

Henry George Newsletter

High School Edition

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A World of Scavengers On the Fringes of Wealth

We are being told lately that the economy is booming and is, indeed, a "new economy." We are also told that the expanding global economy has or will lead to unprecedented boom times for all concerned and that the globalization of the economy will lift all boats. Lately however, it has seemed to some that "the yachts are being lifted higher than the row boats."

World-wide, according to some recent studies, the gap between the rich and the poor is widening on a global basis.

In Manila, the Philippines, there is a growing population of scavengers who live off the refuse of the city, scavenging for bits of copper wire or other cast off urban items to resell. Whole families live and "work" on this dump site - nicknamed *The Promised Land* - forming their own communities and creating micro-economies in order to eke out a living.

Communities like the one in Manila are in fact springing up all over the world - a sort of globalization of poverty - as people migrate from the poorer countryside to the comparative wealth of the big cities. They are shadow communities of disenfranchised poor, living off the glow of a world-wide expansion of urbanization.

Latin America and Africa, as well as other parts of Asia, also have their scavenger communities, living much like those in Manila and becoming part of the urban "recycle waste chain." These people are "part of the changing face of poverty - a vast population shift taking place in much of the world," according to a recent *New York Times* article.

"Garbage dumps aside," says Naved Hamid of the Asian Development Bank, "the migrating world's poor see little of the cities' wealth." And there are millions of slum dwellers world-wide, an expanding population of forgotten people as the gap between rich and poor continues to grow.

And it is not just poverty that makes their lives precarious. This past summer, a monsoon toppled *The Promised Land* site, which had grown to seven stories, collapsing the shantytown there and killing hundreds of people. And in Nigeria recently, hundreds died trying to siphon a gas pipeline they had punctured. This article can be used with *World History* lesson # 8, *Malthus - Population and Poverty*, and #15, *Land Ownership in Latin America*. Also, *Economics Studies* Lesson # 20, *Economic Problems of Less-Developed Countries*.



Life on the Margin: Child in Managua, Nicaragua, rests during a day's work in the dump.

U.S. Income Gap Continues to Grow

There appears to be a growing disparity between the wealthy class and the poorer classes in the US as well. Recent studies indicate that the average income of the richest 1% of the nation rose 89% between the years 1986 through 1997; the income of the rest of the country, figured as those who take home less than \$80,000 after taxes, rose about 1.6%.

Seen in the light of supposed US economic expansion over the last 9 years, this disparity seems even more marked. Democrats and Republicans, while interpreting income data to highlight their own competing plans for the economy, both put economic issues, ranging from taxation and health care to social security, at the forefront of their campaigns for political office.

Much of the wealth that goes to the top 1% of the population comes from rent and capital gains income; while the income for the rest of the US population is divided between wages, interest and dividends. These figures come from a number of sources - the IRS, the Census Bureau, among others - and experts differ in both the amount of credence that should be given to these figures and how those figures should be interpreted. This article can be used with *Economic Studies* lesson # 5, *Class Struggle* and #9, *Laws of Distribution*. Also, *American History* lesson # 18, *The Reform Period & Henry George*.

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Scavengers on the Fringes of World's Wealth

by Seth Mydans

Manila, the Philippines - Roberto Aquino, age 14, says he finds "false gold" in garbage. A scavenger on Manila's garbage mountain when he is not in school, he specializes in copper wire. On a good day he can earn half as much as his fifth-grade teacher.

Hundreds of people died this past summer when the seven-story mountain, called *The Promised Land* by those who scavenge there, was loosened by monsoon rains and collapsed on their shantytown. Like their neighbors, those who died lived among the filth and flies and degradation of the garbage mountain because the living was good. Mostly upwardly mobile migrants from the barren countryside, they were feeding their families and putting their children through school. Like Roberto, they had struck gold.

"Say you have a family of four," said Mathew Westfall, an urban development specialist with the Asian Development Bank, which is based in Manila. "The kids go to school part time and pick trash part time. You could make up to 15,000 or 16,000 pesos a month, possibly." That sum, about \$400, "puts you above the poverty line," he said.

The people living off the dumpsite are not an aberration. They are part of the changing face of poverty - a vast population shift taking place

in much of the world, from the joblessness and hunger of the countryside to the comparative wealth of the cities. They are part of a growing sea of poverty that laps at the edges of small, high-rise islands of urban affluence.

