifying income differences and disproportionately harming low- and middle-income families.

For example, the most recent Reuters/University of Michigan Surveys of Consumers showed that 38 percent of low-income participants said inflation was a problem for them compared with 18 percent of high income respondents with similar complaints. That's the widest disparity ever found between low and high income survey participants on inflation, reflecting that prices of food and fuel and other essentials have climbed sharply, according to survey director Richard Curtin.

Middle of the pack

Tina Flores is squarely in the middle of the income pack in the Bay Area. Even though she and her husband earn more money today than they did at the beginning of the decade, their family isn't living as well.

"It doesn't seem like I'm gaining anything," she said, interviewed as she sat next to her mother, Joetta Fitzpatrick, who had business at the East Bay Community Law Center in Berkeley. "It seems the more I make, the more somebody takes it.

"I like to make a decent meal for the kids, but as the kids grow older they eat more. Everything is going up. Milk used to cost \$2 something a gallon and now it's \$6," she added. "We're eating a lot of noodles and leftovers."

In order to boost the family's income, Flores is preparing for nursing school by going to microbiology class two days a week. Her husband takes a four-hour course in electronic record keeping every day.

"I want my kids to do well and go to college," she said. "So we work and have to struggle."

Up and down

From the late 1990s to the mid 2000s, income gains for the wealthiest Californians significantly outpaced those for families in the middle and bottom of the income scale. These are the changes in income from 1998-2000 to 2004-06:

Bottom 20%1.4%

Middle 20%3.8

Top 20%13

Top 5%20.8

For a copy of Pulling Apart, the report on income inequality trends, go to www.cbpp.org.

Source: Center on Budget and Policy Priorities and Economic Policy Institute

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<http://sfgate.com/cgi-bin/article.cgi?f=/c/a/2008/04/09/BUVI10258K.DTL>

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