Why Bush ignores the numbers

June 25, 2003

(from the Columns section)

Figures about the American economy give some people headaches. Recognizing this, President Bush would rather talk about weapons of mass destruction in Iraq — which have never been found — than about what is happening to most Americans. Of course, he also knows that talking about statistics would reveal that the two rounds of tax cuts he has pushed through Congress will have disastrous consequences for an America already growing more unequal.

Recently, economists Thomas Piketty and Emmanuel Saez published a path-breaking study on the income earned by the wealthiest Americans over the course of the 20th century. Their exhaustive analysis of tax returns shows that between the start of World War II and the early 1980s, America became a more economically egalitarian society. The share of wealth which went to the wealthiest citizens declined in the early 1940s and stayed low for 40 years, years characterized by the rise of the great American middle class.

In 1915, before the establishment of the income tax, the very wealthiest families earned 400 times as much as the average family. The income tax leveled that out, so that by 1970 those families earned just 50 times as much as the average. But by 1998 that egalitarian trend had been dramatically reversed: the wealthiest one-tenth of one percent now earned 250 times the average.

The rise in income inequality started with the presidency of Ronald Reagan. In simple non-statistical terms, the rich not only grew richer, they were served larger and larger slices of the American economic pie. Almost all the nation’s economic gains went to the richest 1 percent of American families. The top 1 percent, those earning over $230,000, saw gains of 78 percent in their income share. The top half percent, that half million families earning over $524,000, saw their income share double. The top tenth of 1 percent, those earning over $1.5 million, got almost three times as large a slice of the pie. And the top one-tenth of 1 percent, America’s richest 13,000 families? Their income share went up 395 percent, a helping of the pie almost four times as large as 20 years earlier.

Unhappily, the American pie did not grow nearly as rapidly as the divisions. The average annual salary in America, in 1998 dollars, rose only 10 percent in 29 years, from $32,522 in 1970 to $35,864 four years ago. (Since then, in the past two years alone, the United States has lost more 2 million decently paying manufacturing jobs, more than 10 percent of all the manufacturing jobs available when our current president took office.)

What this means is that while the rich have been growing considerably richer, the great majority of Americans have seen either decline, or little change, in their status.

President Bush’s answer to this growing inequality? He has declared class war: He doesn’t want the wealthy just to have larger slices, he wants them to have most of the pie. He wants to abolish the equalizing mechanisms of the income tax, so that economic advantage can be even more unequally distributed.

His 2001 tax cut gave over half its future benefits to the richest 1 percent of Americans. The poorest 20 percent got only $10 a year in tax breaks, while the wealthiest 1 percent got over $50,000 a year.

That wasn’t enough. In his recently approved tax cut, President Bush gave 37 percent of the new round of cuts to the wealthiest 1 percent — and no tax cut at
all to 50 million families, 36 percent of all households.

The figures may give some headaches, but that is exactly, precisely, the wrong direction to be going.

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