

Economic unease in the middle-income population

Until recently, policy makers would disregard the issue of inequality. The rationale was that policies to reduce inequality could have adverse effects on market incentives and on the fiscal balance. Socially minded politicians like Bernie Sanders or Elizabeth Warren are now bringing this issue forcefully to the public. Their claims are supported by a new school of economists who show that too much inequality fosters monopolistic behavior, undermines technological progress, and slows down economic growth.

The various remedies proposed to deal with overall inequality are well documented, starting from investments in health and education, and financial policies to make the endowment in human capital fairer among the population, in addition to tax and transfer policies aimed at leveling the playing field. At the production stage, governments can also intervene through regulations to improve the bargaining environment between workers and firms.

However, when the focus is solely on overall inequality, as measured by the Gini coefficient, a measure of statistical dispersion intended to represent the income distribution of a nation's residents, the hardships of specific groups are missed. These are reflected in the economic insecurities and anxieties of the people in the middle-income population. Such fears are illustrated by upheavals taking place in certain countries. For instance, although inequality as measured by the Gini coefficient is rather low in France, social protests are common. In 2016, the states that tilted the balance in Trump's favor suffered from lagging job opportunity and creation, due to a slowdown in manufacturing. Indeed, what fuels the discontent in the middle-income class is the disappearance of good full-time stable jobs with which they used to thrive.

The roots of this economic unease are well documented. Some have to do with trade: globalization, the creation of supply chains or the rise of China. Others have to do with technological advances: automation and the replacement of low skill jobs with technically challenging jobs. Finally, the more labor friendly environment of the job market has changed. Labor unions are weak and policies to help workers are patchy. It is easier for firms to exploit their workers, with part-time jobs, scarce benefits, and swift dismissal.

Another economic disparity not measured directly by the Gini coefficient is geographical. The prosperous urban centers where the population is highly educated and average incomes are high contrasts with the rural communities, small towns, the poorer suburbs where services, health care, and education are substandard. This form of spatial inequality breeds political unfairness: the richer urban centers have much more clout pushing for self-advantageous policies while the less educated are feeling left behind and harmed – their sense of social status diminished.

Middle class economic unease and spatial income separation are subtle forms of inequality mainly felt in mature industrial economies. Could these issues be at the root of economic and political upheavals in the future?

Read the above article and write an essay, based on your own knowledge of economics and on issues presented in this article discussing the following question. "In the past 30 years, the Gini coefficient in the US rose from .43 to .49 indicating a substantial increase in overall inequality. Explain why this happened focusing on the special plight of the middle-income group and also emphasizing specific causes of spatial inequality in your discussion.

What we are looking for in the “Economic unease in the middle-income population” --article and prompt

Briefly, to address the prompt, there are several important points that need to be elaborated on.

The plight of the middle income groups is different from the low-income groups in the following ways. Below are several points that can be made:

- The workers in the middle income group have suffered from greater use of automation in manufacturing
- Globalization has also reduced the number of jobs in the U.S.
- The service sector jobs that many have sought (as they lost their manufacturing jobs) pays lower wages
- Unions which used to engage in collective bargaining for higher wages have become weakened in the last few decades.
- Spatial inequality between farm and non-farm income earners as well as between rich and poor city suburbs:
Government help for rural areas and poorer suburbs has been more scarce. Poorer areas also lack adequate health services and quality schools.
- Finally, we could argue that middle income groups derive most of their income from working (salaries). They do not own much financial wealth in the form of stocks or bonds. Thus this group has been left largely behind by the rise in the stock market during the long recovery of the last decade. It is not surprising therefore, that they are concerned about their future.

It is very important that

- i. you answer the essay question thoroughly
- ii. you introduce your own ideas and factual knowledge and do not regurgitate the article
- iii. you support your points
- iv. you organize your essay such that it reads well.

If all the points, facts, or ideas in your essay come directly and only from the article itself, you will not get a good score.