Why Millions of People Can No Longer Make a Living: America’s Working Poor, its former Middle Class

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Center for Community Futures
Topics - Why Millions Can No Longer Make a Living

- Key themes for the National Trends Learning Cluster
- Changing Demographics of Poverty in the US
- Continuing Trends in Poverty
- Wage Stagnation
- Income and Asset Inequality
- Weak Recovery
Learning Cluster on National Trends

Major shapers of a society

1. Demographics (30%)
2. Economics (including science, technology and trade) (30%)
3. Social values (Alexis de Tocqueville) (20%)
4. These interact – in odd combinations -- to shape public policy. (5%)
Changing Demographics of Poverty Today in the US

US DEMOGRAPHIC TRENDS
US Demographic Megatrend Highlights

MACRO TRENDS:
1. US population growth rate: rate of increase has declined to less than 1% per year up from a high of 1.8% in the early 60’s.
2. Life expectancy: a graying nation but expectancy varies greatly
3. Urban vs rural: continued migration from rural to urban communities
4. The US Family make-up: on an evolutionary path

TRENDS SHAPING POVERTY:
1. Households: growing single head of households and/or shared households
2. US Birth rate: steadily declining, but more unwed mothers
3. More children in poverty in the last 20 years
4. Diversity and immigration: Adds up to greater national strength but little upward mobility for minorities
5. The Changing American Family
Declining US Birth Rate

- US births reached an all-time high of more than 4.3 million in 2007, dip to 3.9 million.
- First-time mothers later in life: average age of first-time mothers rose from 21.4 years in 1970 to 25.0 years in 2006. First birth rates aged 40–44 stable during the 1970s and early 1980s, but increased more than four-fold from 1985 through 2012 (from 0.5 to 2.3).
- Significant declines in teen childbearing that began after 1991 have strengthened in recent years.
1. US Population is aging regardless of gender or ethnicity is at 78.5 up from an 1965 estimated 70.2. But it stands 20th of 34 developed nations

2. Life expectancy varies by ethnicity - life expectancy for all American’s in 2013
   - Males (76.0) and females (80.9) and
   - Whites (78.8),
   - Black (74.5),
   - Hispanic (81.2).
   - 1965 estimates black males lived on average to 61 and females to age 66.6
Life Expectancy, Education and Ethnicity

• In 2008 white males with 16+ years of education live 14.2 years longer than black men with less than 12 yrs of education, for women difference is 10.3 yrs.
• Trends in disparities at the educational extremes are widening. In 1990 the most educated men and women lived 13.4 years and 7.7 years longer, respectively, than the least educated.
• Differences in life expectancy at birth between the most and least educated, within race/sex groups, in 1990 the gap in life expectancy between the most and least educated white females was 1.9 years; now it’s 10.4 years, see chart below.

<table>
<thead>
<tr>
<th></th>
<th>Year</th>
<th>Gap in Life Exp.</th>
<th>Year</th>
<th>Gap in Life Exp.</th>
</tr>
</thead>
<tbody>
<tr>
<td>White Females</td>
<td>1990</td>
<td>1.9 years</td>
<td>2008</td>
<td>10.4 years</td>
</tr>
<tr>
<td>Black Females</td>
<td>1990</td>
<td>1.9 years</td>
<td>2008</td>
<td>6.5 years</td>
</tr>
<tr>
<td>White Males</td>
<td>1990</td>
<td>4.9 years</td>
<td>2008</td>
<td>12.9 years</td>
</tr>
<tr>
<td>Black Males</td>
<td>1990</td>
<td>6.0 years</td>
<td>2008</td>
<td>9.7 years</td>
</tr>
</tbody>
</table>
Demographic trends (Economist, 11/20/14)

Source: UN
America’s Changing American Family
Today, 24% of all children lives with unmarried mother, 41% of births are to unmarried women

The Changing American Family (Figure 1)
The percentage of children under 18 living with an unmarried mother has increased substantially since the 1960s, with the largest increase seen among blacks.

