

# The working class and the 2000 US elections

## Part 2: The social structure of America in 2000

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The fundamental feature of contemporary America, which is given only the most grudging acknowledgment in the media and official politics, is the growth of economic inequality on an unprecedented scale. A gulf has opened up between a small and fantastically wealthy elite and the vast majority of the population who live from paycheck to paycheck. Neither party can seriously address this social reality because they both defend the economic system and the policies that have created it.

It is fashionable in the media and in academia to maintain that the United States is a “shareholding society.” The majority of Americans now own stock, the argument goes, and therefore the quadrupling of stock prices over the past decade

ultimately benefits everyone. But any serious examination of the US economic structure demonstrates that the financial boom has dramatically intensified the social polarization in America.

The vast majority of the American population has been proletarianized. These working class households are entirely dependent on weekly, biweekly or monthly paychecks, frequently two or even three or more paychecks. The insignificant amount of stock accumulated by many salaried and some lower-paid workers in 401(k) plans or mutual funds does not make them equal to the great shareholders and financial institutions whose buying and selling moves Wall Street. Rather, it means that for these workers, their pensions or life savings are held hostage to the vagaries of the stock exchange.

The social structure that has emerged out of the 1980s and 1990s is a vastly more unequal America than the society that existed 25 years ago. The amounts of money that reward successful, and not so successful, CEOs would have been unthinkable a generation ago. It is not only the scale of the fortunes—\$10 billion, \$20 billion, even \$50 billion, sums greater than the budgets of most American states—but the way in which they have been accumulated.

A privileged layer is growing wealthier while the majority of the population is growing poorer. The process has been fueled by ever more intensified exploitation of the working class, with labor productivity rising while real wages stagnate. The result is the increasing corruption and inner corrosion of the whole society.

The accumulation of wealth has been increasingly divorced from the actual production of goods and the labor process, with the greatest rewards going to those who successfully manipulate the stock and money markets. This separation between profit and production appears even within the structure of the corporation, as CEOs use stock options to achieve personal incomes so massive that they contribute to the long-term decline of the companies they nominally serve.

### An elite of wealth and privilege

At the top of American society is a possessing class richer, in terms both of wealth and income, than any in history. The richest 1 percent of American households have amassed more than \$10 trillion in wealth—10 million million dollars—about 40 percent of the total national wealth. The combined net worth of these multimillionaires is greater than the total wealth of the bottom 95 percent of the population.

Since the mid-1970s, the top 1 percent has doubled its share of the national wealth, from under 20 percent to 38.9 percent, the highest figure since 1929, the year of the stock market crash that ushered in the Great Depression. According to another study the richest 1 percent of households owns half of all outstanding shares of stock, two thirds of all financial securities and over two thirds of business assets.

The inequality in income is just as stark as the inequality in ownership. In 1999 the richest 1 percent of the population received as much after-tax income as the bottom 38 percent combined. That is, the 2.7 million Americans with the largest incomes received as much after-tax income as the 100 million Americans with the lowest incomes. The average after-tax annual income of the top 1 percent has soared by 370 percent since 1977, from \$234,700 to \$868,000.

Just below the super-rich is a somewhat less wealthy but still extremely privileged layer of the well-to-do. This 4 percent of the population owned 21.3 percent of the private wealth in 1998, with an average net worth of \$1.4 million.

During the entire period 1983 to 1995, these two elite layers, the rich and the super-rich, who make up the top 5 percent of the population, were the only households to experience an increase in financial net worth. This is a statistic worth reiterating: for 12 years straight, including part or all of the presidencies of Reagan, Bush and Clinton, the “magic of the marketplace” resulted in a net loss for 95 percent of the American population, while only the top 5 percent gained ground.

Throughout the 1990s a virtual mania for unearned income has gripped the ruling class, which has felt itself freed of any effective restraint on profit accumulation. The naked drive for personal wealth exceeds that in any previous “Gilded Age.” CEO compensation rose a staggering 535 percent during the Clinton-Gore administration. The typical corporate boss makes 475 times the income of the average worker, and 728 times the income of a worker on the minimum wage. If wages had risen in the 1990s as fast as the salaries, bonuses and stock options enjoyed by CEOs, the average worker would have annual earnings of \$114,000 a year, and the minimum wage would be \$24 an hour.

### Living from paycheck to paycheck

At the other pole of American society are the nearly 100 million people who are dependent on wages and salaries for their livelihood—the working class, that is, the vast majority of the population. These workers produce the staggering wealth of American society, but their own conditions of life have become increasingly difficult, with falling real wages only partly offset by longer and longer hours of work.

