



FRIENDS OF THE MIDDLE **NEWSLETTER #20 — NOV. 18, 2011**

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America Divides into 'Two-Tiered Society'

(posted by Steven W. Baker / SteveB, Nov. 18, 2011)

I know our country does not seem in a mood to fix its problems. The "Supercommittee" is surely failing. Only idiots want to run the government. The housing crisis continues to drag everything down. And the middle class keeps disappearing.

I wonder how much longer this can go on before America becomes unrecognizable to us, like so much of our little home town (for some of you)? Something must be done.

But if we're going to be a Third World country, I hope we can be more like Jamaica than Haiti.

About the only difference between the poor and the rich, is this, the poor suffer misery, while the rich have to enjoy it. —Henry Wheeler Shaw

"Middle-Class Areas Shrink as America Divides into 'Two-Tiered Society' of Rich and Poor" by Jessica Kourkounis, *The New York Times*

Nov. 16, 2011 (http://www.msnbc.msn.com/id/45319319/ns/us_news-the_new_york_times/)

(Study: 44 percent of families lived in middle-income neighborhoods in 2007, down from 65 percent in 1970.)

(WASHINGTON) The portion of American families living in middle-income neighborhoods has declined significantly since 1970, according to a new study, as rising income inequality left a growing share of families in neighborhoods that are mostly low-income or mostly affluent.

The study, conducted by Stanford University and scheduled for release on Wednesday by the Russell Sage Foundation and Brown University, uses census data to examine family income at the neighborhood level in the country's 117 biggest metropolitan areas.

The findings show a changed map of prosperity in the United States over the past four decades, with larger patches of affluence and poverty and a shrinking middle.

In 2007, the last year captured by the data, 44 percent of families lived in neighborhoods the study defined as middle-income, down from 65 percent of families in 1970. At the same time, a third of American families lived in areas of either affluence or poverty, up from just 15 percent of families in 1970.

The study comes at a time of growing concern about inequality and an ever-louder partisan debate over whether it matters. It raises, but does not answer, the question of whether increased economic inequality, and the resulting income segregation, impedes social mobility.

Much of the shift is the result of changing income structure in the United States. Part of the country's middle class has slipped to the lower rungs of the income ladder as manufacturing and other middle-class jobs have dwindled, while the wealthy receive a bigger portion of the income pie. Put simply, there are fewer people in the middle.

Gentrification

But the shift is more than just changes in income. The study also found that there is more residential sorting by income, with the rich flocking together in new exurbs and gentrifying pockets where lower- and middle-income families cannot afford to live.

The study — part of US2010, a research project financed by Russell Sage and Brown University — identified the pattern in about 90 percent of large and medium-size metropolitan areas for 2000 to 2007. Detroit; Oklahoma City; Toledo, Ohio; and Greensboro, N.C., experienced the biggest rises in income segregation in the decade, while 13 areas, including Atlanta, had declines. Philadelphia and its suburbs registered the sharpest rise since 1970.

Sean F. Reardon, an author of the study and a sociologist at Stanford, argued that the shifts had far-reaching implications for the next generation. Children in mostly poor neighborhoods tend to have less access to high-quality schools, child care and preschool, as well as to support networks or educated and economically stable neighbors who might serve as role models.

The isolation of the prosperous, he said, means less interaction with people from other income groups and a greater risk to their support for policies and investments that benefit the broader public — like schools, parks and public transportation systems.

About 14 percent of families lived in affluent neighborhoods in 2007, up from 7 percent in 1970, the study found.

The study groups neighborhoods into six income categories. Poor neighborhoods have median family incomes that are 67 percent or less of those of a given metropolitan area. Rich neighborhoods have median incomes of 150 percent or more. Middle-income neighborhoods are those in which the median income is between 80 percent and 125 percent.

The map of that change for Philadelphia is a red stripe of wealthy suburbs curving around a poor, blue urban center, broken by a few red dots of gentrification. It is the picture of the economic change that slammed into Philadelphia decades ago as its industrial base declined and left a shrunken middle class and a poorer urban core.

'Down in the dumps'

The Germantown neighborhood, once solidly middle class, is now mostly low income. Chelton Avenue, one of its main thoroughfares, is a hard-luck strip of check-cashing stores and takeout restaurants. The stone homes on side streets speak to a more affluent past, one that William Wilson, 95, a longtime resident, remembers fondly.

