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NEWS AGENCY

THE STORY UNDERNEATH



Wealthy Reap Rewards While Those Who Work Lose

By **Adrienne Appel**

BOSTON, Jul 9, 2010 (IPS) - Times are tough for workers in the U.S. where a recession has a stranglehold on much of the economy, but life is perfectly rosy for those at the top.

The riches of the wealthiest North Americans grew by double digits in 2009, primarily from interest their money earned when it was invested in the stock market and elsewhere, according to a report by the Boston Consulting Group.

Millionaires in the U.S. and Canada saw their wealth increase 15 percent in 2009, to a total of 4.6 trillion dollars, the report found.

Worldwide, 11 million - or less than 1 percent of all households - were millionaires in 2009. They owned about 38 percent of the world's wealth or 111 trillion dollars, up from about 36 percent in 2008, according to Boston Consulting Group.

About 4.7 million millionaires live in the U.S., four percent of the population and more than anywhere else in the world. Japan, China, Britain and Germany followed the U.S. in the number of millionaires.

Their fortune is a stark contrast to the lives of more than 15 million people in the U.S. who are unemployed and searching for work, and the eight million more who are just getting by with a part-time job, according to the U.S. Bureau of Labor Statistics. More than two million more people were working prior to the recession but have now dropped out of the labour force.

Apart from the newly unemployed, about 39 million people in the U.S. are chronically poor and do not have enough food to eat, according to the U.S. Census and U.S. Department of Agriculture.

"The nation's jobs crisis is so catastrophic that, unless Congress acts on the scale of the New Deal, millions of Americans will experience extremely long periods of unemployment for many years ahead," Lawrence Mishel, president of the Economic Policy Institute, told a panel of the Committee on Ways and Means recently.

Not so for millionaires and the uber-rich.

The uber-rich, those with more than 30 million dollars, are on the rebound. They spent more money in 2009 on fancy cars, yachts and jets compared to 2008, according to a study by Merrill Lynch-Capgemini. They bought fine art, expensive jewelry, gems and antiques, items that are likely to increase in value over time, so they can sell them later and make more money.

The recession isn't hitting those at the top as it has workers. In fact, many wealthy people benefited from the stock market's ups and downs, said Mike Lapham, director of the Responsible Wealth Project at United for a Fair Economy, an NGO in Boston.

"Folks at the top have a cushion, a disposable income to fall back on. Maybe their portfolios took a hit but they didn't lose their jobs and their homes. If they had losses, they can deduct them from their taxes," Lapham told IPS.

"Some people bet successfully on the financial system going under," he said. "The stock market went from 10,000 to 6,000 and back to 11,000. That's a big jump for people with significant portfolios."

"The people at bottom who've lost work, it'll be years before they get back to where they were before the crash," Lapham said.

The U.S. average national unemployment rate is 9.7 percent. Only those who are actively looking for work are included in this statistic. Among Black Americans, the rate is 15.5 percent and Latinos, 12.4 percent, according to the Bureau of Labor Statistics.

The Congressional Budget Office predicts that unemployment will remain almost unchanged in 2011, about 9.5 percent.

Many families have been surviving on small, weekly unemployment checks provided for 26 weeks by their state government, and an additional 73 weeks by the federal government. The first group of unemployed to run through both benefits hit that point Jul. 1, and today about a million people are receiving no assistance at all. About nine million more are still receiving unemployment payments.

Congress is considering extending federal assistance for another 20 weeks. The House approved the legislation, but the Senate did not. Congress left town for its holiday break until mid-July without passing the legislation.

In the Senate the issue fell almost precisely along party lines, with all but one Democrat for extending the benefit, and all but two Republicans against it, saying the 34-billion-dollar cost was not worth adding to the federal deficit.

Without the vote of Democratic Senator Ben Nelson, of Nebraska, the bill was one vote short of the 60 needed for passage.

"I think we're going to see a new wave of heartache here in Rhode Island," with the end of the federal assistance, Kate Brewster, executive director of the Poverty Institute, a Rhode Island NGO, told IPS.

The small, northeastern U.S. state, a former manufacturing centre whose jobs moved offshore, has struggled with higher unemployment and low-wage jobs for years. Most recently, it was hard hit by the foreclosure crisis and the downturn in the construction industry.

The ongoing unemployment and low jobs creation nationwide is helping to fuel the millions of foreclosures sweeping across the nation, according to a report by the Harvard University Joint Center for Housing Studies.

The nation's anemic jobs creation, high foreclosures and weak consumer spending has convinced Mishel and many economists that the U.S. is in for an extended downturn. Just 83,000 jobs were created in June, instead of the 150,000 needed for robust employment, according to the U.S. Labor Department.

"The United States is undergoing the worst economic downturn in 70 years, and the damage and

suffering it is causing will last many years beyond the official end of the recession," Mishel said.

Rhode Island's future is uncertain.

"We've consistently had one of the highest rates of unemployment in the country," Brewster said. Today, in the midst of the recession, more people are showing up at soup kitchens for free meals and dialing in to a toll-free, crisis phone service for families in dire circumstances, she said.

"They've had an enormous influx of calls in the past 18 to 21 months," she said. Fewer services are available to help them.

"Within last five years the state cut back work support programmes like child care assistance and funded health insurance," Brewster said. "The cruel irony is that when families really need help, less is available."