There are, of course, enormous differences in living standards, due to income, working conditions, family structure and contractual relationships with employers (workers may be full-time, part-time, temps, contractors, etc.), and wide variations in social consciousness. But despite these differences, and despite the fact that many working people think of themselves as “middle class,” the overwhelming majority of Americans are wage workers deriving little or no income from the ownership of property.

More and more of the working class is literally propertyless. Between 1983 and 1995, the average net worth of households in the bottom 40 percent of the population declined by 80 percent, from \$4,400 to \$900. For the bottom 20 percent, net worth is below zero: their debts exceed their assets, even when home equity is included.

The poorest layers in the working class have income levels that make severe deprivation not just a threat, but a regular occurrence. Some 26 percent of all American workers receive poverty-level wages. The average income of the poorest 20 percent of US families was only \$12,990 last year, well below the official poverty line. The condition of the poor has been exacerbated by the cutoff of cash welfare in 1996 and the abusive treatment of those who seek Food Stamps, Medicaid and other federal or state assistance.

Pervasive poverty is at the root of a myriad of social problems that plague inner-city and rural areas, and have increasingly spread to suburbia as well: the breakup of family structures, domestic violence, crime, drug abuse, homelessness. One figure more than any other belies the claim that America is a prosperous and healthy society: more than two million people are now locked up in American jails, more than in any other industrialized country, and three times the number imprisoned only 20 years ago.

Among the better-off layers of the working class, incomes are stagnant or declining—an enormous change from the decades of economic boom which followed World War II. In the period 1947-79, average income doubled for every section of the American population, from the poorest to the richest. From 1979 to 1998, the top 20 percent saw an income gain of 38 percent (64 percent for the top 1 percent), while the lowest 20 percent saw real incomes decline by 5 percent, and those in between saw only small increases.

Even two-income families with gross earnings over \$100,000 are likely to have only one significant asset, a home, usually heavily mortgaged, with little or no savings. According to one study, the middle 20 percent of income earners (supposedly part of the middle class) have only enough savings to sustain their current standard of living for 1.2 months in the event of sudden loss of employment (or enough to sustain consumption at the poverty level for 1.8 months).

While income has declined, consumption has until now been maintained, with the difference made up by borrowing. Household debt as a percentage of personal income rose from 58 percent in 1973 to nearly 100 percent in 2000. According to one analyst, “families are now using tax-sheltered mortgages and home equity loans to finance normal consumption.”

A recent study by the Economic Policy Institute showed how workers have sought to offset the decline in their incomes by working

longer hours. In 1998 the average family with children worked 83 weeks a year, up from 68 weeks in 1969, largely due to the enormous increase in hours of labor by working mothers. American workers work longer hours than workers in any other advanced industrialized country, with fewer holidays and less vacation time.

### **The declining middle class**

In between the ruling elite and the working class is a substantial but greatly diminished middle-class layer. The decline of the American middle class is among the most important—and most unexamined—of social phenomena. Tens of millions of Americans who once occupied intermediate social positions—small businessmen, family farmers, independent professionals, middle managers—have seen their conditions drastically worsen, while a relative handful have been greatly enriched, and corrupted, by the financial boom.

Corporations that slashed their blue-collar workforces in the 1980s turned against their white-collar workers and middle managers in the 1990s, shattering the illusion that a job with a big company would provide lifetime security. Millions of white-collar and professional workers found themselves laid off or turned into contractors, “independent” only in the sense of being “independent” of benefits and job security.

Amid the soaring financial markets, the number of personal and small business bankruptcies has steadily increased. The number of independent family farmers has sunk below two million—fewer than the number of prisoners in American jails. Restaurants, hardware stores and local retail shops are being replaced by fast-food chains, lumber superstores and Wal-Mart, now the largest US employer, with over 800,000 low-wage workers. And while 14 million people are classified as “self-employed” in the latest US economic census, the average revenue of these “businesses” is barely \$30,000—meaning that the vast majority do not provide even a poverty-level income for their owners.

The decline of the middle class has definite political consequences. A substantial and prosperous middle class buffer has always been the main social base of capitalist democracy. Such a layer has served to moderate the bitter antagonism produced by the division of society between the workers who produce the wealth and the capitalists who possess it. Without that social buffer, the class conflicts inherent in capitalism inexorably develop to the point of open warfare.

Much of the American middle class has been proletarianized over the past two decades, while a privileged minority, especially among the professionals and academics who once were the standard-bearers of political liberalism, has been corrupted by the financial boom and moved sharply to the right.



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