



# THE COLOR OF MONEY

*Economic disparity is the racism of class warfare.*

BY KEVIN J. PALMER



It's incomprehensible to me I was born into a country where the color of one's skin once determined where he or she could sit in a restaurant or on the bus. Old news footage of riots in the streets and, most chilling to me, a photo of a man hanged because of his race, all depict events that seem so long ago, yet they weren't.

Interacting with members of other races has shown me that, regardless of ethnicity, all can benefit from what others offer. After all, we live in a country whose economic backbone was forged by minority immigrants who, with their vastness of character, overcame immeasurable odds to become part of mainstream society.

For example, African-Americans, represented by our current president, have excelled at a fast rate despite the obstacles of prejudice they faced only 50 years before. Perhaps no group has had a harder climb than the generation of African-Americans who fought atrocities in the civil rights era to enable their children to flourish and establish respected careers. Today, one needs only to walk through the halls of colleges and universities to witness positions of power filled by nonwhites, thus giving the current middle class a complexion of diversity.

But there's a new battle line being drawn that negatively affects us all. It's called economic disparity, and it's a new form of racism — the racism of class. And if this early 21st-century class warfare goes unchecked, it could leave a lasting scar for generations to come. You see, class warfare has no concern for race, religion or gender, yet it has the potential to undo the economic strides of all races from the last 50 years.

Today, skin color has become secondary to money color because it's an individual's net worth that threatens to create a greater separation within segments of our society than race ever did. This new kind of prejudice puts at risk anyone who's feeling good again about having creature comforts, regardless of their socio-economic level. In its wake, it breeds economic hostility that leads to opportunity lockout. And opportunity lockout is driving a wedge of hatred, greed and suspicion, separating people in their neighborhoods and communities, creating the largest economic inequalities in our country's history.

As the U.S. economy muddles through its worst downturn since the Great Depression, Americans are waking up to the fact that working 9 to 5 no longer yields enough to keep their heads above water financially. Simultaneously, leisure time and peace of mind are decreasing. Through phones, computers and big screens, people are bombarded 24/7 by ads from big corporations imploring them to buy products that will supposedly make their lives better. At the same time, they are held hostage to increasing prices and extra charges for the never-ending benefit of the corporate bottom line.

Today, economic pressure on the middle class has reached epic proportions, putting the American Dream in danger. The average income earner is expected to pay for big government operations, rising public service pensions, and endless arrays of social assistance programs including more medical care. Additionally, they're expected to bail out wealthy corporations, during the country's worst economic period in 80 years, at a time when the rich are getting richer and the poor are getting poorer.

According to the 2010 census figures, for every American household earning more than \$200,000, there are seven households earning less than \$25,000. And at a time when the economy hit a record-breaking unemployment rate of 9.1 percent, corporations were boasting record profits. The mounting inequity provoked Senior White House Advisor David Plouffe to say, "The American people are screaming out, saying it's unfair..."

Yesterday's patterns of color and gender discrimination are being replaced with class separation. Today's economic alienation and extreme class warfare are boxing people out of a platform for achieving their dreams. Instead, it's forcing them into roles of more labor and more consumption, causing an unprecedented separation between the classes that keeps widening.

Further fueling this economic class warfare is a polarizing political debate that uses worst-case scenarios to push agendas. This debate is splitting the country into alienated sectors steeped in distrust and bigotry. Judging others by class, not character, and making conclusions based on material ownership, not personality, comes at a cost that turns resentment into hatred and even drives people to take to the streets in protest.

Economic discrimination largely shows up as fear of job displacement and loss of financial satisfaction by those in the status quo. In our history, every wave of immigration has bred responses from the haves — the status quo — who fear economic instability from the have-not's. Today it is the middle class that is feeling like the have-not's. And when people feel oppressed long enough, it can manifest beyond civil disobedience.

Our nation has colorful examples of protesting in favor of civil rights, but protesting in favor of economic rights is rare. Except for military veterans who set up camps to outwardly demand benefits in the 1930s, protests for economic equality have been largely fought inwardly through labor groups and economic councils. Extraordinarily, the past few years have given way to protesters demanding financial equality. Occupy Wall Street participants are massing demonstrations on the streets around the country, even clashing with police, because the largest socio-economic group in the country — the middle class, which fuels almost two-thirds of the Gross Domestic Product (GDP)





— has been pushed to the limit. From their point of view, they've paid far too much for far too long, and paying to bail out the rich while the rich continue to get richer is more discrimination than they are willing to tolerate.

This divergence of work and reward and its resulting economic disparity can divide societies to the point of breaking down the functionality of enterprise itself, and puts the whole middle class at risk of failing to exist.

Lars Osberg, an economist at Dalhousie University, maintains "repeated financial collapse is the inevitable outcome when a small minority stockpiles capital while everyone else accumulates debt." Since 1980 alone, about 5 percent of the annual national income in the U.S. has shifted from the middle class to the nation's richest households. According to Census Bureau data, that means the wealthiest 5,934 households enjoyed an additional \$650 billion (if distributed evenly, that would be about \$109 million per household) beyond what they would have if the economic pie had remained with the middle class according to its 1980 proportions.

In 1789, France's vast separation between the privileged upper class and the peasants in the countryside completely shut down society, resulting in fighting in the streets that lasted 10 years. The French Revolution was so tumultuous, even innocents lost their heads to the guillotine. And if you believe your neck is safe from economic discrimination because you're middle class and white, think again. Another estimate from the 2009 Census Bureau says, "By the time the 2040 census is held, whites will be a minority, with just 48.5 percent of the population being white by 2045."