Children living with an unmarried mother

<table>
<thead>
<tr>
<th>Year</th>
<th>Black</th>
<th>Hispanic</th>
<th>All children</th>
<th>White</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>19%</td>
<td>24%</td>
<td>28%</td>
<td>50%</td>
</tr>
<tr>
<td>1965</td>
<td>20%</td>
<td>25%</td>
<td>29%</td>
<td>51%</td>
</tr>
<tr>
<td>1970</td>
<td>21%</td>
<td>26%</td>
<td>30%</td>
<td>52%</td>
</tr>
<tr>
<td>1975</td>
<td>22%</td>
<td>27%</td>
<td>31%</td>
<td>53%</td>
</tr>
<tr>
<td>1980</td>
<td>23%</td>
<td>28%</td>
<td>32%</td>
<td>54%</td>
</tr>
<tr>
<td>1985</td>
<td>24%</td>
<td>29%</td>
<td>33%</td>
<td>55%</td>
</tr>
<tr>
<td>1990</td>
<td>25%</td>
<td>30%</td>
<td>34%</td>
<td>56%</td>
</tr>
<tr>
<td>1995</td>
<td>26%</td>
<td>31%</td>
<td>35%</td>
<td>57%</td>
</tr>
<tr>
<td>2000</td>
<td>27%</td>
<td>32%</td>
<td>36%</td>
<td>58%</td>
</tr>
<tr>
<td>2005</td>
<td>28%</td>
<td>33%</td>
<td>37%</td>
<td>59%</td>
</tr>
<tr>
<td>2010</td>
<td>29%</td>
<td>34%</td>
<td>38%</td>
<td>60%</td>
</tr>
</tbody>
</table>

NOTES: Prior to 1968, Black denotes all nonwhites, including Asians and Native Americans; beginning in 1968, these data include blacks only. Respondents who indicated more than one race are not included in these data. Respondents of Hispanic origin are included in both racial categories and are identified separately beginning in 1980. Families headed by an unmarried mother include those in which the mother is never married, divorced, separated (married but spouse absent), or widowed.


Upward Trend (Figure 2)
The percentage of births to mothers who are unmarried is twice as high for blacks as for whites, and across all groups the rate has increased dramatically over the last 50 years.

Unmarried births

<table>
<thead>
<tr>
<th>Year</th>
<th>Black</th>
<th>Hispanic</th>
<th>All groups</th>
<th>White</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>41%</td>
<td>54%</td>
<td>72%</td>
<td>36%</td>
</tr>
<tr>
<td>1965</td>
<td>42%</td>
<td>55%</td>
<td>73%</td>
<td>37%</td>
</tr>
<tr>
<td>1970</td>
<td>43%</td>
<td>56%</td>
<td>74%</td>
<td>38%</td>
</tr>
<tr>
<td>1975</td>
<td>44%</td>
<td>57%</td>
<td>75%</td>
<td>39%</td>
</tr>
<tr>
<td>1980</td>
<td>45%</td>
<td>58%</td>
<td>76%</td>
<td>40%</td>
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<tr>
<td>1985</td>
<td>46%</td>
<td>59%</td>
<td>77%</td>
<td>41%</td>
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<tr>
<td>1990</td>
<td>47%</td>
<td>60%</td>
<td>78%</td>
<td>42%</td>
</tr>
<tr>
<td>1995</td>
<td>48%</td>
<td>61%</td>
<td>79%</td>
<td>43%</td>
</tr>
<tr>
<td>2000</td>
<td>49%</td>
<td>62%</td>
<td>80%</td>
<td>44%</td>
</tr>
<tr>
<td>2005</td>
<td>50%</td>
<td>63%</td>
<td>81%</td>
<td>45%</td>
</tr>
<tr>
<td>2010</td>
<td>51%</td>
<td>64%</td>
<td>82%</td>
<td>46%</td>
</tr>
</tbody>
</table>

NOTES: Prior to 1969, Black denotes all nonwhites, including Asians and Native Americans; beginning in 1969, these data include blacks only. Respondents who indicated more than one race are not included in these data. Respondents of Hispanic origin are included in both racial categories and are identified separately beginning in 1989.

SOURCE: National Center for Health Statistics; National Vital Statistics System
America’s Evolving Family Makeup

Selected trends impacting America’s Family Makeup:

• Median age at first marriage was 28.2 for men and 26.1 for women in 2010, an increase from 26.8 and 25.1 in 2000. An continued increase of a long-term trend since the mid-1950s.

