Richer and richer

by the St. Louis Post-Dispatch

New figures from the Congressional Budget Office suggest that the gap between wealthy Americans and their fellow citizens has now become a chasm - reaching its widest point since the Roaring '20s.

The CBO examined data for 2005, which turned to be a very good year if you happened to be wealthy. Those at the top of the heap - incomes in the highest 1 percent of Americans - saw their after-tax earnings rise by an average of $180,000.

Think about that: Just the increase in income for the lucky 1 percent equaled more than three times the entire annual take-home pay for the median American family.

By contrast, most Americans barely were treading water in mid-decade, according to newly released tax numbers. Income for the median American family rose only $400. The working poor got only a $200 raise.

After taxes were paid, the average family in the top 1 percent pocketed $1.071 million. The top 10 percent of taxpayers took home an average of $246,000. Meanwhile, a family smack in the middle of the income spectrum earned $50,000, while the poorest fifth averaged just $15,300.

The income gap has been widening for nearly three decades, but the Bush administration put the trend on rocket skates. Virtually all the benefit of economic growth in this decade has gone to the very well-off and to corporate profits, while the average American got nothing. Adjusted for inflation, median family income in 2005 was below the level of 2000.

Thoughtful people on both sides of the political divide increasingly are worried about income disparity levels. Former Federal Reserve Chairman Alan Greenspan blames it on several factors: the loss of well-paying factory jobs, rising job insecurity in the face of global competition, and the fact that good jobs today require more skill.

His solution: improving the public schools to better prepare youngsters for tomorrow's high-skill jobs.

That's a fine idea, but it would take years to realize. Greenspan worries that in the meantime, income inequality will result in a new era of populism, with onerous new regulations on business and soak-the-rich tax plans. As a "libertarian Republican," he equates populism with poison.

Meanwhile, on the presidential campaign trail, at least one Democrat is ready to give it a try.

"In the last 30 years, our country has systematically pursued policies to concentrate wealth and power in the hands of the richest Americans while making the rest of us poorer, more insecure and more vulnerable," says former Sen. John Edwards, D-N.C.

His pure populist pitch is filled with calls for universal health care, tax reform and a get-tough campaign against corporate interests. His message might be anathema to Alan Greenspan, but it might not be such a bad thing if it began to resonate.

Throughout most of our history, free-market capitalism has been a marvelous mechanism for raising living standards across the board. But at its distribution end, as the new CBO figures clearly show, it is off-kilter. Some tinkering is in order. he topic deserves widespread debate during next year's campaigns.

We could, and perhaps should, let the Bush administration's tax cuts expire. Those tax cuts saved an average of $118,000 per year for people with more than $1 million in income. A middle-income taxpayer saved just $740, according to the Tax Policy Center in Washington. By letting the cuts expire and devoting the revenue to helping pay for universal health care, the nation could remove a major worry for American families.

But won't taxing the wealthy slow investment? Not if history is a guide. The biggest investment and economic boom in history followed tax increases imposed under President Bill Clinton in the early 1990s. The rich got richer, but so did the middle class and working poor. It's time to try it again.

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