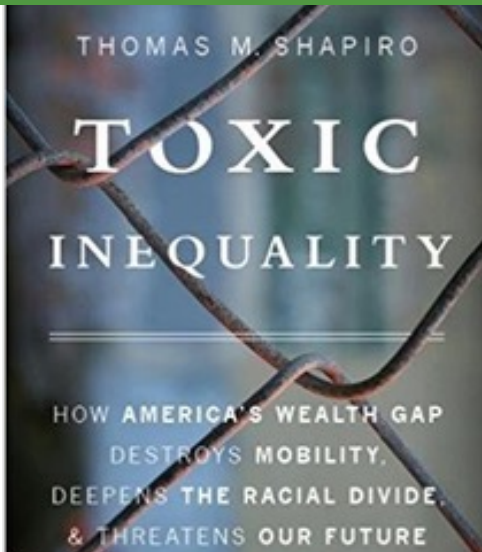


Toxic Inequality

How America's Wealth Gap Destroys Mobility, Deepens the Racial Divide, and Threatens our Future

By Thomas M. Shapiro. New York: Basic Books [2017]

Why is this book worth our time?



#1 – This book helps us understand the wideness of the gap that makes up toxic inequality.

#2 – This book helps us understand the systemic, even policy-driven, processes that contribute to this widening gap that is toxic inequality. (Think “legalized” segregation, for decades!).

#3 – This book helps us understand why work ethic alone, why resolve and hard work alone, will not lead to shrinking that gap that is toxic inequality.

Quotes and excerpts from the book – (the “best of” Randy’s highlights):

We must understand economic and racial inequality in tandem, how vast wealth disparities and racial injustice do real harm to individual families.

Here are some key quotes from the book.

(Note: The “#s” following each quote indicate the Kindle App for the iMac “location” of the quote in the book.)

1. ...our conversations revealed that the crisis was clearly still unfolding. Most of the families we talked with were reeling from job losses, adjusting to reduced incomes, or having trouble making mortgage payments. 65
2. We must understand economic and racial inequality in tandem, how vast wealth disparities and racial injustice do real harm to individual families, and how powerful institutional forces, rather than individual choices, distinguish those families who get ahead from those stuck in place or falling behind. 72
3. Some critics view poor people as suffering from character defects, such as a lack of ambition or work ethic, welfare dependence, or an inability to defer gratification. Patricia didn't actually have these traits. 90
4. President Barack Obama provided perhaps the crowning moment in this new public attention to economic inequality when he proclaimed in a December 2014 speech that inequality “is the defining challenge of our time.” But the president's speech referenced income inequality eleven times and wealth inequality once. Leaving wealth out of the conversation is a crucial mistake, giving fodder to those who would make personal poverty the result of personal failings. 185
5. Wealth is not just a matter of money. As our interviews revealed, wealth is also about power, status, opportunity, identity, and self-image. 200
6. Looking at a representative sample of Americans in 2013, the median net wealth of white families was \$142,000, compared to \$11,000 for African American families and \$13,700 for Hispanic families. ...In short, the basic pillars of economic security—wealth and income—are today distributed vastly inequitably along racial and ethnic lines. 228



7. Work helps us improve our earning power and shapes our adult lives. In time, if we're born to the right family in the right neighborhood, if we secure the right job, and if the policy landscape favors it, we might amass a certain amount of wealth. At the end of the day, we might pass that wealth to the next generation in the form of inheritance. And through it all, government policies can either help multiply our opportunities and our wealth or obliterate them. 284
8. One landmark British survey identifies wealth as a bigger influence than jobs or educational achievement in determining the life span of people age fifty or older. 342
9. No matter how it is measured, economic mobility is far rarer than assumed. 526
10. Toxic inequality is created, magnified, and reproduced partly through the structures through which we seek homes in neighborhoods highly segregated by income, wealth, and race, which in turn confer inequitable opportunities and financial rewards. 713
11. Disparities in neighborhood opportunity—public school quality, crime rate, home value appreciation, access to public spaces, availability of quality employment—create divergent living contexts. 719
12. India witnessed firsthand the white flight as the neighborhood tipped from owners to subsidized renters, from white to black. “Black people start moving in, white people start moving out, and then the neighborhood kind of was crashing down...” 956
13. Indeed, America's number one home owner today is not an owner-occupant but one of the world's largest and most successful private equity companies: Blackstone Group. With almost 50,000 single-family homes acquired since the housing crisis, it is fair to say that no single entity in history has placed a bigger bet on the US housing market. 967
14. RESEARCH SUGGESTS THAT ECONOMICALLY SEGREGATED neighborhoods harden advantage and disadvantage by making economic mobility more difficult. 988
15. One recent study found that the middle class—defined as the share of families earning between two-thirds of and twice the national median income, or between \$42,000 and \$126,000 in 2014 dollars—had shrunk from 61 to 49 percent of the population since the 1970s. 1156
16. Quality jobs that provided access to employment capital were crucial. Such jobs, however, have become more the exception than the rule among American workers. 1169
17. (Research has shown that children whose families have even small amounts of dedicated college savings are three times more likely to attend college.) 1186
18. According to one estimate, Walmart's low-wage workers cost US taxpayers an estimated \$6.2 billion in public assistance—including food stamps, Medicaid, and subsidized housing—because their wages are so low that they qualify for those safety net programs. 1211
19. The tremendous gain in lifetime earnings due to attainment of a college degree over a high school diploma (\$1 million), just some college (\$700,000), or an associate's degree (\$500,000) is well documented, impressive, and important for individual mobility and better job security. 1303
20. Every \$1 increase in average income over a twenty-five-year period converted to \$5.19 wealth for white households but added only sixty-nine cents of wealth for African American households. 1311
21. Historically, African Americans were systematically denied possibilities to build wealth, even as government policy delivered copious and bountiful wealth-building opportunities to some whites. 1622
22. Racial injustice is both cause and consequence of African Americans' economic status. 1624
23. AS IT DOES WITH HOME OWNERSHIP, AMERICAN SOCIETY Materially encourages other public goods—such as retirement savings, higher education, and entrepreneurship—primarily through tax expenditures... 1979
24. Toxic inequality is not inevitable or intractable; nor is it unpredictable. 2217
25. Social Security, the Federal Housing Administration (FHA) programs, and the GI Bill created opportunities for many World War II veterans and helped an entire generation of white families build wealth through home ownership and higher education; overwhelmingly, however, these advantages did not extend to families of color. 2273
26. The federal government should strengthen the right to bargain by easing legal barriers to unionization, imposing stricter penalties on illegal antiunion intimidation tactics, and amending laws to reflect the changing workplace. 2438

