

# Globalism Destroys America's Middle Class

Record income gap between rich and poor

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A series of reports released by the Census Bureau this month make clear the income gap between the richest and poorest Americans is widening, as free-trade globalism destroys the U.S. middle class.

Red Alert has consistently warned that the current high rate of unemployment and the shrinking of the middle class are not the result of a current recession.

Instead, the main argument of my book “America for Sale: Fighting the New World Order, Surviving a Global Depression, and Preserving USA Sovereignty” is that this is what globalism looks like.

In a global economy, where U.S. workers are forced to compete with Chinese workers who make less than \$1 an hour, the jobs outsourced to countries like China and India are not returning.

Equally, while the United States is exporting high-paying jobs, the nation is importing an underclass across open borders, providing additional pressure on salaries and benefits in lower-paying jobs.

Inevitably, the cycle of poverty deepens as the economic downturn reduces job opportunities and forces more of the middle class into poverty.

The tragedy is that those pushed into poverty are likely to stay there, as Democrats continue to propose big government solutions, unable or unwilling to admit that increased taxes destroy jobs every bit as much as government-funded welfare programs perpetuate poverty.

Record income gap develops

Income inequality in the United States, defined as the gap between the top and lowest wage earners, has never been greater, despite spending an estimated \$13 trillion on poverty programs since Lyndon Johnson declared a “war on poverty” some 45 years ago.

President Obama has increased spending on anti-poverty programs at an unprecedented rate, increasing spending on welfare programs by more than \$120 billion in his first year-and-a-half in office, compared to the \$80 billion in welfare spending that President George W. Bush increased over his second term.

Still, the income gap widens and poverty persists.

The lowest quintile earned 3.4 percent of all income generated in the United States, compared to the 49.4 percent of all income earned by the top quintile, for a 14.5-to-1 ratio, according to a Current Population Report on consumer income, titled "Income, Poverty, and Health Insurance Coverage in the United States: 2009," released by the Census Bureau earlier this month.

The income gap has widened over time, with the lowest quintile earning 5.4 percent of all income in 1968, while the highest quintile earned 41.5 percent of all income, yielding a ratio of 7.68, approximately half the 2009 ratio of income inequality.

Using the Gini index, an internationally used measure of income inequality, the same trend is evident.

The Gini index registered 0.468 in 2009, up from a low of 0.386 in 1968, resulting in the U.S. having the greatest income inequality among Western industrialized nations, the Associated Press reported.

Middle class diminishes as poverty increases

The Current Population Report also documented that median real income has declined in the United States.

Real median household income in the United States was \$49,777 in 2009, not statistically different from the 2008 median.

Yet, since 2007, the year before the current global recession began, median household income has declined 4.2 percent (from \$51,965) and is 5 percent below the median household income peak (\$52,388) that occurred in 1999.

This is important because supporters of globalism had been able to argue, at least until 2007, that free trade had increased median household incomes in the United States.

The official poverty rate in 2009 was 14.3 percent, up from 13.2 percent in 2008.

This was the second statistically significant annual increase in the poverty rate since 2004.

In 2009, 43.6 million people were in poverty, up from 39.8 percent in 2008, the third consecutive annual increase in the number of people in poverty.

The poverty rate and the number in poverty increased by 1.9 percentage points and 6.3 million people between 2007 and 2009, according to the Census Bureau report.

The Census Bureau noted the poverty increases resulting from the current economic downturn exceeded the poverty increases experienced in the November 1973 to March 1975 recession.

Rising welfare costs

The Government Accountability Office has also released congressional testimony by Director Kay E. Brown that documented increasing welfare costs that appear to be reversing the impact of the 1996 Temporary Assistance for Needy Families, or TANF program, created in

1996 to place welfare recipients into jobs.

When President Clinton signed the TANF legislation, he promised it would “end welfare as we know it.”

Last week’s GAO report concluded that, “In the years following welfare reform, many of the parents who left cash assistance found employment, and some were better off than they were on welfare, but earnings were typically low and many worked in unstable, low-wage jobs without benefits.”

Moreover, a study published by the Cato Institute concluded that while TANF “has successfully reduced the budgetary cost of cash-welfare, overall federal spending on anti-poverty spending has increased an inflation-adjusted 89 percent over the present decade.”

The Cato Institute spending found that between 2000 and 2010, anti-poverty spending for health care increased 87 percent, 139 percent for food stamps, 108 percent for housing assistance and 68 percent on cash and other assistance, resulting in total anti-poverty spending increasing 89 percent.

“The effects of welfare in encouraging the break-up of low-income families have been extensively documented,” the Cato Institute noted in a report published earlier this month. “The primary way that those with low incomes can advance in the market economy is to get married, stay married and work – but welfare programs have created incentives to do the opposite.”

The Cato Institute noted that the number of single-parent families has risen dramatically since the 1960s, largely because of the rise in births to unmarried women.

In 1965, only 8 percent of all births were out of wedlock, compared to 39 percent today.

“The policy concern about the increase in out-of-wedlock births is not a question of private morality,” Cato wrote. “The concern is that out-of-wedlock childbearing remains overwhelmingly concentrated at the lowest rungs of the socio-economic ladder. Having a child out of wedlock at an early age for someone without career skills can mean a lifetime of poverty.”

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