• Overall percentage of adults who were married declined to 54.1% in 2010 from 57.3% in 2000.

• The average household size declined to 2.59 in 2010, from 2.62 people in 2000 partly because of the increase in one-person households, which rose from 25% in 2000 to 27% in 2010, more than double the 13% in 1960.

• Households headed by a married couple who had children under 18 living with them declined 3% in 2010, from 24% in 2000.

• “Breadwinner moms,” mothers who are the only or main provider of income for their family rose from 11 percent to 40 percent from 1960 to 2011 (see chart to left).

• Americans living alone was a mere 9% in 1950 is now 28% today.

• Children living together with both their parents have been steadily declining since the 1970’s.

• 2011 two parent families comprised on about 67% down from about 92% in 1960.
Moms are having first child later

1970, 1% of first child were born to women over the age of 35, 2012, 15% were, according to an analysis the Pew Research Center of data from the Centers for Disease Control & Prevention. Latest CDC data (May 2014), confirms delayed childbearing among women in their late thirties and early forties trend.
US Households Trends: More Single Heads of Households

Growing Number of Single Mom and Dad Head of Households

- In 2010 the householder, his or her spouse, and his or her sons and daughters comprised 262.0 million people or 87% of the population.
- Of the 88.8 million children of householders, 93% were biological children.
- “Husband-wife households numbered 56.5 million in 2010 and made up 73% of all family households in 2010.
- Family households maintained by a female householder with no spouse present numbered 15.3 million, more than twice the number maintained by a male householder with no spouse present (5.8 million).
- Among nonfamily households, one-person households predominated (31.2 million) and were more than three times as common as nonfamily households with two or more people (8.0 million).
- More women than men lived alone (17.2 million and 13.9 million, respectively).

Notes: Based on household heads ages 15 and older who have children younger than 18 in the household. Single parents include those who are married but their spouse is absent and those who are cohabiting with a non-marital partner. Some married two-parent households include a step-parent.

Source: Pew Research analysis of Decennial Census and American Community Survey (PUMS)

PEW RESEARCH CENTER
Growing Ethnic Diversity

America is becoming a majority minority nation

- In 2010 while 80% of American seniors are white, the U.S. population is projected in 2050 to be even.
- In the last census the Hispanic population grew by 2.2%, or more than 1.1 million, the most of any group, with 76% resulting from natural increase.
- Asians were the fastest-growing major ethnic or racial group growing by 2.9%, or 530,000, with immigration from overseas accounting for 60% of that growth.
- Blacks increased by 559,000, or 1.3%.
- Shift in birth and death rates on non-Hispanic whites in part to the recent global recession, and that “the growing number of older non-Hispanic whites, will accelerate rapidly as the baby boom ages, guarantees that non-Hispanic white natural decrease will be a significant part of the nation’s demographic future and in turn offers a young new workforce.
A Nation of Immigrants

- 1970 the percentage of foreign born in the US was 5-6%, 2010 US Census showed that number to be nearly 13% or nearly 40 million.
- Foreign-born women had a higher fertility rate than native women.
- 62% of the foreign born came to live in the United States in 1990 or later, including 35% who entered in 2000 or later.
- Of all foreign born who arrived before 1980, 80% were U.S. citizens in 2010. 63% of the foreign born who arrived between 1980 and 1989 were naturalized citizens.
- As of 2010, 44% of all foreign born were naturalized citizens.
- Foreign born households were 77% compared to 65% of the native population.
- The average size of foreign born households (3.4 persons) was larger than that of native households (2.5 persons). One reason for this difference is that a higher proportion of foreign-born family households (62%) than native-born family households (47%) included children under the age of 18.
Accelerating American Retirement Rate

- Baby boomer generation (born 1945-50) of 77 million began retiring mid 2000’s. US Census figures for 2010 showed that 13% of the US population is 65 or older. Projections indicate that in 20 years it will be 19.3%
- Current economic conditions is causing retirement to be postponed; but, in some instances where unemployment is very high, causing early retirement.
- 58% of the US workforce do not participate in a retirement plan be it employer sponsored or through savings in a 401 k program..
- However, well-educated people increasingly work longer than the less-skilled

10,000
On January 1, 2011 “roughly 10,000 Baby Boomers will turn 65 and about 10,000 more will cross that threshold every day for the next 19 yrs.”

