



Department of Justice, Peace, and Human Development
Office of Domestic Social Development

Worsening Economic Inequality
February 2014

“the lack of fraternity between peoples and men and women is a significant cause of poverty. . . [and] can be overcome only through the rediscovery and valuing of fraternal relationships in the heart of families and communities. . . If on the one hand we are seeing a reduction in absolute poverty, on the other hand we cannot fail to recognize that there is a serious rise in relative poverty, that is, instances of inequality between people and groups who live together in particular regions or in a determined historical-cultural context. In this sense, effective policies are needed to promote the principle of fraternity, securing for people--who are equal in dignity and in fundamental rights--access to capital, services, educational resources, healthcare and technology so that every person has the opportunity to express and realize his or her life project and can develop fully as a person.”

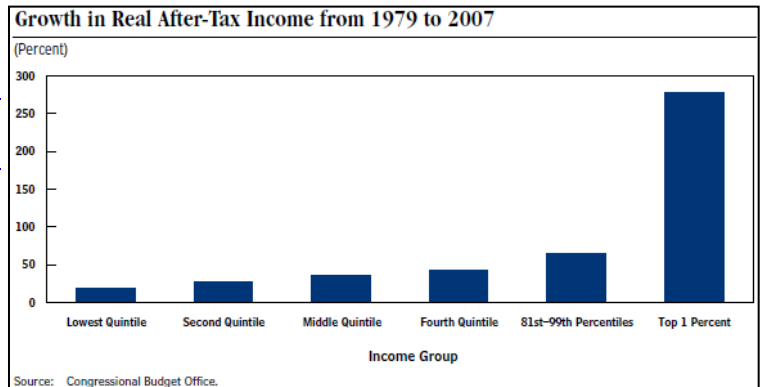
-Pope Francis, Message for the World Day of Peace, No. 5

ISSUE

Inequality is most basically understood as the imbalance in the distribution of financial resources. Discussions of domestic inequality usually focus on two separate but closely related areas: income, meaning the wages and compensation earned from work; and wealth, meaning the accumulation of that income and other assets (homes, investment portfolios, retirement funds, etc.). Domestic inequality, though, is more than financial--research is beginning to show inequality is the root cause of many social, emotional, and public health problems as well. Looked at globally, inequality becomes even more stark and, in many instances, a matter of life and death.

Income

Over the last 30 years, the American economy has grown considerably and worker productivity has increased 20 percent. Unfortunately, the gains and benefits of this growth have not been shared fairly or equitably. According to the [Organisation for Economic Co-operation and Development \(OECD\)](#), this divergence in income is part of a 30-year trend. The [Congressional Budget Office similarly pointed out](#) that the economic gains of the last thirty years went disproportionately to the wealthy.



More recently, this imbalance has become more pronounced. Last year, the Social Security Administration reported that the median annual salary--half of all jobs--is only \$27,500. This is the lowest median salary in over 15 years. The average salary, however is \$42,500. This gap between the average and the median is driven by larger gains at the top, which pulls the average up but leaves too many behind.

Wealth

Inequality becomes more pronounced when looking at wealth. Homeownership has long been considered the traditional path to building wealth and long-term financial security for most Americans, and the right to private property, while not absolute, is a benchmark of Catholic teaching for this reason. As a result of the foreclosure crisis that precipitated the most recent recession, millions of Americans have lost that accumulated wealth.

Financial assets such as stocks, bonds, and retirement funds, are heavily concentrated among the very wealthy. The wealthiest one percent owns 30 percent of all stock market wealth, while the wealthiest 20 percent owns over 80 percent of all stock wealth. In the aftermath of the most recent recession--whose effects are still being felt today by millions--the wealth of the upper 7 percent rose by 28 percent, while the wealth of the bottom 93 percent dropped by 4 percent. This is easily seen in the news: the stock market has fully recovered from the recession, but the labor market remains very weak and unemployment is high as poverty persists.

Global Poverty and its Consequences

A recent study by [The World Bank](#) noted that despite the unprecedented pace of poverty reduction on a global basis over the last decades, progress has been much slower in Low Income Countries (LICs). Poverty for middle and high income countries fell by more than a half since 1981; however in LICs extreme poverty fell by less than a third. Most of the drop occurred in China and India. For the rest of the developing world, individuals living in extreme poverty today are as poor as those living in extreme poverty 30 years ago, due to an increase in the number of extremely poor individuals in LICs and the stagnant average income among the poor.

The World Bank also notes that more than one-third of these extremely poor individuals are children under 13, and half of the children in LICs are in extreme poverty. The global gender gap in education is concentrated among the poor. Poor women aged 15 to 30, on average, have a year less schooling than poor men of the same age group. Access to essential utilities such as electricity, water, and sanitation are very limited among the poor. The non-poor are more than twice as likely to have water, and three times as likely to have sanitation. While 87 percent of the non-poor have electricity, among the poor, just under half have electricity. The health consequences of such distortions are enormous.

According to a 2010 report by [Credit Suisse](#), the world's wealthiest 8 percent control about 80 percent of the world's wealth. The top .5 percent control over one-third.

USCCB POSITION

Pope Francis has made highlighting the human effects of worsening economic inequality a hallmark of his pontificate, speaking powerfully and frequently of the “culture of waste,” “culture of exclusion,” and “culture of prosperity” that blind us to the needs and suffering of poor and vulnerable people all around us. In June 2013, he said, “It is a well-known fact that current levels of production are sufficient, yet millions of people are still suffering and dying of starvation. This, dear friends is truly scandalous. A way has to be found to enable everyone to benefit from the fruits of the earth, and not simply to close the gap between the affluent and those who must be satisfied with the crumbs falling from the table, but above all to satisfy the demands of justice, fairness and respect for every human being.”

In *Economic Justice for All*, the Bishops write “Catholic social teaching does not require absolute equality in the distribution of income and wealth. Some degree of inequality is not only acceptable, but may be considered desirable for economic and social reasons, such as the need for incentives and the provision of greater rewards for greater risks. However, unequal distribution should be evaluated in terms of . . . the priority of meeting the basic needs of the poor and the importance of increasing the level of participation by all members of society. . . . These norms establish a strong presumption against extreme inequality of income and wealth as long as there are poor, hungry, and homeless people in our midst” (No. 185)

ADDITIONAL RESOURCES

Evangelii Gaudium, Apostolic Exhortation of Pope Francis. <http://bit.ly/1i4OewO>

Message for the World Day of Peace, Pope Francis: <http://bit.ly/1cE7csk>

Economic Justice for All, Pastoral Letter of the United States Catholic Bishops. http://www.usccb.org/upload/economic_justice_for_all.pdf

FOR MORE INFORMATION

Richard Coll, Office of International Justice and Peace: (202) 541-3153; rcoll@usccb.org

Tom Mulloy, Office of Domestic Social Development: (202) 541-3445, tmulloy@usccb.org

3211 Fourth St., NE. Washington, DC 20017. Tel: (202)541-3160 Fax: (202)541-3339