



Myth Of U.S. Affluence

BY ROBERT CLANCY

WEALTH AND POWER IN AMERICA

An Analysis of Social Class and Income Distribution

by Gabriel Kolko.

Published by Frederick A. Praeger (\$4.85).

PROFESSOR KOLKO has in this book made a contribution long due. He challenges the comfortable assertion made by so many of today's economists and sociologists — John K. Galbraith, Simon Kuznets, David Riesman, A. A. Berle, Jr., and many others — that economic equality has been attained in the United States, that we have a "people's capitalism," that poverty has been eliminated. These assertions have been made, says Professor Kolko, from vague assumptions and impressions and with little supporting evidence. He boldly calls it a "myth," and takes us through a tour of some startling facts to show that the opposite is the case; that "the basic distribution of income and wealth in the United States is essentially the same now as it was in 1939, or even 1910." He goes even further, and shows that if there is any tendency, it is toward the greater concentration of wealth.

Professor Kolko's book is presented in an easily readable form in less than 200 pages (though it covers a wide scope), but is supported throughout by sources and statistical data. It deserves to become widely known and discussed.

While family income has increased since 1947, says Professor Kolko, inflation has cancelled most of the gain. Furthermore, he offers the useful reminder that "an income group can enjoy a boost in real wages, while simultaneously suffering a loss in its percentage of the country's income." This is the distinction between *quantity* and *proportion* that Henry George asks us to keep in mind. Professor Kolko chides current economists for failing to distinguish between them, thus promoting the fallacy that the nation's income distribution is becoming equalised.

One important point brought out by Professor Kolko is that the high income tax on large incomes prompts the top income groups to keep rather quiet about what they are getting, and to underrate their income — not only on their tax forms, but generally speaking. There is a great amount of unreported income. This has evidently fooled economists and surveyors.

Another hidden form of income is "payment in kind," prevalent in top echelons — executive suites, yachts, hunting lodges, expensive parties and other "business expenses." "In this way," says the *Wall Street Journal* "a good many executives, whose fortune-building efforts are impaired by today's high taxes, are still enjoying the frills enjoyed

by the Mellons, Morgans and Baruchs."

(We need not be invidious about this way of doing business — what concerns us is the *source* of the income — but it does serve to show how much has been missed by the statisticians!)

"Capital gains" is another well-known tax dodge noted by Professor Kolko. (How much must have crept into that category through the terrific increases of land value!)

The New Deal and the wartime increase of the income tax was supposed to have been a great leveller. But "the ironic fact is that the extension of the income tax to middle and low-income classes was the only original aspect of the New Deal tax policy."

Nor, says the author, should we forget other taxes. The income tax is the only one that is (at least in theory) "progressive," i.e., higher on higher incomes. All others are "regressive" in that all income groups pay the same, and they hit lower income groups hardest. Professor Kolko cites figures to show that wealth is still concentrated in the hands of a very few.

An interesting chapter is "The Causes of Poverty." Poverty is still very much with us says the author. "In the Spring of 1958 when *The Affluent Society* was published some 5.5 million unemployed workers would probably have been sceptical about the optimism of its author, economist John Kenneth Galbraith." What Professor Kolko calls "the causes of poverty" are such items as periodic unemployment; the increasing of young, unskilled workers in the economy whose wages are low and of older people whose income is low; the increasing number of women working whose pay is generally lower than that of men; depressed areas; racial factors. (We would, I think, regard these as secondary causes — the way the basic cause of land monopoly manifests itself as conditions change.)

Professor Kolko even defines poverty according to a minimum maintenance family budget worked out by the Bureau of Labour Statistics. This involves maintaining an adequate and healthy life. Below that there is poverty. An "emergency" budget, which costs about 70 per cent., as much as the maintenance budget, has also been worked out. Below the emergency budget, people would be involved in the sheer struggle to survive. Professor Kolko gives some rather shocking figures: As of 1957, 44 per cent. of spending units (families and unattached individuals) lived below the maintenance level, and 27.5 per

cent. lived below the emergency level! This represented a slight easing of the 1951 figures "due primarily to the fact that the Bureau of Labour Statistics ceased collecting data for calculations after 1951, and the only available statistics are somewhat less comprehensive." (One wonders why the Bureau ceased collecting data!)