Pew Research Center
Dec. 29, 2010
Aging population = Aging Workforce

- By 2022, 31.9% of those ages 65 to 74 will still be working. That compares with 20.4% of the same age bracket in the workforce in 2002 and 26.8% who were in the workforce in 2012 (see graphic below).
- Cutback in pensions during the last 10 years, almost 20% of Americans aged over 65 are now in the labor force, compared with 13% in 2000.
- The aging of the baby boom increases the proportion in the older age groups, but may be offset by projected immigration into the working age groups.


## America’s Perceptions of Demographic Trends

**Who Is a Family?**

<table>
<thead>
<tr>
<th>% in each group who say this arrangement is a family</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Married couple w/o children</strong></td>
</tr>
<tr>
<td>Accepters: 91</td>
</tr>
<tr>
<td><strong>Single parent w/children</strong></td>
</tr>
<tr>
<td>Accepters: 96</td>
</tr>
<tr>
<td><strong>Unmarried couple w/children</strong></td>
</tr>
<tr>
<td>Accepters: 96</td>
</tr>
<tr>
<td><strong>Same-sex couple w/children</strong></td>
</tr>
<tr>
<td>Accepters: 84</td>
</tr>
<tr>
<td><strong>Same-sex couple w/o children</strong></td>
</tr>
<tr>
<td>Accepters: 68</td>
</tr>
<tr>
<td><strong>Unmarried couple w/o children</strong></td>
</tr>
<tr>
<td>Accepters: 60</td>
</tr>
</tbody>
</table>

### How the Groups Judge Demographic Trends

<table>
<thead>
<tr>
<th>% in each group saying this trend is...</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good for society</td>
</tr>
<tr>
<td>More unmarried couples raising children</td>
</tr>
<tr>
<td>Accepters: 15</td>
</tr>
<tr>
<td>More gay and lesbian couples raising children</td>
</tr>
<tr>
<td>Accepters: 22</td>
</tr>
<tr>
<td>More people living together without getting married</td>
</tr>
<tr>
<td>Accepters: 15</td>
</tr>
<tr>
<td>More mothers of young children working outside the home</td>
</tr>
<tr>
<td>Accepters: 27</td>
</tr>
<tr>
<td>More people of different races marrying each other</td>
</tr>
<tr>
<td>Accepters: 31</td>
</tr>
<tr>
<td>More women not ever having children</td>
</tr>
<tr>
<td>Accepters: 13</td>
</tr>
</tbody>
</table>

*Note: “Don’t know/refused” responses not shown.*

CONTINUING TRENDS IN POVERTY

Where Racial/Ethnic, Urban, Marital Status continue to Count
US Poverty Trends

1. Percent of those in poverty the racial/ethnic makeup it trending upward
2. Urban and inner city poverty trending upward
3. Growing longer unemployment – lower household income
4. Greater correlation between married and unmarried

- Latinos represent a much larger part of the poverty picture today than four decades ago.
- 1973: 56 percent of poor Americans were white, 32 percent were black, and 10 percent were Hispanic.
- 2010: 42 percent of the poor are white, 23 percent are black, and 29 percent are Hispanic.
- Hispanics have overtaken poor blacks in number, members of these two groups were about equally likely to be poor in 2010 (27 percent), much more so than whites (10 percent).

The poverty rate of suburbia was higher in 2010 (11.4 percent) than in 1970 (8.7 percent),

City’s poverty rates grew by an even greater margin (20.9 percent in 2010 versus 14.7 percent in 1970).

Mostly concentrated - about four in five residents of extremely poor major metropolitan neighborhoods live in cities.

Nonetheless, growing shares of the suburban poor reside in communities of moderate to high poverty, where at least 20 or 30 percent of individuals live below the poverty line.

Source: Re-Emergence of Concentrated Poverty: Metropolitan Trends in the 2000s, Brookings Institute 11-3-11
Figure 1.
Median Household Income Index (HII) and Unemployment Rate by Month: January 2000 to July 2013

Sources: For income data: Sentier Research, LLC estimates of annual household income derived from the monthly Current Population Survey (CPS) conducted by the U.S. Census Bureau; for the unemployment rate and the CPI-U: the U.S. Bureau of Labor Statistics.
Direct correlation between married and unmarried head of households in poverty

The meaning of single motherhood has changed since the 60s, now single mothers are far less likely than to have ever been married.

