

# SOLES HUNDREDS OF FEET THICK: VISUALIZING ECONOMIC INEQUALITY IN AMERICA

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In 1971 Dutch economist Jan Pen published an article that contained an illustration that demonstrated economic inequality in a very dramatic way. Pen was writing about the British economy, but his thought experiment works even better for the current American economy.

Let's imagine that every working American walking by in an hour-long parade. Let us also assume that everyone's height is proportional to his or her salary. The first ones to pass, those underemployed working at odd jobs, are only an inch high. Next the spectators would see the fully employed making minimum wage, but they would be only a foot high. For the rest of the first half hour, the parade goers would observe most of America's skilled workers, and they would still be only about three feet tall.

Only after 45 minutes would the spectators begin to see people as tall as they are—those in the upper class. During the last six minutes rich Americans in our economic parade would be shooting up in height at an astounding rate. This is because nearly half the money made in America goes to a mere 10 percent of the population. Doctors and lawyers would be at least 20 feet tall, and CEOs and top financial managers would be looming above us from 100 to 500 feet. Finally, the America's billionaires would be marching by in shoes whose soles are hundreds of feet thick.

Today's "savage inequalities," a title of a book on American education by Johnathan Kozol, are greater than in America's Gilded Age. In 1894 John D. Rockefeller made \$1.25 million, 7,000 times the average American's salary, but hedge fund manager James Simons makes 38,000 times more than the average worker. For decades the American rich were subject to tax rates equivalent to current European rates, but since 1970 their rates have been cut in half while the middle class is paying the same.

Libertarians, who believe in unfettered free markets and who have profoundly influenced the Bush administration, argue that this is simply the American dream in

operation. Those who work hard, take risks, and make lots of money with their investments deserve to keep every penny they earn. For some libertarians, taxation is simply legalized theft.

The corollary to the American dream, that anyone can become a James Simons or a Bill Gates, has been false for decades. The social mobility and opportunities that allowed Andrew Carnegie to rise from rags to riches simply do not exist anymore. In fact, a young American's socio-economic status is the best indicator of that person's future.

Between the 1960s and the 1990s, the percentage of those moving from the lowest quarter to the highest quarter dropped from 22 to 10 percent. In a recent study on the mobility between generations in rich countries by the Organization of Economic Cooperation and Development (OECD), it was found that an American child born in the lowest fifth of the income scale had only a 7 percent chance of climbing to the top one fifth. A full 40 percent will remain at the bottom, while only 25 percent of Danes do or 30 percent of those in the UK.

Education is a key to upward mobility, and the U.S. used to have the best high school graduation rate in the world. By 2001, however, it had slipped to 14th place, when only 78 percent students received a high school diploma. The top five countries--Japan, Hungary, the Netherlands, Germany, Korea, and Denmark--graduated 90-95 percent.

In 1966, when I spent a year as Rotary Fellow in Denmark, only 8 percent of students attended gymnasium, the high quality European university preparatory schools. At that time Denmark had only four universities, but now it has seven serving 5.3 million people. While the U.S. workforce has 33 percent higher education graduates, the Danish portion has now risen to 40 percent.

After teaching Danish university students for one year (1971-72), and then comparing them to my American students, I came to the conclusion, one backed up by current research (<http://mtprof.msun.edu/Win1996/TamaraBP.html>), that Danish students enter university with a better a general education than most American college graduates attain. For example, I could assign my Danish students readings in English, German, and French, and my students, much to my distress, would frequently correct my translations from a German text that I was using.

Increasingly, more American students are finding that they cannot even afford to attend public colleges and universities. In stark contrast, Danish students in higher education pay no tuition and are given a \$500 monthly stipend if they keep up their grades. America's rich can easily afford tuition at the best private schools and give their children the best shot at the good paying jobs.

Progressive income taxes, the highest in the world, allow European governments to make the investment in human capital that has essentially eliminated poverty and produced the most successful societies in history. Contrary to popular opinion, high taxes do not mean economic stagnation. Seven of the ten most economically competitive countries are European welfare states with highly unionized workforces. Primarily because of its large budget and trade deficits, the U.S. has dropped to sixth place in a survey done by The Economist magazine.

As of August 11, 2007, the GDP increase for countries that use the Euro was 3 percent versus 1.8 percent for the U.S. The unemployment rate for these countries was 6.9 percent, but the rate in Austria (4.3), the Netherlands (4.6), Denmark (3.5), Sweden (4.9), and Switzerland (2.5) was equal to or lower than America's 4.6 percent. It is significant to point out that the effects of unemployment in these countries are tempered by two facts: (1) unemployment benefits are as high as 70 percent of previous salary, and (2) there is universal health care.

Young students without adequate health care obviously do not do well in school, and European governments make sure, unlike ours, that every one of their children has proper medical and dental care, with Scandinavian dentists assigned to every school. The American public was shocked by the recent story of a boy who died of a tooth infection that could have easily been taken care of by regular dental care.

America has been known as the land of the greatest economic opportunity, but unless both the native born and immigrants have quality education and access to health care, their American dream may turn out to be tedious haul of long hours, low pay, poor health, little vacation, and meager pensions.

Note: I'm indebted to Clive Crook's "The Height of Inequality" in The Atlantic Monthly (September, 2006) for the reference to Jan Pen's economic parade.