"The poor remain and will likely increase in number in the near future," says Professor Kolko. "The predominantly prosperous middle class society is only an image in the minds of isolated academicians."

Many other aspects of economic and social life receive Professor Kolko's attention. Education is one, and he says: "One thing is certain; the thesis that distribution of income reflects distribution of intelligence has no factual basis."

Contemporary social theorists (who are mostly "liberals"!) are criticised by Professor Kolko for their complacency. Believing the equalitarian society now exists, they "hail the accomplishments of the status quo," and their implication is that "no changes are needed."

Professor Kolko concludes: "It was not my purpose to recommend any partial laws or reforms with which to meet the far-reaching problems I have described. Rather, I have attempted to focus attention on the economic realities of our society, and on the disparity between

them and the dominant theories on equality and economic justice in the United States.

"Perhaps the idea of a social and economic democracy — the type of society erroneously said to exist in the United States today — will at least serve as the stimulus for its ultimate creation."

Interestingly, Norman Thomas is quoted on the book's jacket as commending the author for his thesis. This is rather ironic as Mr. Thomas has said that the New Deal had accomplished so much of the Socialists Party's programme that the party was no longer needed — the very New Deal that has accomplished nothing at all! Norman Thomas does admit that "we shall have to do some hard new thinking." Let us hope that this stimulus and this effort will lead many people to the doors of the Henry George School — where they will find in *Progress and Poverty* the "Genesis" of Professor Kolko's "Revelation"!

NOTE: Another new book on the same subject has just appeared. It is *The Other America* by Michael Harrington (Macmillan), and shows that the extent of poverty in the United States is much greater than has been supposed. If we are going to have a rash of such books, this is a welcome antidote to the "affluent society" type of books that have been coming out in recent years.

Essays In Debunking

By E. P. MIDDLETON

ESSAYS IN ECONOMICS by ELY DEVONS

(Geo. Allen & Unwin, 25s.).

THE author of this fascinating exposé of the fantastic world in which economists live and move, opens his book with this statement of disarming candour:

"Although I have been an 'applied economist' for many years and have frequently tried to be introspective about my activities, I am, I fear, not yet able to give a clear and methodical account of what it is I am applying. My readers will have to be satisfied, therefore, with random, not very clearly formulated thoughts, almost personal confessions, rather than a carefully worked out systematic treatment. The main questions I would like to answer are: 'What is it one applies in applied economics?'; 'What is the nature of the understanding of reality one gets through this application?'; 'What use, if any, is this understanding in the formulation of policy?'; and lastly, 'What are the best ways of teaching this applied economics?' As I have already indicated, I cannot give satisfactory answers to these questions, but I hope that you agree that they are interesting and important questions."

It need not be assumed from this, however, that we are really to be treated to the naive confessions of impotence and confusion the words might, in the light of the flow of verbiage from economic writers these days,

lead one to suppose. For Mr. Devons, in his pleasantly persuasive style, does a very thorough job of pulling the insubstantial supports from under a number of current economic sophistries and sends a good healthy blast of fresh air through the fancy but shaky architecture of the statisticians.

"There is," he says, "a passion for statistical information in relation to any and every issue of economic policy. Yet how often we do really honestly ask ourselves what we get out of the figures?" And he devotes many pages, in fact one whole chapter, to showing just how much, or how little, value most of the statistical information being produced in such quantities has in the process of constructive economic thinking. In a delightfully satirical, but devastating passage, he subjects to the statistical method the experience of falling in love, demonstrating effectively what an inadequate and unreliable tool statistics can be. Reflection on the use to which statistics are being put in, for instance, the determining of Government policy today, leaves one with the cold horrors. Mr. Devons does little to relieve this feeling. His examination of a research paper on the statistical analysis of road accidents, for example, he sums up in this biting