2

Wealth and Want in the United States

Most people who talk and write about the U.S. political system never mention capitalism. But the capitalist economy has an overbearing impact upon political and social life, and so it deserves our critical attention.

Capital and Labor

One should distinguish between those who own the wealth of society and those who must work for a living. The very rich families and individuals whom we might call "the owning class" live mostly on investments: stocks bonds, rents, and other property income. The "employee class" or "working class" live mostly on wages, salaries, fees, and pensions. The latter includes not only blue-collar workers but everyone else who is not independently wealthy. The distinction between owners and employees is blurred somewhat by the range of affluence within both classes. "Owners" refers both to the fabulously wealthy stockholders of giant corporations and to the struggling proprietors of small stores. But the latter control a relatively small portion of the wealth and hardly qualify as part of the *corporate* owning class. Among the victims of big business is small business. Glorified as the purveyors of the entrepreneurial spirit, small businesses are just so many squirrels dancing among the elephants. Every year about seventy thousand or more of them are driven out of business as markets decline or bigger competitors move in.

Among the employee class are professionals and mid-level executives who in income, education, and lifestyle tend to be identified as "middle" or

"upper-middle" class. Then there are some corporate lawyers, doctors, entertainment and sports figures, and top business executives who accumulate enough surplus wealth to live off the unearned income of their investments, thereby becoming in effect members of the owning class.

You are a member of the owning class when your income is very large and comes mostly from the labor of other people — that is, when others work for you, either in a company you own or by creating the wealth that allows your investments to increase in value. Hard work seldom makes anyone rich. The secret to wealth is to have others work hard for you. This explains why workers who spend their lives toiling in factories or offices retire with little or no wealth to speak of, while the stockholding owners of these businesses, who do not work in them and usually have never visited them, can amass considerable fortunes.

Wealth is created by the labor power of workers. As Adam Smith noted in 1776, "Labor . . . is alone the ultimate and real standard by which the value of all commodities can at all times and places be estimated and compared. It is their real price; money is their nominal price only."[1] What transforms a tree into a profitable commodity such as paper or furniture is the labor that goes into harvesting the timber, cutting the lumber, and manufacturing, shipping, advertising, and selling the commodity. In addition, there is the labor that goes into making the tools and whatever else needed for production and distribution.

Workers' wages represent only a portion of the wealth created by their labor. The unpaid portion is pocketed by the owners. Today, a private-sector employee is likely to work two hours for herself or himself (the value created and paid back in wages) and six or more hours for the boss (the value realized and pocketed by owners after expenses). The latter portion is what Marx described as "surplus value," the source of the owner's wealth. Capitalists themselves have a similar concept: "value added in manufacture." For example, in 1995, management estimated that the average General Motors autoworker added $150,000 to the value of products for which he or she was paid $38,000, or one-fourth of the value created. Workers employed by Intel and Exxon received only about one-ninth of the value they created, and in industries such as tobacco and pharmaceuticals, the worker's share was a mere one-twentieth of the value added. Between 1954 and 1994, the overall average rate of value added (the portion going to the owner) in the United States increased from 162 percent to 425 percent, far above the exploitation rate in other Western industrialized countries.[2]

Workers endure an exploitation of their labor as certainly as do slaves and serfs. The slave or serf obviously toils for the enrichment of the master and receives only a bare subsistence. (James Madison told a visitor shortly after the American Revolution that he made $257 a year on every slave he owned and spent only $12 or $13 for the slave's keep.) Sharecroppers who must give a third or half their crop to the landowner are also obviously exploited. Under capitalism, however, the portion taken from the worker is not visible. Workers are simply paid substantially less than the value they create. Indeed, the only reason they are hired is to make money from their labor. If wages did represent the total value created by labor (after expenses and improvements), there would be no surplus value, no profits for the owner, no great fortunes for those who do not labor.

Company managers and executives are employees of the firm who represent the interests of the owner. Their task is to extract more performance from workers. Income from ownership is apart from workers' wages or even executives' salaries; it consists of profits — the money one makes *when not working*. The author of a book, for instance, does not make "profits" on his book; he earns an income (fancily misnamed "royalties") from the labor of writing it. Likewise, editors, proofreaders, printers, and salespersons all contribute labor that adds to the value of the book. Profits on the book go to those who own the publishing house and who contribute nothing to the book's marketable value. The sums going to owners are aptly called *unearned* income on tax accounts.

While corporations are often called "producers," the truth is they produce nothing. They are organizational devices for the exploitation of labor and accumulation of capital. The real producers are those who apply their brawn, brains, and talents to the creation of goods and services. The primacy of labor was noted 140 years ago by President Abraham Lincoln in a message to Congress: "Labor is prior to and independent of capital. Capital is only the fruit of labor and could not have existed had not labor first existed. Labor is the superior of capital and deserves much the higher consideration." Lincoln's words went unheeded. The dominance of the moneyed class over labor remains the essence of the U.S. economic system.

Accumulation and Expansion

Capitalists like to say they are "putting their money to work," but money as such cannot create more wealth. What they really mean is that they are putting more human labor to work, paying workers less in wages than they produce in value, thereby siphoning off more profit for themselves. That's how money "grows." Under capitalism, capital annexes living labor in order to convert itself into goods and services that will produce still more capital.[3] All of Rockefeller's capital could not build a house or a machine or even a toothpick; only human labor can do that. Of itself, capital cannot produce anything. It is the thing that is produced by labor.

The ultimate purpose of a corporation is not to perform public services or produce goods but to make as large a profit as possible for the investor. Steel magnate David Roderick once said that his company "is not in the business of making steel. We're in the business of making profits."[4] The social uses of the product and its effects upon human well-being and the natural environment win consideration in capitalist production, if at all, only to the extent that they do not violate the profit goals of the corporation.

