The “new normal”: More than one in five Americans at risk of destitution

Barry Grey
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More than one in five Americans in 2009 suffered a household income loss of 25 percent or more over the previous year, according to a new report sponsored by the Rockefeller Foundation and entitled “Economic Security at Risk.” The report documents a steady increase in economic insecurity since the 1960s, and concludes that annual income losses of 25 percent or greater increased by 49.9 percent between 1985 and 2009.

“Putting this trend in terms of population,” the report states, “approximately 46 million Americans were counted as insecure in 2007, up from 28 million in 1985.” The head of the research team that prepared the report, Yale University Professor Jacob Hacker, told an interviewer, “What we’re seeing, basically, is what we’re calling ‘the new normal.’ We’re slowly ratcheting up this level of economic insecurity.”

The research group has devised what it calls the Economic Security Index (ESI), which measures the share of Americans in a given year who experience at least a 25 percent decline in their available household income and who lack a financial safety net to replace the lost income. Such a sudden income drop—usually due to the loss of employment, high medical expenses, or a combination of the two—often leaves people facing destitution.

The report does not include 2010, when long-term joblessness has become endemic. The ESI for this year will doubtless be considerably higher than for 2009.

The study notes that a staggering 60 percent of Americans experienced at least one income loss of 25 percent or more over the 1966-2006 period, and that losses of this size have become more common across most income sectors since the mid-1980s.

“Those with the most income and education have faced the least insecurity,” the report states. “The less affluent, those with limited education, African-Americans and Hispanics have faced the most. Virtually all groups, however, experienced significant increases in insecurity over the past 25 years.”

The study also found that the size of the typical income drop has grown, from 38.2 percent between 1985 and 1995 to 41.4 percent between 1997 and 2007. And the level of income insecurity relative to unemployment at any given point has risen over the past quarter century. In 1985, the unemployment rate was 7.2 percent and the ESI was 12 percent. In 2002, when the jobless rate was 5.8 percent, the ESI was 17 percent.

The report relates the protracted rise in economic insecurity to the explosive growth of both medical costs and household debt, and the decades-long increase in the concentration of wealth at the very top of the economic ladder. It notes the finding of the Congressional Budget Office that between 1979 and 2006 average after-tax income rose by 21 percent for the middle fifth of American households, but increased by 112 percent for the richest 10 percent of households and 256 percent for the top 1 percent.

The sharp rise in economic insecurity documented by the Rockefeller Foundation study is the outcome of a three-decade-long offensive by the American ruling class against the jobs, wages and living standards of the working class. This assault has only intensified since the eruption of the financial crisis in September 2008, which ushered in the worst recession since the 1930s. Under Obama, the drive to offload the crisis onto the working class has been stepped up, in the form of wage cuts, speedup and savage cuts in social spending at the state and local level.

The Obama administration extended the Wall Street bailout launched under Bush. It then signaled the intention of the ruling class to use mass unemployment to permanently lower the wages and conditions of American workers toward those of impoverished workers in Asia when its Auto Task Force drove General Motors and Chrysler into bankruptcy last year. This was done to impose new plant closures and layoffs and slash the wages of newly hired auto workers to half the previous level.

Next came the so-called health care "reform," which will lower health costs for businesses and the government by rationing care and reducing benefits for tens of millions of workers and retirees. Since the passage of the health care overhaul, the administration has abandoned any economic stimulus measures in order to focus on slashing the budget deficit by attacking basic social programs upon which millions of working people rely.

The result of these policies is a record rise in corporate profits, based almost entirely on the reduction in labor costs through layoffs, wage and benefit cuts, and speedup. In many cases, companies have reported sharply higher profits, even though their sales and revenues have declined.

In an article headlined "Industries Find Surging Profits in Deeper Cuts," the July 26 *New York Times* reported that US corporate profits jumped by 40 percent between late 2008 and the first quarter of 2010. It noted that by next year, analysts expect profit margins to reach 8.9 percent, a record high.

The *Times* wrote that among the S&P 500 companies that have reported their second-quarter results, 175 in all, more than one in ten had higher profits on lower sales, nearly twice the number in a typical quarter before the current recession. Among the firms that have reported earnings for the second quarter, revenues rose 6.9 percent on average while profits surged 42.3 percent.

The article cited the motorcycle producer Harley Davidson, which, despite falling sales, last week posted a $71 million profit, more than triple its profit a year ago. Last year the company cut 2,000 jobs, over a fifth of its work force, and plans to slash another 1,400 to 1,600 jobs by the end of next year. Harley stock surged 13 percent the day it released its quarterly results.

Other companies that have improved their bottom lines despite falling sales and revenues include General Electric, JPMorgan Chase, Hasbro and Ford. The latter's North American operations are expected to earn more than $5 billion in 2010, despite a revenue plunge of $20 billion since 2005. Over the 2005-2010 period the company has slashed its North American workforce by nearly 50 percent.

The same day as the *Times* report, the *Wall Street Journal* ran an article noting that the financial markets are generally punishing companies that report expansion plans and rewarding those that plan either no new hiring or further layoffs.

This class-war policy is further enriching the financial aristocracy. The *Wall Street Journal* on Tuesday published its list of the past decade's highest paid US corporate CEOs. At the top was Oracle chief executive Lawrence Ellison, who has pocketed $1.84 billion over the past ten years.

His average yearly take of $184 million helped Ellison compile his estimated fortune of $28 billion. Some idea of the lifestyle of Ellison and his fellow CEOs can be gleaned from the fact that the Oracle CEO owns several fighter jets, a $200 million estate in California complete with a man-made lake, and mansions in Malibu and Rhode Island.

The total income of the 25 CEOs on the *Wall Street Journal* list is $13.5 billion, an average of $540 million per executive over the decade.

Such avarice and obscene levels of wealth are the reverse side of growing economic insecurity, poverty, homelessness and hunger for millions of working people in America and billions more around the world.