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Some of the Key Content and Ideas from the Book

Toxic inequality syndrome is a product of sustained economic hardships, family adversity, frustrated aspirations, and the persisting uncertainties of life in communities with few resources in times when more and more risk has been shifted to families and individuals.

Toxic inequality often produces not only material deprivation but also psychological and even biological changes in children, blocking and cementing families' trajectories and poisoning the lifeblood of communities.

We must reverse direction.

Thomas M. Shapiro,
Toxic Inequality

- **A word about the study:**
 - The same “subjects,” a decade in between the two sets of interviews
 - (Along with plenty of good old fashioned data)
- **Some stories:**
 - The story of Rachel, the neighborhood champion
 - From General Motors to Walmart
 - *Walmart's average salaries are under \$10 an hour; GM's starting wage in 1970 was the equivalent of \$23.58 in 2015 dollars. The transformation from GM to Walmart captures the grand sweep of America's changing job landscape over recent decades.*
 - *Average pay going down, DOWN, **DOWN**... (from \$24-\$27 down to \$12-\$16).*
 - The story (stories) of the two résumés
 - (And, a snapshot look at the situation in Great Britain)
- **It takes the following to “make it”...**
 - A good start
 - A good neighborhood (safety; education; stability)
 - Some inheritance -- (to help that good start)
 - A good (further) education – (a few words about Community Colleges and for-profit colleges)
 - A good job with good benefits (retirement; health care)
- **Simple observation** - where you live, a chunk of your life, especially in the formative years (school & early adulthood), greatly shapes your economic destiny...
- **Kinds of Inequality**
 - Income inequality
 - Wealth inequality
 - And, -- pay attention!—racial inequality
- (All are bad; but, wealth inequality may be “more bad” than we had realized...)
- **•What about this wealth inequality?**
 - *Wealth inequality in the United States is uncommonly high. The wealthiest 1 percent owned 42 percent of all wealth in 2012 and took in 18 percent of all income.*
- **So, why “toxic” inequality?**
 - “Toxic” – *poisonous: capable of causing death or serious debilitation.*
- **The unequal ladder rungs**
 - To climb up, the steps are getting farther apart – (and, not many are making the climb these days!)
 - And, too many are going “down” the ladder...

- **So many “poverty penalties”...**
 - E.g., *(Research has shown that children whose families have even small amounts of dedicated college savings are three times more likely to attend college.)*... but, savings for your child’s college makes you ineligible for government benefits...
- **Government policy:**
 - Direct payments vs. tax advantages – unequal, for sure...
 - And, for one example, the declining power of Pell Grants
- **Solutions must be comprehensive:**
 - *A tentative, piecemeal, or fragmentary response will not suffice to create equity and family prosperity; instead, we must take bold steps and enact multiple, interconnected policies to transform America.*
 - *Any agenda for change must strengthen housing and community stability for families, emphasize quality jobs with higher wages and benefits, ensure retirement security, provide quality education, encourage savings, and reform tax policy to foster both equity and mobility.*

• **The book:**

Introduction: Dreams Deferred and Derailed

Wealth Matters

Inequality at Home

Inequality at Work

• **A GOOD JOB CAN PROVIDE AN AMPLE PAYCHECK, BUT THE best jobs offer much more.**

The Inheritance Advantage

The Hidden Hand of Government

Forward to Equity

Appendix: The Leveraging Mobility Study

Some Lessons and Takeaways

- 1 There is, in fact, great and growing/widening inequality. Recognize this; pay attention to this; spread the word about this.
- 2 Do not buy into the myth. Though there are individual exceptions/outliers, hard work does not result in massive numbers of people taking great steps up the ladder.
- 3 The inequality is “toxic,” poisoning so much in our society.
- 4 Though we should marshal all our forces (all nonprofits; all “charity” efforts), it will take changes in government policies to reverse this, and make a genuine difference for the better. Thus, who is in office matters!
- 5 If we do not acknowledge this, and address this, then the long-term consequences could be the true undermining of society as we know it.

- **A footnote or two from Randy:**
 - The book does not much deal with the issue of the threat of the rise of the “robots” to the availability of jobs
 - Also, read: ***Weapons of Math Destruction*** by Cathy O’Neil

Randy Mayeux

214.577.8025

r.mayeux@airmail.net

Randy blogs about business books at

www.FirstFridayBookSynopsis.com

Follow Randy on Twitter: @Randy1116

Synopses available at www.15MinuteBusinessBooks.com