In Asia, where cities of 10 million or more are spreading as fast as anywhere in the world, this urban landscape is replacing the

serve them as well. So they create their own separate, though dependent, economies. As planners seek new ways to address the growing disaster of urban poverty, the world's millions of slum dwellers find ways to survive. Many become part of what urban experts call "the recycling wastechain." In Laos, people use old bombshells to construct their houses. In the U.S., the urban

poor dig for aluminum cans or cold slices of pizza in garbage bins. In Nigeria, this past July, in a tragedy that is a companion to the one in Manila, hundreds of scavengers died in an explosion and fire while trying to earn a living by puncturing pipe lines and siphoning off gasoline.

People like this not only make a living, they manage to make a home for themselves. The shanties in Manila's dump are hung with flowerpots and posters of soccer teams. There are tiny barber shops and ice cream stands. There are births and weddings and graduations.

Nine people in the family of Jennifer Evangelista died in the landslide outside Manila. "Every year we used to move," she said. "We never had a permanent address. We were tourists in our own country." Her family's homelessness ended on the fringes of *The Promised Land* dump. "This is where we've stayed the longest - 12 years," she said. This is where we've put down roots. So this is our home now."

-reprinted from the NY Times



Beijing, China: A migrant worker sifts through a city dump.

fields and trees of village areas for an increasing proportion of the population.

Thirty-five years ago, Mr. Westfall said, only one in five Asians lived in cities. Today the ratio is one in three. Twenty years from now, more than half the population will be urban. In 1990, he said, the region's cities needed a total of \$38 billion a year to provide urban services like transportation, water and sanitation. In 20 years that figure is expected to rise to \$292 billion. These huge "megacities," groaning with their burden of the disenfranchised poor, will dominate the next century, it is said, the way the nation-state dominated the last century and empires ruled in the century before.

Urbanization, of course, is not just an Asian phenomenon. Nor is the misery of the poor. Garbage mountains rise in Latin America and Africa as well. Naved Hamid, a senior policy planner with the Asian development bank, says "garbage dumps aside, the migrating world's poor see little of the cities' wealth."

The urban underclasses for the most part live apart from the social and economic structures of the cities. They live without the political clout to demand that city services



Bosnia: Refugee eating an American military meal in a debris field.

Questions

1. Why is the garbage dump called "*The Promised Land*?"
2. Where do the inhabitants of the dump come from and why?
3. What is a "megacity" and what is its relation to the dump?
4. What are some of the dangers of making a living from a dump?

On a New Map - the Income Gap Grows

by David Cay Johnston

Despite all the talk about prosperity in this digital age, tax return data indicates that the rising tide of bits and bytes is lifting the yachts much more than the rowboats.

From 1986 through 1997, the latest year for which detailed figures are available from the Internal Revenue Service, the average income of the richest 1 percent of Americans soared 89 percent, to \$517,713 from \$273,562.

Those figures are after federal income taxes have been paid, and are expressed in constant 1997 dollars to eliminate the effects of inflation. To be counted among the top 1 percent in 1997 required an after-tax income of at least \$268,889, suggesting a pretax income of at least \$440,000.

But the incomes of those at the top did not rise steadily over those 12 years. The average declined from 1989 to 1991 because of a mild recession. And it dropped again in 1993, but that is probably a fluke, attributable to significant numbers of wealthy people who cashed in deferred income in 1992, in anticipation of an increase in the top income tax rate to 39.6 percent, a rate paid only by the top 1 percent of taxpayers.

During those same 12 years, the bottom 90 percent of Americans, meaning everyone who took home less than \$80,000 after paying federal income taxes, did not fare nearly as well.

In 1997, the average income for the bottom 90 percent was \$23,815, up a scant \$364, or 1.6 percent, from 1986. This average also fluctuated during the 12 years, but the changes, up or down, were less than 2 percent in 11 of those years. The fluctuations were so tiny that in the chart accompanying this article they disappear, and the line appears flat.

The figures were computed from an I.R.S. statistics-of-income report by the Center on Budget and Policy Priorities, a nonprofit Washington group that advocates policies that it says will benefit the poor.

The center's report did not include one fact that illustrates the sharp divergence between the fortunes of the economic elite and the rest of America: From 1996 to 1997, the increase

in average income, for the top 1 percent of Americans - a gain of \$69,009 - was nearly triple the total average income of the bottom 90 percent.

Over nine years of economic expansion, the question of whether the fruits of the boom are being distributed fairly has become central in American politics. Competing policy proposals from Democrats and Republicans on issues ranging from taxation to health care to retirement

tax-free bonds and the like is also omitted from tax returns.

Another widely used measure of income, the Census Bureau survey data on median household income, also showed that overall gains in income went almost entirely to the wealthy.