"It was real nice," he said, shuffling along Chelton Avenue on Monday. Theaters thrived on the avenue, he said, as did a fancy department store. Now a Walgreens stands in its place. "Everything started going down in the dumps," he said.

Philadelphia's more recent history is one of gentrifying neighborhoods, like the Northern Liberties area, where affluence has rushed in, in the form of espresso shops, glass-walled apartments and a fancy supermarket, and prosperous new suburbs that have mushroomed in the far north and south of the metro area.

Number of Americans in poverty at record high: http://www.msnbc.msn.com/id/45195014/ns/business-eye_on_the_economy/t/number-americans-poverty-record-high/.

Espresso shops, glass-walled apartments and a fancy supermarket have helped to gentrify Philadelphia's Northern Liberties neighborhood.

In a recent study of low-income families randomly assigned the opportunity to move out of concentrated poverty into mixed-income neighborhoods, Professor Katz and his collaborators found large improvements in physical and mental health, but little change in the families' economic and educational fortunes.

But there is evidence that income differences are having an effect, beyond the context of neighborhood. One example, Professor Reardon said, is a growing gap in standardized test scores between rich and poor children, now 40 percent bigger than it was in 1970. That is double the testing gap between black and white children, he said.

And the gap between rich and poor in college completion — one of the single most important predictors of economic success — has grown by more than 50 percent since the 1990s, said Martha J. Bailey, an economist at the University of Michigan. More than half of children from high-income families finish college, up from about a third 20 years ago. Fewer than 10 percent of low-income children finish, up from 5 percent.

William Julius Wilson, a sociologist at Harvard who has seen the study, argues that "rising inequality is beginning to produce a two-tiered society in America in which the more affluent citizens live lives fundamentally different from the middle- and lower-income groups. This divide decreases a sense of community."

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| 20111117-01 | 09:34 | Pam | Re: "Millionaires Ask Congress to Raise Their Taxes" (reply to SteveG, FotM Newsletter #19) |
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I like these folks.

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| 20111117-02 | 09:46 | Pam | Re: "Banks Face New Multibillion-Dollar Mortgage Slam: Analyst" (reply to Dale, FotM Newsletter #19) |
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Your ideas make sense to me. Have you shared them with the pols who determine these things? One thing I thought of is, say a homeowner is underwater and can't pay his mortgage, and the bank forecloses. Why couldn't the bank take over ownership and then lease the house back to the people who live there already. Peg the rent at a fair market rate. The bank would get more return than it would on an empty house, and it would own the house, so any future appreciation in value would accrue to the bank. Win-win, no?

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| 20111117-04 | 11:51 | Art | Re: "Banks Face New Multibillion-Dollar Mortgage Slam: Analyst" (reply to Dale, FotM Newsletter #19) |
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Interesting idea but the Republicans will pass nothing that might make the Administration look good. Plus the housing bubble is just part of the problem. We need to grow up and face the facts of this new world. As Carley

Fiorina stated " there is no job that is America's God given right anymore". President Obama said much the same thing recently and both got hammered for it. Failure to face reality will not help the American people.

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| 20111117-09 | 13:22 | Dale | Re: "Banks Face New Multibillion-Dollar Mortgage Slam: Analyst" (reply to Pam & Art, above) |
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All the more reason to elect Republicans. Then, they can introduce the idea and claim it as their own. : -)

As long as the program has a clearly defined start and finish, not just a start and an estimated cost, there is a chance for passage.

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| 20111117-10 | 16:00 | Art | Re: "Banks Face New Multibillion-Dollar Mortgage Slam: Analyst" (reply to Dale, above) |
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I also like the idea of taking the costs out of the salaries of the senior bank executives. Let's see, who would better push that, Republicans or Democrats?

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| 20111117-11 | 17:02 | Pam | Re: "Banks Face New Multibillion-Dollar Mortgage Slam: Analyst" (reply to Art & Dale, above) & Microcredit |
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I just had an idea, sort of a follow up to one of my earlier posts. Remember that economist who won the Nobel Prize for his micro-lending scheme in India (I think it was, maybe other countries too). Small sums were loaned to women to start small businesses, buy a goat, or whatever. Apparently, it was quite successful, with lots of women pulling themselves and their families out of destitution. Maybe we could try something similar here: micro (or macro) loans to people without jobs to give them a boost toward self-sufficiency. The govt. (local, state, or federal) could hold workshops on starting a business, or just pay for would-be borrowers to take a course at a community college. We've got to come up with creative solutions if the world is going to fall down around our ears.

