

## Re: The 'working poor' scam

**Source:** <http://sci.tech--archive.net/Archive/sci.econ/2004-06/0989.html>

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**From:** sinister (*sinister\_at\_nospam.invalid*)

**Date:** 06/18/04

Date: Fri, 18 Jun 2004 11:20:23 GMT

"Grinch" <oldnasty@mindspring.com> wrote in message  
news:3jjnc05u608o1qb5mejbhqidbijk8pt8ek@4ax.com...  
> On Mon, 07 Jun 2004 10:57:56 GMT, "sinister" <sinister@nospam.invalid>  
> wrote:  
>  
> > "Gordon Gekko" <nospam@nospam.com> wrote in message  
> > news:PVqwc.14160\$Yd3.4906@newsread3.news.atl.earthlink.net...  
> >>  
> >> "Sheesh" <passedout@3.am> wrote in message  
> >> news:Xns94FF7FD89F0Sheesh@24.94.170.88...  
> >> > HHH@hotmail.com (SON OF HARRY HOPE) wrote in  
> >> > news:40be3813.17835884@news.sf.sbcglobal.net:  
> >> >  
> >> >>  
> >> >> An absolute majority of the people who were in the bottom 20  
percent  
> >> >> in income in 1975 have since then also been in the top 20 percent.  
> >> >>  
> >> >>  
> >> >> What a load of crap.  
> >> >>  
> >> >> You don't actually believe that statement do you?  
> >> >>  
> >> I believe it, easily. Say a guy graduates high school in 1975 and gets  
a  
> >> job as a basic laborer. He might be carrying 2x4's for minimum wage.  
> >> Eventually, he will become a apprentice, journeyman, and finally  
> >> professional  
> >> tradesman. He will get a bump in salary each step along the way.  
> >> Carpenters, plumbers, electricians, and the like do very well. Right  
now,  
> >> it would only take like, what, \$60,000 or so per year to be in the top  
> >> 20%?  
> >> \$150,000 is the top 1%, so top 20% should be easily reachable for  
someone  
> >> who kept at a trade of one sort or another.  
> >>

sci.econ: Re: The 'working poor' scam

- > >> *Meanwhile, there are new grads every year moving into the bottom 20%.*
- > >
- > > *Yes, but as has been pointed out repeated in this ng, this kind of income*
- > > *mobility (that due to "aging") is uninteresting and should be factored*
- > *out*
- > *of any analysis.*
- >
- > *Well, yes indeed, the age factor \*should\* be "factored out" of the*
- > *quintile numbers when they are presented as evidence of inequality.*

Tell that to Glenn Hubbard, who ignored the age effect (despite certainly knowing better) in order to show a high amount of income mobility.

- > *But as this would result in a much reduced difference between the*
- > *quintiles that accurately reflects only real difference in lifetime*
- > *income -- and eliminate the exaggeration that results from different*
- > *people with the same lifetime income happening to be at different ages*
- > *-- the class warriors are never interested in doing \*that\*, eh?*
- >
- > *Indeed, we can see why they find the idea "uninteresting". ; -)*

No, they often find the data hard to obtain; good longitudinal data on income mobility are hard to obtain.

- > *Of course, as has been pointed out repeatedly in this newsgroup, when*
- > *one knows about the age effect the decision to factor it "out of the*
- > *analysis" as if it doesn't exist -- rather than factor it out of the*
- > *numbers to show how it reduces apparent inequality -- is simply*
- > *dishonest.*

Depends on how the numbers are presented.

- > *An \*honest\* class warrior trying to give an \*accurate\* picture of a*
- > *welfare distribution that he believes is too wide would say something*
- > *like...*
- >
- > *"The income distribution between income quintiles is ... Of course,*
- > *these numbers obviously exaggerate the gap in welfare they imply by*
- > *measuring people with the same lifetime incomes, and thus the same*
- > *welfare, as having major gaps between them by the chance of their age.*

But usually these numbers are cast in terms of \*changes\* in the metric.

- > *E.g, we should remember that the median family has well above median*
- > *income, firmly into the second quintile, after age 50.*
- >
- > *"Also, as others have noted...*
- > *'A surprising fact is that the income-poor own above average*
- > *wealth... Households that are in the lowest 1 per-cent of the income*
- > *distribution own wealth [...] which puts them in the 85th percentile*
- > *of the wealth distribution. Moreover, the households that are in the*

- > *lowest 1 to 5 percent of the income distribution own wealth [...]*
- > *which puts them in the second quintile of the wealth distribution.*
- > *<http://research.mpls.frb.fed.us/research/qr/qr2121.html> '*
- >
- > *"And we should also remember that consumption is a much better*
- > *indicator of welfare than income -- people earn income to be able to*
- > *consume, of course -- and the 'consumption gap' between the quintiles*

More stupid economists. It's reasonable to claim that people across the bulk of the spectrum of incomes earn income in order to consume. It's not reasonable for those who've already amassed spectacular wealth---clearly the drive for more income in those cases is the human propensity to accrue wealth and power for its own sake.

- > *is very much smaller than the income gap -- only about 27% as large in*
- > *fact, just one-fourth. And the consumption gap has not been*
- > *increasing as the income.*

Tell me, what's the \*wealth\* gap?

- > *"So simply using raw income quintile numbers that are unadjusted for*
- > *age (and wealth, and consumption) greatly exaggerates differences in*
- > *welfare -- and welfare is, of course, what we are really talking*
- > *about.*
- >
- > *"But I still think these differences in welfare are too damn big ..."*
- >
- > *And the next time I hear a class warrior make such an honest*
- > *presentation will be the first.*
- >
- > *They sure do unanimously seem to find the notion "uninteresting."*
- >
- >