

America, the land of inequality

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New studies reveal that the social divide between rich and poor in the US has grown much starker in the current economic crisis, and that even before it hit the country was the most unequal of the advanced economies, with great wealth and extreme poverty having become virtually hereditary conditions.

President Barack Obama has done nothing to reverse decades of wage stagnation, mounting poverty, and attacks on the social welfare system. On the contrary, following George W. Bush, he has seized on the crisis to redistribute wealth to a tiny financial elite through the ongoing bailout of the finance industry.

This demonstrates a fundamental political reality: no reform that benefits the broad masses can come from a government and two-party system so openly in the clutches of Wall Street. The financial aristocracy's grip over all the levers of state power must be broken by the working class, independently mobilized behind a socialist program.

The impoverishment of the working masses amidst the current economic crisis is documented by a recent report from Northeastern University analyzing unemployment in 2009, based on income data for the previous year.

Unemployment in the fourth quarter of 2009 for those in the bottom 10 percent of household earnings was at the Depression level of 31 percent. A broader measure of unemployment, the labor market underutilization rate—which combines unemployment, underemployment, and those who have fallen out of the workforce because they have ceased actively searching for work—was over 50 percent among the bottom decile of earners, for the second decile, 37.6 percent, and for the third and fourth lowest income deciles, 17.1 percent and 15 percent, respectively. For the top 10 percent of

earners, the underutilization rate was 6.1 percent.

The data is indicative of “a true Great Depression,” according to the report, yet “there was no labor market recession for America's affluent.”

The sharp polarization that reveals itself in fabulous wealth for a handful, on the one hand, and unemployment, wage cuts, homelessness and hunger for broad layers of working people on the other, marks an intensification of longer-term trends.

According to the Economic Policy Institute (EPI), “While many middle-income families have lost jobs, homes, and retirement savings during the latest recession, their economic woes date back much further.” In the 30 years before 2008—the onset of the current crisis—nearly 35 percent of total income growth in the US was cornered by the top one-tenth of 1 percent of income earners. The bottom 90 percent shared only 15.9 percent of income growth in the same period.

According to the United Nation's Gini coefficient, which measures the national distribution of family income, the US had the highest level of inequality of the highly industrialized countries, based on the data available in 2008. It was ranked as slightly more unequal than Sri Lanka, and on a par with Ghana and Turkmenistan. In the Central Intelligence Agency *World Fact Book's* Gini ranking for 2008, the US fell just behind Cameroon.

The apologists for US capitalism have long claimed that, though inequality may be great, America is a land where anyone can go “from rags to riches” by “pulling themselves up by their boot straps.”

Not so, according to a new report from the

Organisation for Economic Co-operation and Development (OECD), which concludes that in the US “mobility in earnings, wages and education across generations” is at or near the lowest of the advanced economies. The US joined Italy and Britain as the countries where a worker’s father’s earnings are most determinant of his or her own wages. Moreover, in the US the role of parents’ educational level on the educational achievement of their children was more pronounced than any other country, the report reveals.

The vast polarization of wealth in the US will only intensify. According to the Obama administration’s rosy economic estimates, unemployment will not return to its pre-crash levels before the end of the decade. More realistic observers, however, acknowledge that mass unemployment will be a fixture of US life, and higher-paying jobs destroyed in the recession will never return. Combined with declining home values, skyrocketing health care and higher education costs, chronically high unemployment will result in steadily rising poverty.

But for the CEOs and bankers perched at the pinnacle of US society, the economic crisis has proven an out-and-out bonanza, a recent *New York Times* report reveals. John G. Stumpf, the head of the bank Wells Fargo, took home \$18.7 million in 2009. Jamie Dimon of JPMorgan was number two in banker pay with \$17.6 million in compensation. Lloyd Blankfein, whose Goldman Sachs has reaped windfall profits in the financial collapse, was awarded “only” \$10 million.

These big name bankers are only the tip of the iceberg. “There are probably thousands of people that are in the Millionaire Club—or even the Ten Millionaire Club—that have gotten no heat,” Wall Street compensation expert Alan Johnson told the *Times*.

Obama defends these obscene pay packages. “I, like most of the American people, don’t begrudge people success or wealth,” he said of the eight-figure rewards for the same financial executives whose firms have benefited from trillions in taxpayer support. “That is part of the free-market system.”

In fact “most of the American people” not only begrudge these ill-gotten gains. They wonder why they

have yet to see news footage of bankers and traders arrested and hauled from their plush offices. Now working class anger is becoming increasingly trained on the political system, which, as a year’s experience with the Obama administration has taught, does the bidding of Wall Street regardless of which party controls the White House and Congress.

The antidote to the plundering of society that has gone unchecked for decades is the nationalization of the banks and their transformation into public institutions, democratically controlled by working people. The ill-gotten gains of the lords of finance must be expropriated and used to put in place a program of full employment, free universal health care, free higher education, and infrastructure development.

The fight for this program requires the mobilization of the working class in the US and internationally, independent of the Democrats and Republicans and all the political formations that defend the existing capitalist set-up.

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