

## Wealth and resentment

By Jim Landers

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Income inequality is increasing in America. The rich are getting richer, the poor are falling behind. Income inequality in Dallas, for example, is now the eighth highest for any city in America, according to a recent Census Bureau report. Household incomes in Dallas, measured by a formula called the Gini Index, are less equal than in Mexico.

Is that a problem?

Not necessarily, said Mike Davis, a senior lecturer at the Cox School of Business at Southern Methodist University.

“Americans don’t mind income inequality, because they think at some point they’re going to be at the top,” he said. “If you live in a time when people are relatively hopeful, they don’t mind looking out there and seeing the Cadillacs and the country clubs. But if people are saying there’s just no way I can own my own home or get out of debt, then you begin to see resentment.”

That resentment is evident in the Occupy Wall Street protests and the drive by President Barack Obama and other Democrats to raise taxes on the wealthiest Americans. Republicans say that this is the politics of division and class warfare and that Americans are guaranteed equality of opportunity, not of outcomes.

The Gini Index measures the concentration of wealth across all income groups in a nation, state or community. If everyone had the same income, the index would be 0. If all the wealth was held by one person, the index would be 1.

Other countries

According to the Gini Index compilations of the CIA’s *World Factbook*, the U.S. ranked 39th (with an index of 0.450) in a list of 136 nations ranked by income inequality in 2007. A clutch of

European nations had the least inequality. (Sweden's index was 0.230). South Africa (0.650) and Colombia (0.580) were among those with more unequal incomes than the U.S.

Within the U.S., the greatest income inequality among the states in 2009 was in New York; Connecticut ; Louisiana and Mississippi. Texas ranked fifth, according to the Census Bureau's American Community Survey reports.

The cities with the highest inequality were Atlanta (0.571); New Orleans; Washington, D.C.; Miami; Gainesville, Fla.; New York and Fort Lauderdale. Dallas came next at 0.532, a level of inequality greater than Mexico (0.517) and Panama (0.510).

### Inequality grows

The nonpartisan Congressional Budget Office released a study last week ("Trends in the Distribution of Household Income Between 1979 and 2007") showing that income inequality has grown in the last three decades. After inflation, taxes and so forth were factored out, the wealthiest 1 percent saw their incomes nearly quadruple between 1979 and 2007. The poorest 20 percent of Americans saw their income increase by 18 percent.

The share of the nation's income — after taxes and transfer payments, such as Social Security — went down for four-fifths of Americans during that period.

**Pam Villarreal**, a senior fellow at the conservative **National Center for Policy Analysis** in Dallas, says there's a difference between wealth and income disparities. While the incomes of the richest Americans have climbed over the last 30 years, wealth disparities have remained fairly constant.

"Wealth is the stock of assets you have compared to flow of income. So the idea that wealth is accumulating at the top at a dramatic rate is historically not true," she said.

Robert Shapiro, chairman of the Washington economic consulting group Sonecon LLC and a self-described liberal, agreed that wealth disparities haven't changed much. The wealthiest 1 percent of Americans owned 35 percent of the nation's wealth in 2007. The top 20 percent owned 85 percent of the wealth.

In 1983, the top 1 percent held 34 percent of the wealth, while the top 20 percent owned 82 percent of the nation's wealth.

For the rest, Shapiro said, wealth has tended to be concentrated in home equity. And that, he said, may be a bigger reason for resentment.

“Housing values have gone down more than they did in the Great Depression — 30 to 35 percent,” he said. Mortgages haven’t changed much, but the value of homes is down by a third. That tells you the value of home equity held by middle-class Americans has declined by a lot more than a third.”