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The Rich Get Richer: The Rise of Income Inequality in the United States and the World / Assets and the Poor: a New American Welfare Policy

Josephine Ruggiero
Providence College

Eric Hirsch
Providence College

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institutional and legislative initiatives that will result in greater responsiveness to family violence.

Gondolf's book is a well thought out and researched documentation of the limitations of the medical response to violence in human interaction. His book's greatest contribution is to encourage changes at the policy-making level and in the training of medical professionals.

The Rich Get Richer: The Rise of Income Inequality in the United States and the World, by Denny Braun. Chicago: Nelson Hall Publishers,1991. 383 pp., $29.95, $19.95, paper

Assets and the Poor: a New American Welfare Policy, by Michael Sherraden. Armonk, NY: M.E. Sharpe, Inc., 1991. 324 pp., $34.95

Josephine Ruggiero and Eric Hirsch
Providence College, Rhode Island

Both of these books deal with the problem of economic inequality, but in very different ways. *The Rich Get Richer* is a broad analysis of recent trends in economic inequality and poverty rates in the U.S. and the world, while *Assets and the Poor* prescribes an alternative to the current welfare system in order to cure poverty in the U.S.

In his chapters on the U.S., Braun documents the oft-noted increase in inequality in the U.S. during the 1980s. He shows how basic features of our economic system—such as segmented labor markets, deindustrialization, and chief executive officer compensation programs—as well the Reagan administration's tax and spending policies created increased wealth and income disparity. The strength of the book is a review of the many potential costs associated with extreme inequality, including an increase in political violence, economic stagnation, a variety of social problems for working and middle-class families, and the increased willingness of the super rich to engage in risky investments. Thus Braun shows how the current banking and savings and loan debacle can be fruitfully viewed as a result of increasing income and wealth at the top of the U.S. class structure.

In chapters on inequality around the world, Braun again describes the severe inequality which has the top 1 percent of income recipients gaining 15 percent of world income while the poorest 20 percent get 1 percent (p. 49). He offers a fine critique of development theory by marshalling evidence that shows how investment by multinational corporations and loans by the International Monetary Fund actually lead to greater economic inequality. Multinational corporate investment leads to an initial increase in gross national product per person but slower economic growth in the long term due to the export of profits.

IMF loans increase inequality because IMF policy makers force reductions in government programs that assist the poor in order to facilitate debt repayment.

Braun's analysis is marred by a tendency to use lengthy quotes from other authors, an overuse of exclamation points, and a disorganized chapter on policy solutions to inequality. But this does not detract from the importance of his analysis of increasing economic inequality and its social costs.

If Braun defines the problem, Michael Sherraden, in *Assets and the Poor*, tries to articulate the solution. His thesis is that "asset accumulation and investment, rather than income and consumption, are the keys to leaving poverty" (p. 294). While income transfers provide for day-to-day needs, accumulation and investment have the potential to change the way people think and behave in the future. Welfare policy therefore ought to be redirected to recognize this fact.

In Part I of his two-part book, Sherraden argues that, unlike European nations, the U.S. is ambivalent about being a welfare state and consequently less generous with assistance and more judgmental about what the poor do with their welfare checks (Chapter 1). Still, he suggests there is a serious problem that must be solved: the rising proportion of children living in poverty (Chapter 2). His solution is to reduce the stigma associated with income transfers by emphasizing incentives which encourage asset accumulation by the poor (Chapter 4). This policy would eliminate the current ban against savings by welfare recipients; the poor, like the middle class, would be expected to have a mix of income from assets, employment, family sources, and the government.

In the last chapter in Part I, Sherraden concludes that ". . . none of the major viewpoints (conservative right, liberal middle, and radical left) pays attention to individually held assets of the poor" (p. 89). Although the left raises questions central to the asset accumulation notion—such as "Can capital really be redistributed under capitalism? Can a more democratic capitalism be achieved?" (p. 88)—their attention is wrongly focused on socially rather than individually controlled capital (Chapter 5).

In Part II, Sherraden explores the issues related to and the possible dimensions of an asset-based welfare policy. He explains why blacks have generally been less able than whites to accumulate assets and argues that many of the problems experienced by blacks will continue until they obtain a distribution of assets more equal to that of whites (Chapter 8).

Sherraden's asset-based approach to poverty policy utilizes IDAs (Individual Development Accounts), which work much like IRAs (Individual Retirement Accounts). Deposits would be linked to "positive" individual achievements which also benefit the nation as a whole; these could include completing grades in school ($500 per grade completed), graduating from high school ($2500), receiving job training, getting a job, or engaging in national service activities. Withdrawals from the IDA could be made only for designated reasons, such as for the funding of a college education, and parents or guardians could pass on IDA funds to their children without penalty.

The program would be funded through a variety of tax increases, including full taxation of Social Security benefits, the removal of 50 percent of tax deferment for pension contributions to earnings, taxation of employer contributions to medical insurance premiums and other fringe benefits, the elimination of 50 percent of home mortgage interest deductions, the elimination of 100 percent of tax deferments for capital gains on the sale of principal residences, and the elimination of 100 percent of the exclusion of capital gains at death (Chapter 10). Sherraden explores several promising applications of the IDA, offers a detailed example of how they might work (Chapter 11), and considers how his policy contributes positively to the long-term economic goals of the United States.

Given the current lack of substantive welfare policy proposals, the comprehensive appraisal of the system that is provided by Sherraden's book is welcome. Certainly the current welfare system is no solution to the poverty problem; the average welfare family in the U.S. receives less than half of the poverty line income in benefits. The fact that those on welfare are not allowed to accumulate economic assets makes it even more difficult to overcome our poverty problem.

Sherraden's analysis raises several questions. Should the government dictate to the poor how they should allocate their assets when they have a pressing need to spend on necessities such as food, shelter, clothing, and health care? can educating poor individuals solve the poverty problem, given Braun's documentation of the lack of enough well-paying jobs in our declining economy? Is it desirable and politically feasible to fund a poverty program through proposals which increase taxes for the middle class?

However, in any review of an area as complex as poverty and welfare policy there are bound to be a few unanswered questions both of these books document the fact that economic inequality is caused by basic features of our economic and political systems, and they discuss what we ought to do about those systems. We hope that future authors will do the same, rather than continue to blame the victims of poverty for their plight.