ECONOMIC COLLAPSE NEWS

COVERING THE IMPENDING FISCAL AND MONETARY COLLAPSE

Study finds median family wealth is at 43-year low in U.S. collapse

By Andrew Moran – 12/3/12

New York University economics professor Edward N. Wolff published a new study last month that found the lower and middle class American households in this economic collapse are appearing poorer and unstable for the first time since 1969.

The study reported that the median net worth of $57,000 (measured in 2010 dollars) is at a 43-year low. When all the statistics are calculated, Wolff concluded that it only gets worse for the average American household, family and worker.

Between the period of 1983 and 2010 (using constant 1995 dollars), households with $10,000 or less in assets, which takes into account no assets at all or negative assets (debt), rose by nearly eight percent from 29.7 percent to 37.1 percent. Meanwhile, during that same near 20-year period, the wealthiest one percent of households in the United States increased their wealth by 71 percent.

“The debt of the middle class exploded from 1983 to 2007, already creating a very fragile middle class,” stated Wolff in the study. “Wealth differences have become exacerbated. The rising polarization is rather troubling.

Wolff found that two groups got the most hammered by the Great Recession when it comes to their respective net worth, net equity in their homes and absolute wealth: Hispanics and those under the age of 45. For these two groups, their absolute wealth declined sharply between 2007 and 2010.

Middle class incomes have remained stagnant for three decades and the top 10 percent has close to doubled its affluence, even when the economy doubled in size. Many argue that globalization and a loss of homegrown manufacturing are the primary culprits to these staggering economic figures.

The lower and middle classes of the U.S. could be hit even harder in January when tax cuts expire and future spending cuts take place. AsEconomic Collapse News reported, 90 percent of American households would be affected by the fiscal cliff because of the increase in taxes by thousands of dollars.

The typical middle-income household that earns between $40,000 and $64,000 could see their taxes rise by $2,000 as of Jan. 1, 2013. Low-income families would be affected because President Barack Obama's tax credits that were implemented by his 2009 economic stimulus will expire. A household earning between $110,000 and $140,000 could receive a tax bill with an additional $6,000. The top one percent may get an extra $120,000 in taxes, but that could rise if the Republicans agree with the president and the Democrats' demands in the fiscal cliff negotiations.

What's the solution to income inequality? The American Thinker made a number of suggestions in a weekend blog post that advocated an improvement in education and training, tax credits for homegrown manufacturing industries, the removal of many unnecessary regulations and aid small businesses to sell their products overseas.

"CEO's of large corporations will still make tens of millions of dollars a year. But incomes for the Middle Class just might start rising again," wrote American Thinker author Rick Moran. "That is much preferred to the stagnation we have today."

Nobel laureate Milton Friedman wrote and lectured extensively on the issue of income inequality. He called for an economic policy that focuses on freedom, while calling for the government to institute a negative income tax – he noted several instances that this wasn't his preferred solution, but better than the present system.

"A society that puts equality—in the sense of equality of outcome—ahead of freedom will end up with neither equality nor freedom," saidFriedman. "On the other hand, a society that puts freedom first will, as a happy by-product, end up with both greater freedom and greater equality."

Is income inequality a bad thing? Is it even true? Michael Tanner, a senior fellow at the Cato Institute and author, published a piece in January titled "The

Income-Inequality Myth” that explains the different misconceptions about the various economic statistics that put forward the idea there is a massive amount of poor and an obscene number of rich people.

“Many studies looking at low-income Americans fail to account for non-cash social-welfare benefits such as food stamps, housing subsidies, and Medicaid,” wrote Tanner. “Fully accounting for all of these factors suggests that the gap between rich and poor may not be nearly as large as thought, and that inequality may not be growing at all.

He also pegs the question: why care about inequality?

“Poverty, of course, is a bad thing. But is inequality? After all, if we doubled everyone’s income tomorrow, we would eliminate an enormous amount of economic hardship,” stated the Cato Institute writer. “Yet, inequality would actually increase. As Margaret Thatcher said about those who obsess over inequality, ‘So long as the [income] gap is smaller, they would rather have the poor poorer.’”

There have been a number of reports issued since the birth of the Occupy Wall Street movement by such publications and groups as theBusiness Insider, the American Enterprise Institute (AEI), Investors.comand LearnLiberty, that tackle the topic.

The video below may explain what those who dismiss income inequality are talking about.

http://www.youtube.com/watch?feature=player_embedded&v=vDhcqua3_W8