

Escaping Poverty Requires Almost 20 Years With Nearly Nothing Going Wrong

The MIT economist Peter Temin argues that economic inequality results in two distinct classes. And only one of them has any power.



Keith Bedford / Reuters

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A lot of factors have contributed to American inequality: slavery, economic policy, technological change, the power of lobbying, globalization, and so on. In their wake, what's left?

That's the question at the heart of a new book, *The Vanishing Middle Class: Prejudice and Power in a Dual Economy*, by Peter Temin, an economist from MIT. Temin argues that, following decades of growing inequality, America is now left with what is more or less a two-class system: One small, predominantly white upper class that wields a disproportionate share of money, power, and political influence and a much larger, minority-heavy (but still mostly white) lower class that is all too frequently subject to the first group's whims.

Temin identifies two types of workers in what he calls "the dual economy." The first are skilled, tech-savvy workers and managers with college degrees and high salaries who are concentrated heavily in fields such as finance, technology, and electronics—hence his labeling it the "FTE sector." They make up about 20 percent of the roughly 320 million people who live in America. The other group is the low-skilled workers, which he simply calls the "low-wage sector."

Temin then divides workers into groups that can trace their family line in the U.S. back to before 1970 (when productivity growth began to outpace wage growth) and groups that immigrated later, and notes that race plays a pretty big role in how both groups fare in the American economy. “In the group that has been here longer, white Americans dominate both the FTE sector and the low-wage sector, while African Americans are located almost entirely in the low-wage sector,” he writes. “In the group of recent immigrants, Asians predominantly entered the FTE sector, while Latino immigrants joined African Americans in the low-wage sector.”

After divvying up workers like this (and perhaps he does so with too broad of strokes), Temin explains why there are such stark divisions between them. He focuses on how the construction of class and race, and racial prejudice, have created a system that keeps members of the lower classes precisely where they are. He writes that the upper class of FTE workers, who make up just one-fifth of the population, has strategically pushed for policies—such as relatively low minimum wages and business-friendly deregulation—to bolster the economic success of some groups and not others, largely along racial lines. “The choices made in the United States include keeping the low-wage sector quiet by mass incarceration, housing segregation and disenfranchisement,” Temin writes.

And how is one to move up from the lower group to the higher one? Education is key, Temin writes, but notes that this means plotting, starting in early childhood, a successful path to, and through, college. That’s a 16-year (or longer) plan that, as Temin compellingly observes, can be easily upended. For minorities especially, this means contending with the racially fraught trends Temin identifies earlier in his book, such as mass incarceration and institutional disinvestment in students, for example. Many cities, which house a disproportionate portion of the black (and increasingly, Latino) population, lack adequate funding for schools. And decrepit infrastructure and lackluster public transit can make it difficult for residents to get out of their communities to places with better educational or work opportunities. Temin argues that these impediments exist by design.

Despite the bleak portrait that he paints, he doesn’t believe that the U.S. necessarily has to be like this. He offers five proposals that he says might help the country return to more equal footing. Some are fairly clear levers that many before him have recommending pulling: expanding access to and improving public education (particularly early education), repairing infrastructure, investing less in programs like prisons that oppress poor minorities, and increasing funding for those that can help build social capital and increase economic mobility. But other suggestions of his are more ambitious and involve fundamentally changing the cultural beliefs that have been reinforced over generations. Temin advocates doing away with the belief that private agencies can act in the interest of all citizens in the way that public entities can, and should. His final recommendation is to address systemic racism by reviving the spirit of the Second Reconstruction of the 1960s and 1970s, when civil-rights legislation helped to desegregate schools and give black Americans more political and economic power.

Temin notes that not all of these things need to be accomplished in order for America to reverse the increasingly divided path it’s on. But at the moment, implementing even one of these recommendations would prove a tall order.