The Social Chasm in America's Cities. Sharp Growth of Social Inequality in Major Metropolitan Areas

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On Thursday, the Brookings Institution published a report documenting the sharp growth of social inequality in major metropolitan areas throughout the United States.

The report's findings are of vast significance in three respects. First, the report documents the immense scale of social inequality and the rapidity with which it is growing, even in cities that are supposedly economic success stories.

Secondly, it shows the crushing growth of poverty and economic distress in these cities.

Thirdly, it implies that these conditions are not the result of a passing economic slowdown, but are rather embedded in the economic system and have become permanent facts of life.

The study compared the incomes of households at the 95th percentile of income earners and at the 20th percentile. These correspond roughly to the wealthiest sections of the upper-middle class and those living in poverty, but not utter destitution. In the country as a whole, the privileged group had an average income nine times greater than the poor one. That ratio was much higher in major cities: 18.8 times greater in Atlanta, 16.6 times in San Francisco, 15.7 in Miami, 15.3 in Boston and 13.3 in Washington DC.

The report documents the massive decline in working class incomes that took place between 2007 and 2012. For example, in Indianapolis—hit by a wave of industrial plant closures—the income of a typical household in the 20th percentile fell by $5,800, or more than a quarter, to $16,883. In Jacksonville, Florida the income of a household in this bracket fell by $7,800, or 30 percent, to $17,411.

"A city where the rich are very rich, and the poor very poor, is likely to face many difficulties," the report states. "It may struggle to maintain mixed-income school environments that produce better outcomes for low-income kids. It may have too narrow a tax base from which to sustainably raise the revenues necessary for essential city services. And it may fail to produce housing and neighborhoods accessible to middle-class workers and families…"

This describes the great majority of American cities and amounts to an admission that the present social order holds no prospect for decent housing, health care or education for the great majority of city dwellers.

The report shows that cities that had the highest rates of economic growth—including San Francisco, Boston, New York, Chicago and Los Angeles—also had the biggest increases in income inequality. This explodes the pro-corporate propaganda from the media and

Democrats and Republicans alike that the answer to inequality and poverty is to stimulate economic growth by creating a more "business-friendly" economic and political environment.

"There's something of a relationship between economic success and inequality," Alan Berube, the study's author, told the Associated Press.

San Francisco, which has had an influx of high-income earners as a result of the technology boom in the Bay Area, is a case in point. According to a separate survey by the Brookings Institution, San Francisco is one of the best-performing city economies in the US, having recently added more jobs and increased its economic output faster than the national average.

Yet in San Francisco, the income of a typical household in the 20th percentile fell by $4,309, or 17 percent, between 2007 and 2012, dropping to $21,313, while the income of a typical household in the 95th percentile increased by $27,815 to $353,576. These figures refute the official narrative, parroted by the entire political establishment, that inequality can be solved by expanding business activity through various incentives. "Job creation" has been the nominal purpose of massive tax breaks and handouts to corporations, which in many cases pay either no taxes or negative taxes.

In the name of "growth" and "job creation," vast resources are being taken from social programs and services that benefit working and poor people as well as the wages and pensions of public workers to provide tax abatements and other windfalls for corporations. There is really no mystery as to why such economic "growth" goes hand in hand with increasing economic inequality.

In the state of New York, whose major metropolis is the sixth most unequal city in the country, Governor Andrew Cuomo, a Democrat, is running a national advertising campaign offering tax-exempt status for ten years to any business that starts up in the state.

Increasingly, the enrichment of the ruling class takes the form of outright theft, as revealed by the Detroit Workers Inquiry, held February 15, which exposed the criminal conspiracy to drive Detroit into bankruptcy in order to gut workers' pensions and seize the city's assets, including the artwork at the Detroit Institute of Arts.

The Brookings Institution survey tells only part of the story, as its figures do not include the impact of the massive run-up on the stock market last year, during which the technology-heavy NASDAQ registered an increase of 38.3 percent. As a result of this stock boom, Mark Zuckerberg of Facebook saw his net worth more than double, to $23 billion, while his fellow billionaire Larry Ellison, the CEO of Oracle, saw his wealth increase by $7 billion, to $43 billion. Last year, Ellison's compensation totaled $78.4 million.

Both Zuckerberg and Ellison live in the San Francisco Bay area, less than an hour's drive from Oakland, California, where a typical household in the 20th income percentile makes $17,646 per year. Some cities registered enormous levels of income inequality largely because their poor are so destitute. In Miami, for example, a typical member of the 20th income percentile earned only $10,438 per year, down from $12,278 in 2007.

These figures describe a society in which immense wealth is concentrated in the hands of a tiny elite, while poverty, deprivation and degradation are growing for the vast majority of the people, with no prospect of a change in course.

Every domestic policy undertaken by the Obama administration, from the bank bailout to the promotion of low wages in the 2009 auto restructuring, to tax cuts for American manufacturers and support for the bankruptcy of Detroit to destroy municipal workers' pensions and health benefits, has been justified in the name of economic growth and creating jobs.

There is no constituency in the US political establishment for any redistribution of wealth from the top to the bottom; rather, both parties are committed to the further redistribution of wealth from the great majority of the population to the super-rich.

All talk of reforming this political and economic system is the product of either misinformed naiveté or deliberate deception. The fact is that capitalism is incompatible with the satisfaction of the most basic social needs of modern society.

Nothing can be done to address the staggering growth of poverty, inequality and social misery within the framework of the profit system. What is required is a mass movement of the working class armed with a socialist program to reorganize society to meet social needs, not fuel corporate profits.

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