The United States of Inequality

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Earlier this month, economists Thomas Piketty, Emmanuel Saez and Gabriel Zucman, leading experts on global inequality, released a groundbreaking study on the growth of income inequality in the United States between 1946 and 2016.

While the economists' earlier studies made substantial advances in documenting inequality in the United States, the most unequal developed country in the world, this is the first survey claiming to "capture 100 percent of national income," including the impact of taxation, social programs such as Medicare and Medicaid, and income from capital gains.

The result is a fuller picture of social inequality in the United States than any previous attempts. The conclusions are staggering, revealing that over the course of the past four decades there has occurred one of the most rapid upward redistributions of income in modern history.

The economists found that the pre-tax share of national income received by the bottom half of the US population has been cut nearly in half since 1980, from 20 percent to 12 percent, while the income share of the top one percent has nearly doubled, from 12 percent to 20 percent. "The two groups have basically switched their income shares," the authors note, "with 8 points of national income transferred from the bottom 50 percent to the top 1 percent."

The study documents a sharp change between 1946-1980 and 1980 to the present. In the first period, the pre-tax incomes of the bottom 50 percent of earners more than doubled, growing by 102 percent, while the incomes of the top 1 percent increased by only 47 percent and the top 0.001 percent by 57 percent.

Since 1980, however, the incomes of the bottom 50 percent of earners have stagnated at about $16,000 a year (in current dollars), while the incomes of the top 1 percent have grown by 205 percent, and the top 0.001 percent by 636 percent.

After accounting for the impact of various tax credits and social programs, the economists found that the incomes of the bottom half of income earners increased by 21 percent since the 1980s. They note, however, that none of this increase has gone into disposable income. Rather, it is almost entirely the result of increased health care payouts from Medicare, which has simply been absorbed by the pharmaceutical giants and insurance companies engaged in price-gouging for vital health care services.

The principal factor in the surge in income inequality, particularly since 2000, has been the growth in "capital income," that is, the stock market. The inflation of stock market bubbles has been the primary form through which the ruling class and its political representatives have engineered a massive transfer of wealth.

The figures contained in the report by Piketty, Saez and Zucman reflect historical transformations in the structure of American capitalism and class relations in the United States. The colossal growth of social inequality is bound up with the decay of American capitalism and decline in its world economic position.

Historians have often remarked that during its early days, the United States was the most socially egalitarian region of the Western world. The growth of monopolization and finance capital in the latter part of the 19th century transformed America into a land of "robber barons" at one pole and workers and immigrants whose living conditions were exposed in such works as Jacob Riis' *How the Other Half Lives*, published in 1890, and Upton Sinclair's *The Jungle* of 1906.

But along with these processes came the growth of the workers' movement, which, largely through the efforts of socialists, fought to organize the American working class across its myriad ethnic, religious and regional divisions. The Russian Revolution of 1917

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gave new impetus to these struggles, including the militant labor actions of the 1930s that led to the formation of the industrial unions.

The American ruling class, alarmed by the prospect that American workers would follow the example set by the Bolsheviks, and having at its disposal the economic might of the world's largest and most advanced industrial economy, set out on a program of social reform exemplified by President Franklin D. Roosevelt's New Deal, which introduced Social Security and curbed the worst abuses of Wall Street.

The United States emerged from the Second World War as the dominant global power, commanding more than 50 percent of world economic output. By the late 1960s, however, the economic domination of American capitalism began to decline, as the economies of Europe and Asia were rebuilt. A series of economic and political crises culminated in the combination of economic stagnation and inflation of the 1970s.

The US ruling class responded by embarking on a policy of class war, deindustrialization and financialization. With President Jimmy Carter's appointment of Paul Volcker to head the Federal Reserve in 1979, the US central bank threw the United States into a manufactured recession. After coming to power in 1981, Ronald Reagan launched a full-scale social counterrevolution, initiated by the breaking of the PATCO air traffic controllers' strike and firing and blacklisting of the strikers. Similar policies were pursued by the ruling classes throughout the world.

The trade unions played a vital role in facilitating this offensive, isolating and betraying every attempt at resistance by the working class throughout the 1980s and incorporating themselves into the structure of corporate management and the state. By the end of the decade, the unions had transformed themselves, for all practical purposes, into arms of the companies and the government. The bureaucratic elites that dominated them devoted all their efforts to suppressing and sabotaging working class struggle.

Every subsequent administration, Democratic and Republican alike, has pursued policies that promote social inequality, including successive rounds of financial deregulation, repeated tax cuts for corporations and top income earners, the slashing of social programs, and the elimination of workplace protections.

After the 2008 financial crisis, the Obama administration accelerated these processes. The White House continued and expanded the bank bailouts initiated under the Bush administration and helped funnel trillions of dollars to Wall Street through the Federal Reserve's "quantitative easing" programs, while working, as in the 2009 auto restructuring, to slash wages.

Under the incoming administration of President-elect Trump, the offensive against the working class will sharply intensify. The election of Trump represents something new. He has staffed his cabinet with billionaires, far-right, pro-business ideologues, and generals—all of them dedicated to the impoverishment of the working class and the ever more violent suppression of popular opposition.

But Trump does not emerge from nowhere. He is not some aberration. Rather, he is the noxious culmination of the decay of American capitalism, growth of unprecedented levels of social inequality and collapse of American democracy.

These same processes have created the objective foundations for socialist revolution. In the mid-1990s, when the Workers League in the US and the sections of the International Committee of the Fourth International in the rest of the world began to transform themselves from leagues into parties, adopting the name Socialist Equality Party, we recognized the immense revolutionary significance of "the widening gap between a small percentage of the population that enjoys unprecedented wealth and the broad mass of the working population that lives in varying degrees of economic uncertainty and distress."

The past two decades have confirmed this prognosis. The fight against social inequality requires the building of a new political leadership, embodied in the SEP, to organize and unify the struggles of the working class on the basis of a revolutionary program. The capitalist profit system must be replaced with a society based on equality, international planning and democratic control of production—that is, socialism.

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