

The 2008 crisis and the restructuring of class relations in America

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The Federal Reserve Bank of St. Louis released a report Friday showing that, after adjusting for inflation, the average US household has recovered only 45 percent of the wealth it lost during the 2008 crash. This undermines claims that the US is experiencing an “economic recovery,” and points to the vast effects of the collapse in home values, falling wages, and mass unemployment.

After noting that 62 percent of the increase in aggregate wealth since 2009 has come from increasing share values—which are overwhelmingly owned by the rich—the report notes with understatement, “Considering the uneven recovery of wealth across households, a conclusion that the financial damage of the crisis and recession largely has been repaired is not justified.”

A principal factor in the collapse of household wealth beginning in 2007 was the collapse of the housing market bubble. This particularly affected lower-income families, whose main asset is their home. While the stock market has soared back to record highs as a result of government policy, the housing market has remained stagnant.

Even the St. Louis Fed report, however, masks the vast redistribution of wealth that has taken place during the economic collapse of 2007-2008 and the so-called “recovery” starting 2009. The aggregate figure—the recovery of 45 percent of the household wealth lost in the crash—masks vast inequalities.

According to figures from the Census Bureau, between 2005 and 2009, the median net worth of the lowest fifth of income earners fell from \$6,870 to \$3,500, an astonishing drop of 50 percent. By contrast in the same period, the wealth of a typical household in the top fifth of earners fell from \$343,863 to \$283,081—a reduction of only 18 percent.

While the wealth of the super-rich has surged with the roaring stock market, the vast majority of the population has had no recovery in its wealth. In fact, between 2009 and 2011, the poorer 93 percent of households had their wealth fall by four percent, according to a Pew Research Center analysis of Census Bureau data.

The top seven percent of households, however, had their wealth increase dramatically, by 28 percent—from \$2.4 million to \$3.2 million, on average.

The Pew report concluded, “From the end of the recession in 2009 through 2011... the 8 million households in the U.S. with a net worth above \$836,033 saw their aggregate wealth rise by an estimated \$5.6 trillion, while the 111 million households with a net worth at or below that level saw their aggregate wealth decline by an estimated \$0.6 trillion.”

Five years since the 2008 crash, over twenty million people remain unemployed or underemployed, while wages continue to fall. Between 2007 and 2011, the US median household income has plunged by 11.6 percent, from \$57,143 (in 2011 dollars) to \$50,502.

What has taken place since the beginning of the crisis in 2007 is a massive intensification in the social oppression of the working class, reflected in a vast transfer of wealth from the working class—that is, the vast majority of the population—to the rich.

This is the product of policies pursued by the ruling class and its political representatives, under Bush and then Obama. The US government responded to the 2008 crash by offering hundreds of billions of dollars in bailouts and trillions in free credit to the banks. Working households, over ten million of which had their homes foreclosed since 2008, were offered nothing.

Vast sums were made on the basis of speculation in the housing market and predatory lending prior to the collapse of the housing bubble. When housing prices collapsed, the value of the principal asset of working people was wiped out, while those who speculated on subprime mortgage assets were bailed out. The financial aristocracy made money on the way up, largely preserved it during the crash, and have accumulated even more during the “recovery.”

Nearly five years after the economic crash, the Federal Reserve still underwrites the profits of the financial system through \$85 billion per month in asset purchases, half of which go to prop up toxic mortgage-backed securities held by Wall Street.

As a result of these parasitic operations, the major US banks have once again posted record profits in the first quarter of this year: \$40.3 billion. These profits are not made from creating jobs or boosting economic production, but rather by impoverishing the working population and blowing new financial bubbles that are sowing the seeds of the next, even more explosive crisis.

This confirms the analysis made by the *World Socialist Web Site* that the 2008 crisis was not a passing conjunctural crisis, but one rooted in deep underlying contradictions of American and world capitalism. The entire past period has shown that there can be no solution in the interests of the working class that does not direct itself at overturning the dictatorship of the financial aristocracy through the socialist transformation of economic life.

Now, the ruling class has turned to cutting social services that keep millions out of poverty. Two million people had their unemployment benefits slashed in the latest round of “sequester” budget cuts, not to mention cuts to food assistance programs, Medicare, and education.

Meanwhile in Washington, amid a deluge of scandals regarding tax avoidance by the rich and major corporations, all talk is of “tax reform,” that is, of slashing corporate taxes and putting the burden of the government’s endless wars and bank bailouts on the working class.

The only way to fight poverty and mass unemployment is to break the stranglehold of this parasitic financial aristocracy over political and economic life. This can only be done by building a

mass movement of the working class, armed with a socialist program of nationalizing major corporations, seizing ill-gotten profits, and reorganizing society to meet the social needs of the many, not to enrich the few.



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