By the way, if you are a nonwhite and cheering that estimate, reconsider. Displacing one group with another solves nothing, because the entire middle class is shrinking as a function of the macroeconomy. Michael Feroli, chief U.S. economist for JPMorgan Chase, draws this conclusion: "Very high levels of inequality (in economic class) seem to be associated with slower economic growth." That means our current economic recovery is compromised because of the widening gap between rich and poor. No matter the class, this gap will impede everyone's progress in the future. Well, almost everyone.

Once mildly mocked for their aloofness and arrogance, the rich are targets of near-hatred by people in the classes below because they seem impervious to others' shrinking wealth. Those looking up at rich from a distance feel used and prostituted by their encompassing businesses and decadent lifestyles that come across to normal folks like a circus sideshow. Money itself does not discriminate, but people who have money do. Why? Because excessive amounts of money breed excessive amounts of power, thus making it easier to turn a blind eye to those in the economic food chain below.

In a strange way, some "super-rich" think money hides their flaws, which further separates them from the reality of the masses. Their obnoxiousness becomes forgivable, sloppiness overlooked, and obesity a badge of having anything one desires. That loss of objectivity relieves them from responsibility and thus increases discrimination toward those who aren't like them.

Discrimination, once rooted in ignorance, gives way to money — the new discrimination denominator. Even wealthy African-American media mogul Russell Simmons agrees "race is still



obviously an issue, but class is the greatest issue." But because generalizations can be as dangerous as an angry crowd, it helps to quantify "rich" to better understand the complexity.

Drilling down, we discover there are strata of rich — "rich" versus the "super-rich," for example. In reality, most "rich" people aren't the enemies the Occupy Wall Street crowd believes them to be. Certainly, the top 1 percent may have an enviable lifestyle, but it's the "super-rich" within that 1 percent who maniacally control the destiny of all classes. In fact, the disparities between everyday millionaires who earned their million or so through hard work (and pay plenty of taxes) and the super-rich with assets of more than \$50 million, are astonishingly vast.

Within that 1 percent, those closer to the bottom say they don't feel rich, while those at the top of that bracket feel rich because they are rich — bombastically super-rich by contrast.

They are so wealthy they account for only approximately 100,000 people in the world, according to a recent SMA Institute study. They have assets worth \$13.8 trillion (a figure

comparable to the GDP of the European Union) and can influence major decisions made by the world's companies, institutions and governments.

These exceptionally high salaries and net worths of a few super-rich buy power. Although the 1 percent may contribute to politics, only the super-rich can single-handedly influence governments. This may answer a nagging question from Occupy Wall Street protestors about why politicians are so inept at passing anything that has a substantial economic or social benefit for the population at large.

On balance, the super-rich make more than 10 times the income of those at the bottom of the 1 percent. And according to Wealth-X, "27,540 of ultra-rich individuals in 10 U.S. cities have a combined net worth of \$3.6 trillion of the total net worth in this country," meaning about 0.0086 percent of people control more than 6 percent of our nation's assets.

In their book *Why Nations Fail*, authors Darren Acemoglu and James Robinson write, "Prosperity and poverty are determined by incentives created by intuitions and that politics determines institutions." Look at America's banks as an example. They

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*— Michael Feroli, chief U.S. economist for JPMorgan Chase*







were permitted by Congress to expand their investment reach because of powerful operatives within the banking industry. When their resulting large-scale mistakes nearly drove them out of business in 2008, the politicians bailed them out with taxpayer dollars. Then when homeowners couldn't make their mortgage payments because of the economic crash caused by the banks, the banks foreclosed on the very taxpayers who afforded their rescue. This chain of events proved prosperity and poverty were determined by institutional policies facilitated by politics which were influenced by only a few super-rich people.

If you're not feeling economic discrimination in your life, perhaps you're among the super-rich and have a net worth of more than \$50 million. But if not, and you think economic discrimination is for sissies, consider this: On May 18, 2012, Facebook sold stock through an Initial Public Offering (IPO). Millions of average folks scraped up money to invest in the company, enabling it to raise \$16 billion. In that one day, Facebook's 28-year-old founder Mark Zuckerberg became the 29th richest person in the world. The company's co-founders, along with various employees, also became super-rich. Then two days later, when Facebook fell below its IPO price, most of the average joes who bought stock on opening day lost money.

Yes, the average joe's Facebook destiny might change depending on the future market, but in this hyperbolic world of global capitalism, it's not only sophisticated investment engineering that can put the middle class into a tailspin. It's also hybrid business schemes that compromise public significance by treating average people like a throwaway cog in the wheel of someone's super-wealth.

The gaping hole in the middle class — the group that has historically feathered the nest of capitalism — is widening too much. Before it becomes like a ruin of an ancient society, the grinding greed of economic discrimination by the super-rich must be challenged. If not, the middle class will become consumer plankton for the economic killer whales of the self-serving super-rich who already have more money than they can ever spend.

The battle for economic rights must be fought daily to resist creeping self-serving superiority that destroys economic freedoms. Should we weaken in our battle for the American dream, economic prejudice will become no different than the race, religion, or gender discrimination of yesterday and we will be tethered as a society of voiceless laborers lured into cheaper wages, over-spending and apathy.