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| 20111117-06 | 12:35 | Pam | The World of Work |
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I grew up in a prosperous America. As a teenager, the only jobs I had (was allowed to have) were "soft" jobs, often ones my parents got for me. I didn't have to work while I was in college. When I graduated, I was shocked into reality; it was now time for me to earn a living. What!? Me!? How could that be?? This is difficult to admit, but I did what every good Victorian girl did: I got married. That, I thought, was my solution. First husband an artist, generally unemployed, while I worked. Second husband discovered to be deep in debt that I hadn't known about. Third husband—a great guy. Responsible, hard-working, all the good things. So, I am rescued. (For the record, I almost always worked—couldn't in Canada—but I never made much. I loved teaching, but I was never on tenure-track.) Between marriage #2 and #3, I did live like a normal person for the first time. I was in my fifties. I know a lot of women my age who could tell similar stories. Some have never worked at all since marriage; others, like me, did work they loved but never earned a whole lot. We were taught to look to men for our support. Not an excuse but an explanation. I think men realize from the get-go that they will have to earn a living. A divorced woman living on alimony is viewed a lot differently than a man who lies around the house all day doing nothing. Women aren't like my generation anymore, thank goodness. Everyone knows that being an adult means work, men AND women. Despite all my protestations about helping the needy, I do believe in self-sufficiency. The situation the country is in now is not everybody's fault, but everybody is going to have to figure out their own solution. The hippies and back-to-the-earthers have already shown the way. I foresee more backyard gardens. I already know a fellow in my neighborhood who has a flock of chickens. I've thought about doing that. (Thought about :-)) More small business. More self-employment. Rather than waiting for corporate America to get its act together, maybe what we need to do is say, screw it. I'll make it on my own. This is not easy. It takes a special kind of courage to grab life by the collar and make it work for you. Back in my poverty days, when I wasn't teaching during the summer, I took my 14-yr. old son to a workshop on hanging wallpaper. I thought we could have our own little

business if push came to shove. Later, when my son was all grown up, he worked as an independent contractor and opened a used furniture store. He was figuring out how to make money when he was ten years old. Same with my daughter. She started working at 15—at Cleaner World. We got free laundry for three years. Nice.

I guess my point is, I believe/hope today's young people will figure out a way to thrive without being dependent on their stock portfolio or an inheritance. I was never allowed to be a waitress when I was young. (My mother thought it was "unladylike." Bless her heart.) My hairdresser once told me she tried to always hire people who had worked as a waiter or waitress. She knew they'd have what it takes. I wish I'd been more self-reliant at 18 or 20. My parents did what they thought best, but that was another era. We're entering a new era as well, and it's going to require a different kind of person to thrive in it.

[20111117-12](#) 18:34 SteveB My Jobs Plan

From SteveB (6:34 pm) – ref: Economics, Jobs Plan

OK, what is the estimated total Wall St. bailout cost? \$14 trillion or so? About the GNP or national debt? More?

How many people are unemployed? The government says 18 million and something, but it has to be 20 million, and many estimates put it at 30 million, with part-time workers in limbo. Regardless, let's use 20,000,000.

For the sake of this proposal, no illegal immigrants can be included in this number. Only verifiable U.S. citizens. That's important when we start looking at costs.

Let's then say that, like in the Depression, we just put all these people to work. Lord knows we have enough infrastructure work that needs to be done. I know they can't all be put to work all at once, but it could be done rapidly, as if we were at war. And we are in an economic war, a war with poverty and misery.

Let's say we pay 20 million people \$1000/month with no deductions, no taxes paid or owed, no Social Security paid or credit received. Just one of the things to keep costs down while delivering the maximum money to the workers. That's \$240 billion per year. Double that for overhead, etc. and call it \$500 billion per year. Many volunteer, hopefully a lot of them rich, could be used to run the program, again, to keep down costs. The program could be a model of how costs can be kept low.

A four year program to get the country on its feet would cost \$2 trillion. A drop in the bucket compared to the \$14 trillion given to the banks in, what, one week?

Every year of the program's existence, the Warren Buffett tax on the rich would be calculated to exactly pay for the program. As the number of unemployed goes down, the cost of the program would be reduced.

What do you think?

