

The social crisis fueling the collapse of democracy in America

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In the aftermath of the killing of the far-right ideologue Charlie Kirk, the Trump administration has vowed to “dismantle,” “target” and “destroy” all domestic political opposition. These hysterical and unhinged statements and actions give the sense of a government and state apparatus that is completely out of control. But behind this frenzy lie deeper processes. What is taking place is not simply political madness, but the violent realignment of American politics under conditions in which the basic interests of the capitalist oligarchy can no longer be reconciled with the needs and aspirations of society as a whole.

Yesterday, the *World Socialist Web Site* wrote in its perspective column, “The words and actions of the Trump administration cannot be reduced to the fascistic personality of the present occupant of the White House. In the final analysis, Trump is the representative of a capitalist oligarchy, whose policies and actions are a response to the intersecting crises confronting American capitalism.”

What is happening in America outside of—and propelling—the frenzy within the political superstructure? Beneath the surface, the basic class contradictions of what Leon Trotsky called the “death agony of capitalism” are manifesting themselves.

Inflation is sharply eroding living standards, while workers and families are burdened with record levels of debt. The first waves of massive cuts to social programs are being felt, alongside the accelerated dismantling of public education. At the same time, unsafe working conditions continue to claim lives every day, with thousands of workers killed on the job each year in what amounts to an industrial slaughterhouse.

The ongoing COVID-19 pandemic—entirely ignored by the media and political establishment—continues to exact a deadly toll, even as the remnants of public health infrastructure are dismantled and the most basic protections, including vaccines, are eliminated.

One of the leading mouthpieces of big business, the *Wall Street Journal*, gave a glimpse of this deepening crisis in an article posted Wednesday on its website with the headline,

“The Two-Speed Economy Is Back as Low-Income Americans Give Up Gains.” The article is published in the newspaper’s Thursday print edition under the headline, “Divergent American Economy Gets More Divided.”

“There are two economies in the U.S. right now, and they are moving in different directions,” the commentary begins, noting that higher-income Americans “are still spending like gangbusters,” while for most workers, wage growth “has petered out.” The article continues, “Those workers are curbing their spending and in some cases are struggling to find jobs.” Unemployment is hitting African Americans and young people particularly hard, while home prices and rents are soaring.

“The divided fortunes of rich and poor in the U.S. may sound like an old story,” the *Journal* acknowledges, but “the gulf is widening again.” Wage growth for the bottom third of workers was the smallest in August since 2016, and these workers could spend only 0.3 percent more than a year ago. With inflation at nearly 3 percent, and prices on many essential goods rising much faster than that, this means a cut in real consumption.

The gap between working class families counting every dollar, and the comfortable lives of the upper-middle class and the truly wealthy, has never been greater. The *Journal* cited a Moody’s Analytics report that the top 10 percent of households now account for a greater proportion of total spending than ever before, 49.2 percent, nearly half of all spending, in the second quarter of 2025.

Rising unemployment is a major factor in this social polarization. The jobless rate for recent college graduates has hit 6.5 percent, well above the 4.3 percent rate for all workers. The jobless rate for black workers is now at 7.5 percent, up from 6.1 percent a year ago.

Several other reports published this month document the growing chasm between the great mass of the population, the working class, and the financial oligarchy that controls both political parties, the corporate media, and economic life as a whole.

According to the Fair Isaac Corporation (FICO), credit

scores for borrowers have fallen for the second straight year, with 2024 showing the biggest drop since 2009, the year of the Wall Street crash. Young adults (Gen Z) showed the biggest decrease, partly because of the resumption of delinquency reporting on student loan debt, which had been paused during the initial years of the COVID pandemic.

“Delinquency rates on auto loans, credit cards, and personal loans are at or near their highest levels since 2009, during the Great Recession—and are more consistent with an economy in recession than one still in expansion,” the FICO report observes.

A report by the Institute for Policy Studies on what it dubs the “Low-Wage 100” firms—the 100 companies in the Fortune 500 with the lowest average pay for workers—found that CEO pay rose 34.7 percent from 2019 to 2024, more than double the 16.3 percent increase in median worker pay, which actually represented a cut in wages when inflation is taken into account. The average CEO of the Low-Wage 100 made \$17.2 million, 632 times the pay of the average worker.

By far the widest gap was at Starbucks, a staggering 6,666 to 1, with new CEO Brian Niccol raking in \$95.8 million, compared to the median pay of \$14,674. At home and construction goods chain Lowe’s, the company spent \$46.6 billion on stock buybacks from 2019 through 2024, roughly three times the amount of its annual wages bill. Home Depot spent \$37.9 billion on stock buybacks—one million times its median pay of \$35,196.

Earlier this month, two corporate oligarchs extracted record personal payoffs. Tesla CEO Elon Musk was awarded more than \$900 billion in prospective future “incentive” earnings tied to the company’s stock price. And Oracle CEO Larry Ellison netted \$100 billion in a single day, benefiting from a 40 percent jump in the stock price, temporarily surpassing Musk as the world’s richest man.

Overshadowing even this colossal and growing inequality is the specter of a default in the financial markets, with personal, corporate and government debt all hitting stratospheric levels and runaway speculation in opaque or worthless investment vehicles like cryptocurrencies. A recent editorial in the *Wall Street Journal* on the collapse of Tricolor, an auto retailer catering to young, low-income and immigrant workers, expressed the concern that the stresses placed on low-income borrowers could trigger a far wider collapse:

A broader market problem is that auto lenders in recent years have extended the duration of loans to keep monthly payments affordable. Stretched after years of inflation, low-income borrowers are falling

behind on payments and many are underwater on their loans. They owe more than they could get for trading-in or selling their cars.

Many young people borrowed to buy cars during the pandemic when they didn’t have to make student loan payments. Now they are struggling to repay both. Auto delinquencies and car repossession are getting closer to 2009 recession levels. Yet investors have continued to snap up subprime auto debt.

Under these conditions, the policies of the Trump administration have assumed an increasingly reckless and incendiary character. Its tariff barriers, adopted and modified seemingly at random, are devastating global trade, the driving force of world economic growth. Its foreign policy promotes military conflicts across the globe that threaten to coalesce into a Third World War fought with nuclear weapons.

This is only a partial portrait of the social crisis in America. The conditions fueling the present breakdown were not created by Trump, but his government, acting on behalf of the corporate and financial oligarchy, is vastly accelerating processes that have been developing for decades under both Democrats and Republicans. These same processes are expressed, in different forms, in every country around the world.

It is impossible to understand the violent turn toward dictatorship in American politics outside of this social reality. And it is impossible to seriously oppose dictatorship apart from the development of a mass movement of the working class, directed against the wealth of the oligarchy and the capitalist system on which it rests.



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