# OECD report ranks US third worst in inequality and poverty

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A report issued yesterday by the Paris-based Organisation for Economic Co-operation and Development (OECD) revealed the United States has the third worst level of income inequality and poverty among the group's 30 member states. Only Mexico and Turkey ranked higher in those categories. OECD states in western Europe, along with Japan, South Korea, Canada and Australia, all recorded better figures than the US, as did central and eastern European states, including Poland and Hungary.

The 300-page report, entitled "Growing Unequal? Income Distribution and Poverty in OECD countries," was based on three years of research into the relevant data of the organization's member countries over the past two to three decades. With increased inequality and poverty levels recorded in three-quarters of OECD countries, the report's central conclusion was that "the economic growth of recent decades has benefitted the rich more than the poor."

On the US, the report explained: "Since 2000, income inequality has increased rapidly, continuing a long-term trend that goes back to the 1970s … Rich households in America have been leaving both middle and poorer income groups behind. This has happened in many countries, but nowhere has this trend been so stark as in the United States. The average income of the richest 10 percent is US$93,000 in purchasing power parities, the highest level in the OECD. However, the poorest 10% of the US citizens have an income of US$5,800 per year—about 20% *lower* than the average for OECD countries." [Original emphasis]

These income figures actually underestimate the gulf between the ultra-wealthy and the working class and poor. Wealth inequality is far higher than reported income disparities. A tiny elite layer comprising less than 1 percent of the population has amassed unprecedented levels of wealth over the last three decades through various forms of speculation and financial parasitism. But this wealth, largely concealed through tax evasion schemes and other mechanisms, is difficult for economists and statisticians to accurately measure.

The OECD said it recorded income rather than wealth inequalities because many countries do not gather data on household assets and because of other difficulties in comparing wealth between countries. The report noted, however, that available statistics showed that wealth inequality was substantially higher than income distribution in every country. In the US, it was estimated that the top 10 percent hold 71 percent of the national wealth (compared to 28 percent of total income), while the top 1 percent control between 25 to 33 percent of total net worth.

The report cited estimates that average income inequality across the OECD was 7 to 8 percent higher in the mid-2000s than in the mid-1980s. "This may not sound like much of an increase," it explained, "but it is equivalent on average to taking $880 away from the poorest 50 percent and giving $880 to the richest 50 percent, although incomes at every level grew over the two decades."

The OECD report defined those in poverty as households with an income below half of median national incomes. On this basis, poor people comprise 17 percent of the US population—higher than all the advanced OECD economies and only marginally behind Mexico and Turkey.

The US also ranked among the worst in OECD countries in regard to the length of time people remain trapped in poverty. According to the report, in most member states about half of poor people move above the poverty line within three years. But deep disparities were discovered; in Denmark and Holland the "persistently poor" comprise less than 2 percent of the population, while in the US the figure is 7 percent.

The US also ranks among the worst countries in "inequality of opportunity." Comparing income levels between fathers and their sons, the OECD assigned member countries an "earnings mobility" rating, with zero meaning the younger generation would earn the same income as the previous one, and 100 indicating no relationship between the two generations' earnings. An inverse relationship was found to exist between income inequality levels and earnings growth between generations. While several countries, such as Canada, Norway, Finland, and Denmark, recorded more than 80 on the earnings mobility index, the US scored just over 50.

These various findings point to the deepening class divide that dominates every aspect of American society. They also put paid to the various right-wing nostrums advanced in defence of the extraordinary levels of social inequality in the US. Far from having anything to do with merit or "hard work," individuals' incomes are largely determined by the family and social circumstances they are born into.

The OECD report also documented the correlation between higher social spending and reduced poverty and inequality. In Scandinavian and western European countries, social spending on people of working age (such as family benefits) averaged 7 to 8 percent of national income in 2005 and the proportion of working-age people in poverty was 5 to 8 percent. In the US, Mexico, Turkey and South Korea, 2 percent or less of national income was spent on equivalent benefits, while 12-15 percent of the working age population lived in poverty.

The unfolding financial crisis and the deepening world recession is set to rapidly accelerate the regressive poverty and inequality trends, both in the US and internationally.

Oxford University economist Anthony Atkinson published an article, "Unequal growth, unequal recession?," in the *OECD Observer* magazine to coincide with the major report's release. "The time of its publication inevitably leads the reader to ask: what will happen if the next decade is one, not of world growth, but of world recession?" he wrote. "If a rising tide does not lift all boats, how will they be affected by an ebbing tide? Recession—if it comes—does not sound like good news for those on the margins of the labour force."

Juan Somavia, director general of the International Labour Organization (ILO), announced on

Monday that global unemployment could next year rise by an additional 20 million people, to a total of 210 million. An ILO press release explained that this figure was derived from UN data, revised International Monetary Fund economic growth rates and recent reports of layoffs in several countries.

Somavia also estimated that the number of working poor living on less than $1 a day could rise by another 40 million, and those on less than $2 a day by more than 100 million. He added these projections "could prove to be underestimates if the effects of the current economic contraction and looming recession are not quickly confronted."

Earlier this month the ILO director general told officials of the IMF and the World Bank meeting in Washington that "The crisis of the international financial system has grave consequences for enterprises, workers and families around the world. Coming on top of still high food and fuel prices, its effects are provoking a slide into a recession that unless averted by prompt and coordinated government actions could be severe, long lasting and global."

He warned the banking and political elite that they had to take action to get credit flowing again quickly "before more serious damage is done to the productive capacity and social fabric all around the world."

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