[20111117-13](#) 18:56 Art Re: My Jobs Plan (reply to SteveB, above)

Brilliant! Of course, there are some who cannot push a wheelbarrow etc, and some who will think they are too good for such work, but those issues can be easily addressed. Now if we could just get the Republicans to care about the country for once. [Ay, there's the rub! –SteveB]

[20111117-14](#) 19:33 SteveG Re: My Jobs Plan (reply to SteveB, above)

There are a lot of simple plans, but they cannot get through the filibusters.

A medical clinic in Maine established a community services program – 1 hour of community service goes into a time bank, 2 time bank units gets you 1 doctor office visit. The clinic limits the number of participants to 10% of their caseload, but it is a start.

Steve's program could be operated out of the increased taxes the millionaires want to pay, decreasing the cost of the program.

In 2004 Kerry floated the idea of a 2 year community service program based on the Peace Corps concept for high school graduates - would provide income, experience, spending money, training, etc.

[20111117-15](#) 19:45 SteveB Re: My Jobs Plan (reply to Art & SteveG, above)

It's funny how some things are so easily doable and some so impossible. It's just a matter of will. Not of can't.

And, if two programs cost the same, where's the formal benefits analysis?

Why was a huge bank bailout better than simply offering support to homeowners through foreclosure, by keeping them in their houses through rent or whatever scheme that works?

Why is there the will in this country (on the part of the government) to go to war and pay those costs as if they were nothing, and money is the least of them, as you know. But there is not the will to pay an equal amount of money to bring the unemployment rate to, as you say, not zero, but damned low.

Dale worries about an uncertain business climate. Wouldn't something like this jobs program brighten up the business climate and put a smile back on people's faces and the jingle of change in their pockets? Thank you Warren Buffett!

What a politically sweet move it would be for somebody who could use patriotism to motivate the rich to pay, Republican or Democrat. What a power base...

[20111117-16](#) 20:41 Pam Re: My Jobs Plan (reply to SteveB, above)

Not bad. Not bad at all.

[20111117-17](#) 20:43 Pam Re: My Jobs Plan (reply to all, above)

We have good ideas. What's wrong with the people in D.C.? Oh, yeah. Greed and ideology, plus the overwhelming desire to be re-elected. Sickening.

[20111117-18](#) 20:45 SteveB Re: My Jobs Plan (reply to Pam, above)

I like your microcredit idea. It has worked well in underdeveloped countries, I know. If the government some of the jobs money I mention in my email today to fund the loans, I guarantee some of them would turn out to be blockbusters. Some would fail, but the responsibility of the poor is to try, try, try again.

[20111117-03](#) 09:59 Pam Re: Money & Politics (reply to SteveB, FotM Newsletter #19)

Lessig's book sounds great. He's right. Money is the root of our troubles. SteveB, he even wants a constitutional convention. How about that?! We need to get a handle on the money problem, but how will we convince the politicians who are raking it in that we need better laws and better law enforcement? The Right convinces people to vote against what is in their own best interest, but Congress is savvier. All I can come up with is people taking

to the streets, a la Occupy. But that has problems too. It brings the crazies out, and that's where the cameras go. We need something like what happened in India when the lawyers took to the streets to demand the return of a judge who had been fired. The millionaires lobbying Congress are trying.

[20111117-05](#) 12:03 Art Re: History of Birth Control / Abortion (reply to all, FotM Newsletter #19)

Just a couple of interesting historical points to add here. The Catholic Church opposition to birth control is generally accepted to have began when it became the official church of the Roman Empire in the early 300s. Since this was also at a time when the Empire was in sharp decline and threatened by outside enemies they needed more soldiers. Hence the official church position.

Also now in both China and more so India, as even humble villagers can learn the sex of the fetus, the girls are being aborted creating a huge future bulge in the male population ratio. Wonder how that's going to work out?

[20111117-07](#) 12:38 Pam Re: History of Birth Control / Abortion (reply to Art, above)

The inventor of the birth control pill was a Catholic. His aim was to eliminate periods altogether, but the church said NO. That's why it's three weeks on, one week off.

[20111117-08](#) 12:45 SteveB Re: History of Birth Control / Abortion (reply to Pam, above)

Although I agree with your implication that the Church has not done a great job promoting birth control, I believe the Pill is the way it is because it is a good thing for women to have periods. I say that knowing there is now a pill to stop periods, and it is a birth control pill, of course. I may be wrong here. I'm not taking the time to look it up, so maybe someone can correct one of us.

—Friends of the Middle,
Steven W. Baker (SteveB), Editor/Moderator

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