- In 1960, 95% of single mothers had been married at some point in the past.
- By 2013, only half of all single mothers had ever been married.

(Source: Education Next series on the state of the American family.)
Children in Poverty-2013

Children in Poverty-2013

Children living in households that didn't have enough food at some point during the year

- 18%
- 21%
- 22%
- 24%

Percent of children living in crowded housing (more than 1 person per room)

- 8%
- 9%
- 12%
- 14%


Source: National KIDS COUNT; 2013 American Community Survey

Family Demographics - 2013

Percent of births to unmarried women

Percent of children in single-parent families

Source: National KIDS COUNT; National Center for Health Statistics (2013).

Source: National KIDS COUNT; 2009-2013 American Community Survey

School Attendance 2009

Percent of children ages 3-4 not attending preschool

Percent of children who have had to repeat a grade

Source: National KIDS COUNT; 2009-11 3-year American Community Survey.

Source: National KIDS COUNT; 2011-2012 National Survey of Children's Health

Youth Health and Detention

Percent of children not exercising regularly

Youth residing in juvenile detention or correctional facilities (rate per 100,000)

Source: National KIDS COUNT; 2011 - 2012 National Survey of Children’s Health

Source: National KIDS COUNT; 2011 Census of Juveniles in Residential Placement

Wage & Salary Trends in the US

WAGE STAGNATION
First – the Good News

Full time Jobs back on the rise

Clawing Their Way Back

As a share of total employment, the level of full-time jobs is the highest since Nov. 2008

Source: U.S. Labor Department
While Unemployment Rate Continues to Decline

Unemployment rate since 2009

Seasonally adjusted

Source: The Bureau of Labor Statistics

The Washington Post
Hourly wages have stagnated (9.2%) while productivity has increased 74.4%.

**Workers produced much more, but typical workers’ pay lagged far behind**

*Disconnect between productivity and typical worker’s compensation, 1948–2013*

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**Note:** Data are for compensation (wages and benefits) of production/nonsupervisory workers in the private sector and net productivity of the total economy. “Net productivity” is the growth of output of goods and services less depreciation per hour worked.

**Source:** EPI analysis of Bureau of Labor Statistics and Bureau of Economic Analysis data

Updated from Figure A in *Raising America’s Pay: Why It’s Our Central Economic Policy Challenge*

http://www.epi.org/publication/charting-wage-stagnation/
Wages are Raising – but only back to 2009 levels

Wage Growth Tracker
Three-month moving average of median wage growth


America’s New Working Poor

• Systematic productivity gains going to the investor and corporate executives not to wage and salary workers
• Resulting in 20-30 years of wage/salary stagnation
• Accelerated in the “2001 Bush Tax Cuts” capping the capital gains tax at 15%
• Poverty is now mainstream
• The US Middle Class is now its Working Poor
America’s Workforce Trends: Decline of middle income jobs

• **CEPR the share of good jobs** declined overall between 1979 and 2010, however while males were the majority of the jobs lost, there was a steady increase in female employment.

• Meanwhile the workforce aged during this same time period

• 40% of those good jobs requiring a degree held steady at about 42-45% while those with only a high school degree fell sharply from about 17% to about 5% during the period of 1979-2010

• Share of good jobs (one that pays at least $18.50) an hour declined overall between 1979 and 2010,

• Males were the majority of the jobs lost, there was a steady increase in female employment.
Middle Income Earners trending toward the Working Poor

- These long-term unemployed are not just unskilled labor but well educated middle class wage and salary earners.
- Until the great recession of 2007-2009 many were employed their entire life.
- Only 11% of those who were long-term unemployed in a given month returned to steady, full-time employment a year later.
- Half of the long-term unemployed are non-Hispanic whites.
- In other words these were the middle class who are now America’s new working poor.
Robert Reich: Economic trends

The Great Prosperity: 1947–79

Pay Rose With Productivity ...
Wages and overall compensation, for production and non-supervisory workers (now about 82 percent of the private sector work force), tracked steadily upward alongside gains in productivity.

The rising value of goods and services per worker meant rising pay. But that relationship ended in the 1970s.

