

Business

WHY IT MATTERS: Income inequality

Associated Press, by Josh Boak, August 18, 2016

WASHINGTON (AP) — THE ISSUE: The rich keep getting richer while more Americans are getting left behind financially.

Income inequality has surged near levels last seen before the Great Depression. The average income for the top 1 percent of households climbed 7.7 percent last year to \$1.36 million, according to tax data tracked by Emmanuel Saez, an economics professor at the University of California, Berkeley. That privileged sliver of the population saw pay climb at almost twice the rate of income growth for the other 99 percent, whose pay averaged a humble \$48,768.

But why care how much the wealthy are making? What counts the most to any family is how much that family is bringing in. And that goes to the heart of the income-inequality debate: Most Americans still have yet to recover from the Great Recession, even though that downturn ended seven years ago. The average income for the 99 percent is still lower than it was back in 1998 after adjusting for inflation.

Meanwhile, incomes for the executives, bankers, hedge fund managers, entertainers and doctors who make up the top 1 percent have steadily improved. These one-percenters account for roughly 22 percent of all personal income, more than double the post-World War II era level of roughly 10 percent. One reason the income disparity is troubling for the nation is that it's thinning out the ranks of the middle class.

WHERE THEY STAND

Hillary Clinton has highlighted inequality in multiple speeches, with her positions evolving somewhat over the past year. Bernie Sanders held her feet to the fire on that subject in the primaries. Clinton hopes to redirect more money to the middle class and impoverished. Clinton would raise taxes on the wealthy, increase the federal minimum wage, boost infrastructure spending, provide universal pre-K and offer the prospect of tuition-free college.

Donald Trump offers a blunter message about a hollowed-out middle class and a system "rigged" against average Americans. Still, he has yet to emphasize income inequality in the campaign. To bring back the factory jobs long associated with the rise of the middle class, Trump has promised new trade deals and infrastructure spending. But Trump has also proposed a tax plan that would allow the wealthiest Americans to keep more of their earnings.

WHY IT MATTERS

President Barack Obama has called rising inequality "the defining challenge of our time." And experts warn that it may be slowing overall economic growth. Greater inequality has created a festering distrust of government and of corporate leaders whose promises of better times ahead never fully materialized.

The result has been a backlash against globalization that many Americans feel tilted the economy against them. For the top 1 percent, the ability to move money overseas and reach markets worldwide concentrated pay for "superstars," according to economists. At the same time, factory workers now compete with 3 billion people in China, India, Eastern Europe and elsewhere who weren't working for multinational corporations 20 years ago. Many now make

products for Apple, Intel, General Motors and others at low wages. This has depressed middle-class pay. These trends have contributed to a "hollowed out" labor market in the United States, with more jobs at the higher and lower ends of the pay scale and fewer in the middle.

Social factors have amplified the trend as well. Single-parent families are more likely to be poor than other families and less likely to ascend the income ladder. Finally, men and women with college degrees and high pay are more likely to marry each other and amplify income gaps.

This story is part of AP's "Why It Matters" series, which will examine three dozen issues at stake in the presidential election between now and Election Day. You can find them at: <http://apnews.com/tag/WhyItMatters>

EDITOR'S NOTE: One in an AP series examining issues at stake in the presidential election and how they affect people.