

OBAMA PREACHES ABOUT THE “STRANDED MIDDLE CLASS” – ALL BECAUSE CLASS MOBILITY NO LONGER EXISTS! – OR DOES IT? LET’S TAKE A LOOK!

Stephen L. Bakke – December 12, 2011

A confident, successful society neither idolizes nor demonizes its rich, but instead believes that the wealth can be created rather than taken from others. And it simply judges the better-off by the content of their characters, not the size of their wallets.
– Historian Victor Davis Hanson

An earlier report on class warfare dealt with several topics, including the question of whether our capitalistic system has “squelched” the possibility for anyone but the “wealthy elite” to achieve the American dream. The popularity of that earlier report convinced me to issue this offering which borrows from that earlier report but deals just with the mobility subject.

Why Do I Do This?

Some have questioned my motives for consistently taking strong stands against Obama’s policies. It has been suggested that I am just defending “my own turf.” Someone very close to me said “Sure! You and your corporate soul!”

While I have been blessed in life and am able to live well and enjoy many fine things and activities, I am solidly and permanently lodged **deep!** within the “victimized 99%.” In fact, given my age, retirement status, relatively modest amount of income tax obligations and other relevant measurements, I’m probably someone who would “benefit” (as the term is often narrowly used) from many of Obama’s misguided policies. But those policies are not best for the country, or for my grandkids.

Obama Has Taken Aim – And He’s Makin’ Claims and Callin’ Names

In other reports I have pointed out the harsh, divisive, inflammatory rhetoric which was introduced by our President and faithfully picked up and expanded on by many influential followers. How has this warfare posturing manifested itself? In all sorts of ways! In this report let’s just take a look at some of the claims being made about “class mobility”:

- Income disparity in the U.S. is forever growing.
- The poor and the middle class can no longer achieve the “American Dream.”
- This is all caused by the “Greedy Whomevers” who control all the resources.

The American Dream is all about social mobility in a sense – the idea that anyone can make it The American dream seems to be thriving in Europe not at home. – CNN’s Fareed Zalaria

Let’s take a closer look at these “class mobility” claims.

A Major Class Warfare Battle is About Class Mobility – Does It Exist? Dems Say No! I Say Yes!

[An important measurement is] to what degree can individuals change their economic status through their own labor and without having to overcome obstacles to their efforts by law or custom? – The Washington Examiner, on “Mobility”

[Americans are] troubled that the heart of the American dream – upward mobility – seems to have stopped beating. – Political scientists Jacob Hacker and Paul Pierson on how America has become a society starkly divided into winners and losers?

Everyone is entitled to his own opinion, but not his own facts.” – Daniel Patrick Moynihan

“Income disparity in the U.S. is forever growing and the poor and the middle class can no longer achieve the ‘American Dream.’” That’s one of the biggest “battle cries” used by Obama and the democrats as they encourage class envy and conduct class warfare. If mobility actually exists, and if that was preached rather than despair and victimhood, wouldn’t Obama’s whole strategy of class warfare and envy fall apart? Here are some recent research results:

- A NY Times report made a claim that the “top 1% doubled their share of the U.S. income.”
- I now know that NYT was using a CBO analysis for the period 1979 through 2007. This study used information which excluded the period after the 2008 meltdown.
- Between 2007 and 2009, the number of Americans earning \$10 million or more fell by 55%.
- The number of Americans earning \$1 million or more fell by 40%.
- For those earning over \$1 million, combined incomes fell by nearly 50%, compared to a drop of 2% for those making \$50,000 or less – again for 2007 through 2009.
- The same CBO report indicates that while the top group did very well from 1979 through 2007, it was not at the expense of other groups.
- In fact, all groups moved ahead in inflation-adjusted earnings – that applies to middle income earners (the middle 3 quintiles) and the bottom quintile as well.
- **The NY Times article didn’t disclose that the CBO study also reminded readers that it’s important to remember that these raw numbers disguise considerable movement from group to group. That’s called mobility.**

Mobility refers to the extent that individuals move between economic classes/earnings quintiles. Here are some more research findings:

- Other studies have demonstrated that **the majority** of households that found themselves in the bottom 20% three decades ago have moved up the income scale, with their places taken by young people just beginning their careers.
- Tax and transfer payment policies under “W” (that’s George the 2nd) reduced the share of after-tax income that went to the top 1%, dropping their portion of the nation’s economic productivity from 20% (of before-tax “market income”) to 17% (after tax and transfers). This measurement **includes** transfer payments as discussed in the earlier “What is Poverty?” section.
- IRS statistics show that taxpayers in the top 1% in 1996 had their incomes go down by a whopping 26% by 2005.
- And between 2007 and 2009, according to Steven Kaplan of the University of Chicago Booth School of Business, the share of all income going to the richest 1% fell by a full 25%.

The American Enterprise Institute's Mark Perry used Federal Reserve data and published an interesting analysis in The Washington Examiner:

- 56% of those who in 2001 were in the lowest quintile of income earners moved up to a higher income quintile.
- At the opposite end of the spectrum, 66% of those who in 2001 were in the highest quintile of income earners dropped at least one quintile by 2007.
- This same phenomenon was also experienced when Fed data was used and compared for the period 1996 to 2005. This appears to be the rule, not the exception, in recent decades.
- "Slicing the apple" a different way using information from the 1996 book "The Millionaire Next Door" by Thomas J. Stanley and William D. Danko. Their research indicated that 80% of America's millionaires were not born millionaires. **They are first generation affluent!**

Robert Frank wrote in a recent Wall Street Journal article that the well-to-do haven't really done so well lately:

- The mega-rich have succumbed to the lure of low interest rates and have become the "leveraged elite."
- The household debt of the top 1% surged more than three-fold between 1989 and 2007, and it grew faster than their net worth.
- The over-leveraged rich are feeling significant pain, and have suffered severe losses, both to their income and net worth.
- As of 2009, the richest 20% showed the largest decline in mean wealth of any group.
- Only 27% of America's 400 top earners have made the list more than one year since 1994.

The government's own study "Income Mobility in the U.S. from 1996 to 2005" (2007 - Department of the Treasury) shows considerable income mobility:

- Roughly half of taxpayers who began in the bottom income quintile in 1996 moved up to a higher income group by 2005.
- Among those with the highest incomes in 1996 (the top 1/100th of 1%) only 25% remained in this group in 2005. And their median real income declined over the period.

Regarding the poorest citizens, an old University of Michigan study showed:

- Most working people who were in the bottom 20% income earners in 1975 were also in the top 40% at some point by 1991.
- Only 5% percent of those in the bottom quintile in 1975 were still there in 1991.
- 29% of those in the bottom quintile in 1975 were in the top quintile in 1991.

No matter how you slice it and dice it, a significant level of income/class mobility has existed for decades, and continues to this day.

Thou shalt not covet thy neighbor's house; thou shalt not covet thy neighbor's wife, or his manservant, or his maidservant, or his ox, or his ass, or anything that is thy neighbor's. - The Tenth Commandment