The Great Regression: 1980–Now

... And Then It Didn’t

PRODUCTIVITY

AVG. HOURLY COMPENSATION

AVG. HOURLY WAGE

CHANGE, 1947-79
+119%

CHANGE, 1979-2009
+80%

CHANGE, 1979-2009
+8%

CHANGE, 1979-2009
+7%

BASELINE IS 1947
Household Income and Assets Accumulation Trends To Higher Income Brackets
Wealth Gap Wider than Ever

Pew Research determined that in 2013,

- Median net worth of upper income families was $639,400,
- Nearly 7X as much of those in the middle, and
- Nearly 70 X the level of those at the bottom of the income ladder.
# CEO-Average Worker Pay Gap Ratio

## Top Pay Disparity Between Workers and CEOs Last Year

<table>
<thead>
<tr>
<th>Company (CEO)</th>
<th>Total CEO comp.</th>
<th>Average worker pay</th>
<th>Pay gap ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>McDonald's (Donald Thompson)</td>
<td>$7.29m</td>
<td>$11,324</td>
<td>644</td>
</tr>
<tr>
<td>Community Health Systems (Wayne Smith)</td>
<td>$26.44m</td>
<td>$63,837</td>
<td>414</td>
</tr>
<tr>
<td>Universal Health Services (Alan Miller)</td>
<td>$18.43m</td>
<td>$55,975</td>
<td>329</td>
</tr>
<tr>
<td>Priceline (Darren Huston)</td>
<td>$21.97m</td>
<td>$74,818</td>
<td>294</td>
</tr>
<tr>
<td>Carmike Cinemas (S. David Passman III)</td>
<td>$3.25m</td>
<td>$11,789</td>
<td>276</td>
</tr>
<tr>
<td>Union Pacific (Jack Koraleski)</td>
<td>$28.14m</td>
<td>$107,540</td>
<td>262</td>
</tr>
<tr>
<td>Tenet Healthcare (Trevor Fetter)</td>
<td>$17.95m</td>
<td>$74,287</td>
<td>242</td>
</tr>
<tr>
<td>US Bancorp (Richard Davis)</td>
<td>$19.37m</td>
<td>$83,356</td>
<td>232</td>
</tr>
<tr>
<td>JPMorgan Chase (Jamie Dimon)</td>
<td>$27.70m</td>
<td>$124,959</td>
<td>222</td>
</tr>
<tr>
<td>American Express (Ken Chenault)</td>
<td>$22.80m</td>
<td>$112,870</td>
<td>202</td>
</tr>
<tr>
<td>HCA Holdings Inc. (R. Milton Johnson)</td>
<td>$14.63m</td>
<td>$73,960</td>
<td>198</td>
</tr>
</tbody>
</table>

Source: Data compiled by Bloomberg

Household Wealth Trends 2004-2010 by Income

Who Was Hurt?
Household Wealth By Income Group

© Standard & Poor’s 2014.

Economists Agree: Income Inequality Increasing

- **Robert Reich**, Professor of Public Policy at U.S. Berkeley, argues that increased inequality has reduced overall aggregate demand noting that high-income households have a lower marginal propensity to consume (MPC) out of income than other households, and they're currently holding a bigger slice of the economic pie.

- Economists **Atif Mian, Kamalesh Rao, and Amir Sufi** confirm this, finding the MPC for households with an average annual income of less than $35,000 to be three times larger than households with average income over $200,000.

- Mian and Sufi also found that, as home values increased between 2002 and 2006, low-income households very aggressively borrowed and spent - while high-income households were less responsive.

- When housing wealth declined, spending cuts for low-income households was twice as large as that for rich ones.

- Mian and Sufi further used ZIP codes to locate areas with disproportionately large numbers of subprime borrowers (those with low incomes and credit ratings) and found that these ZIP codes experienced growth in borrowing between 2002 and 2005 that was more than twice as high as in ZIP codes with wealthy "prime" borrowers.

- After 2006, the subprime ZIP codes experienced an increase in default rates three times that of prime ZIP codes.

- **Raghuram Rajan** claims that, while high-income individuals saved, low-income individuals borrowed beyond their means in order to sustain their consumption, and that this overleveraging, as a result of increased inequality, was a significant cause of the financial crisis in 2008.