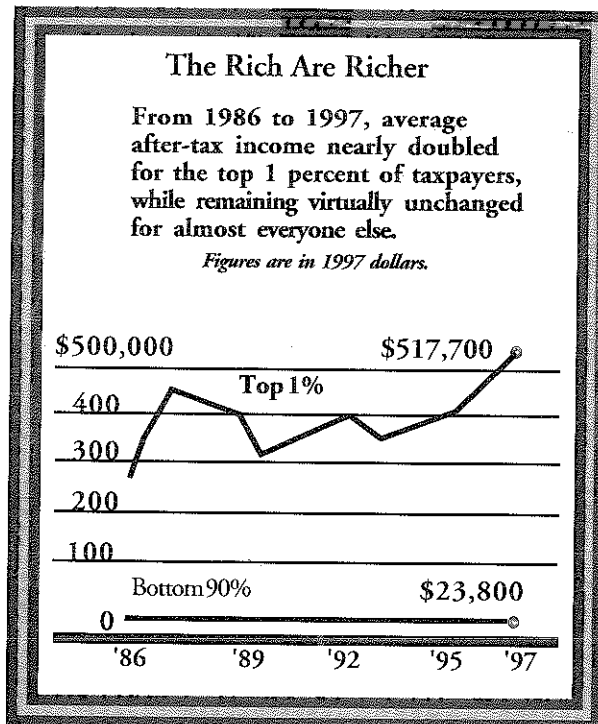
Another widely used measure of income, the Census Bureau survey data on median household income, also showed little change over all income from 1986 to 1997.

Adjusted for inflation, the median income rose just 1.5 percent during those years, to \$37,005 in 1997 dollars. Unlike the tax data, the Census Bureau's survey figures tend to understate incomes at the high end because of the methodology used to record large incomes. The bureau puts a cap on all income components - salaries, for example, are capped at \$999,999 - so that a few extremely high incomes do not distort the survey averages.

Those who report the greatest share of the nation's income also pay the greatest share of income taxes. In 1997, the I.R.S. data shows, people with incomes of \$100,000 or more, about 5.9 percent of all taxpayers, made 34.5 percent of all the money and paid 53.7 percent of the income taxes collected that year.

-reprinted from the NY Times

Average income of the richest 1% rose 89% from 1986 to 1997. Average income of the bottom 90% rose 1.6% in the same period.



savings are often based on fundamentally different interpretations of the available data. And the quality and reliability of the data itself is often hotly disputed by advocates in each camp.

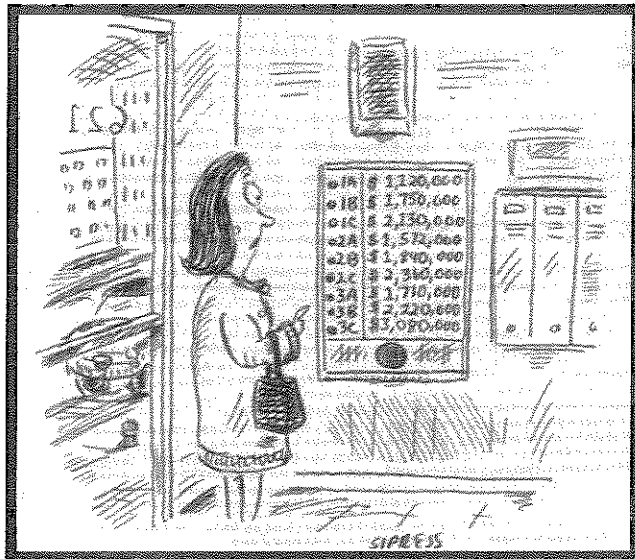
There are many ways to measure income, none of them perfect. Tax return data like that examined by the center has the advantage of coming from documents that all taxpayers sign under penalty of perjury, and of being subject to comparison with W2 and Form 1099 reports from third parties listing payments of wages, dividends, interest and royalties. Rent and capital-gain income, which goes mostly to the affluent, depends on the reporting of those who receive the income.

Edward N. Wolff, an economist at New York University who studies the wealthy, said tax-return data gave a reliable picture of those with the highest incomes. But for the bottom 90 percent, he said, "the figures are biased

Questions

1. By how much did the income of the top 1% increase?
2. By how much did the income of other people rise?
3. What might this say about the overall distribution of income in this country?
4. What might be some other signs of an income gap?

CARTOONS



Questions

1. What would be a good title for this cartoon?
2. Why do you think apartments are so expensive in major cities?
3. How much of a worker's annual salary goes to paying rent?
4. If the economy is not doing well and rents still rise dramatically, what might happen to the economy?



Questions

1. What would be another good title for this cartoon?
2. The factory in the cartoon is called a sweatshop. What do you know about sweatshops?
3. Workers in sweatshops earn very little money. Why don't they quit?
4. Can you name some companies that sell products made in sweatshops?



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