- An IMF paper by **Michael Kumhof and Romain Ranciere** confirms Rajan linking income distribution and financial excess suggests that these same factors were likely at play in both the Great Depression and Great Recession.

- Unfortunately, coming back from the Great Recession appears to be taking longer than many had hoped. With a post-recession annual growth rate of 2.2%, our recovery is not even half the historical average annual growth of 4.6% for other recoveries going back to 1959. This is not a complete surprise, given that financial crises are often followed by prolonged recessions and a long bout of subpar growth--thanks in part to the deleveraging that comes as people try to repair their finances.

Income Inequality = Inequality in Opportunities

• Inequality of opportunity has risen over the past forty years and is responsible for a greater share of overall inequality than at any time since the 1970s.

• During the ten-year period 2002-2012, the US Census bureau estimates that the inflation adjusted income of:
  – Median household declined from $54,000 to $51,000, and
  – Mean income fell from $74,000 to $71,00

Source: Measuring Inequality of Opportunity and Assessing its Political Causes
By Patrick J. Egan, Assistant Professor of Politics and Public Policy, NY University April 2014
Today:
The Post Global Recession

THE WEAK RECOVERY
2009-2014
Headwinds Holding Back the US Economy

1. Republican controlled Congress, State Houses and Governors: Expect continuing cuts in the budget federal government spending, and state taxes aimed at social programs

2. An anemic housing market, less sales than in 2013, continuing tight credit, lower demand,

3. Weaker global growth that reduced demand for American exports, China and EU slowdown

4. The slowing growth in the size of the American labor force,
   - Due to demographic factors like the retirement of baby boomers and
   - Workers who have given up looking for jobs

Lost Jobs, Missing Workers, Stagnant Wages

As of June 2014 the weak recovery from the recession:

- Number of jobs reached the previous peak of January 2008,
  - Gains of more than 8.5 million jobs since early 2010.
  - However, the working-age population has grown substantially in the last six years, and
  - Reliable estimates is at least seven million jobs below its potential
  - Costing hundreds of billions of dollars in lost output.

- More than four million people are still considered among the long-term unemployed,
  - Out of work for at least half a year.
  - Considerably dimmer prospects of finding another job as their skills deteriorate and their contact with the world of work fades.

- And that does not count the more than six million who have opted out of the labor force altogether, even taking into account demographic factors like the aging of the population.

Source: NY Times “The Nation’s Economy, This Side of the Recession” 6-14-14
Lagging Wages – 2010 to 2014

Wages Still Lag
Year-over-year percentage change in hourly earnings of all U.S. private workers.

The best gain over the last five years was an anemic 1.3% rise in October 2013.

Figures take inflation into account.
Source: Bureau of Labor Statistics
For Many Americans, Not Much of a Recovery

- The richest Americans have generally recouped their losses from the recession and gained considerable new wealth during the recovery,
- The current situation is worse for the poor and for low-wage workers than it was in 2007,
- Jobs dried up and wages stagnated, tens of millions of Americans took jobs with lower pay and fewer hours,
- Many turned to the federal government for additional support to help make ends meet.
- The number of people receiving food stamps under the Supplemental Nutrition Assistance Program soared to 47.6 million in 2013 from 26.3 million in 2007.
- Incomes for the typical middle-income family have slipped,
- The nation’s poverty rate remains above its prerecession level.

Sources: U.S. Department of Agriculture; U.S. Census Bureau
Slow Recovery from 2007-09 Recession

#1 reason for lack of job creation

$2.50 Trillion sitting in US Banks on deposit

- Huge deposits began in 2009
- Before 2007 never more than $1 to $1.5 billion

Source: Federal Reserve Economic Data – St. Louis
Cash Sits in Off-Shore Banks

$2.1 Trillion Bank and Non-bank deposits stashed in off-shore banks

• 20% of profits held off-shore

http://www.sfchronicle.com/business/article/Tech-companies-are-hoarding-cash-so-where-is-6432105.php
TOTAL: $4.6 Trillion Unused

Today, $4.6 Trillion currently held in cash deposits in the US and off-shore and growing, because:

• Hedge against future recession
• Banks meeting new FedReserve requirements
• Tax avoidance at home
• Held for acquisitions of start-ups and buying competitors

But, do not create jobs