This relentless pursuit of profit arises from something more than just greed — although there is plenty of that. Under capitalism, enterprises must expand in order to survive. To stand still amidst growth is to decline, not only relatively but absolutely. A slow-growth firm is less able to move into new markets, hold onto old ones, command investment capital, and control suppliers. Hence, even the biggest corporations are beset by a ceaseless drive to expand, to find new ways of making money.

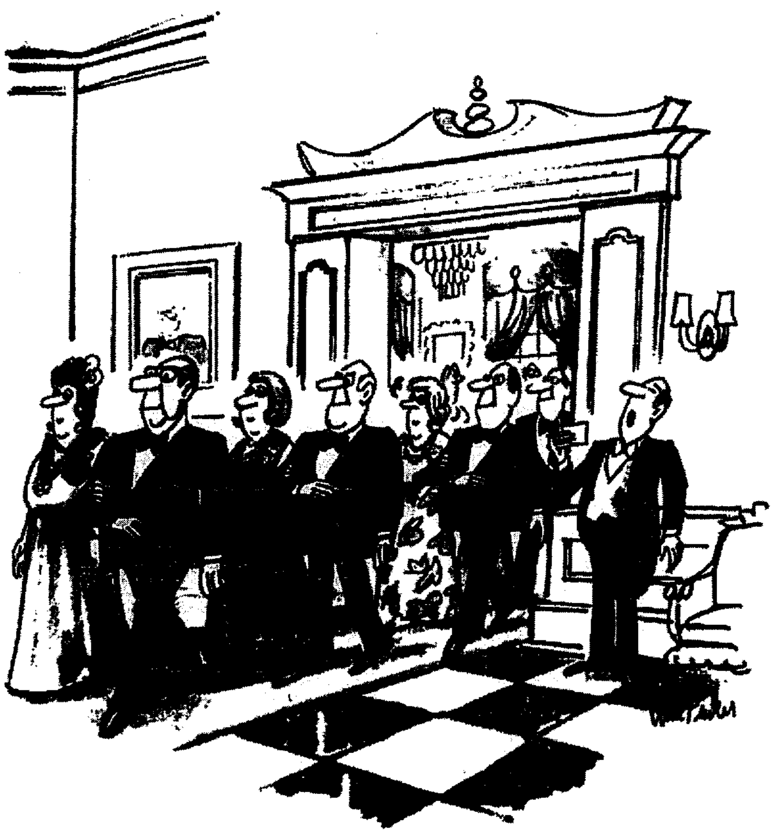
Who Owns America?

Contrary to a widely propagated myth, this country's wealth does not belong to a broad middle class. The top 10 percent of American households own 98 percent of the tax-exempt state and local bonds, 94 percent of business assets, and 95 percent of the value of all trusts. The richest 1 percent own 60 percent of all corporate stock and all business assets. True, some 40 percent of families own some stocks or bonds, but almost all of these have total holdings of less than $2,000. Taking into account their debts and mortgages, 90 percent of American families have little or no net assets.[5]

The greatest source of individual wealth is inheritance. If you are not rich, it is probably because you lacked the foresight to pick the right parents at birth. Studies show that rags-to-riches is a rare exception. Most people die in the class to which they were born. A large majority of the "self-made" Forbes 400 superrich inherited fortunes or received crucial start-up capital from a family member.[6]

The trend has been toward greater economic inequality. In the mid-1990s, corporate profits more than doubled; income from investments has been growing two to three times faster than income from work. Between 1980 and 1992, the five hundred largest U.S. industrial corporations more than doubled their assets, from $1.8 trillion to $2.7 trillion, while shedding over five million jobs. And the years that followed brought "the highest level of corporate profitability in the post-war era, and probably since the latter stages of the Bronze Age," according to the *Wall Street Journal*.[7] During the last three decades, the richest 1 percent saw their average after-tax incomes soar by 115 percent — while the incomes of the bottom fifth declined by almost 10 percent.[8]

U.S. Census Bureau income studies refer to the "richest 20 percent" who earn thirteen times more than the poorest 20 percent. But dealing with quintiles greatly understates the real chasm between rich and poor. To be in the richest 20 percent, you need earn only $65,000 or more. In fact, the top 20 percent are not rich but mostly upper-middle class, if that. The



"The Duke and Duchess of A. T. & T., the Count and Countess of Citicorp, the Earl of Exxon, and the Marchioness of Avco. The Duke of Warnaco . . ."

very richest stratum consists of not more than a tiny fraction of 1 percent of the population. It controls most of the wealth and is not thirteen times but thousands of times richer than the poorest quintile.[9] Few of the people who study income distribution seem to realize how rich the rich really are.

At the end of the twentieth century, sales of high-priced goods — luxury cars and condominiums, works of art, antiques, precious gems, yachts, and private jets — continued to boom. Income and wealth disparities were greater than at any time over the previous sixty years. As one economist put it: "If we made an income pyramid out of a child's blocks, with each layer portraying $1,000 of income, the peak would be far higher than the Eiffel Tower, but almost all of us would be within a yard of the ground."[10]

Enormous wealth translates into enormous power. The power of the business class is like that of no other group in our society. The giant corporations control the rate of technological development, the availability of livelihoods, and standards of consumption and popular taste. They decide which labor markets to explore and which to abandon, sometimes relegating whole communities to destitution. They devour environmental resources, stripping our forests and toxifying the land, water, and air. They command an enormous surplus wealth while helping to create and perpetuate conditions of scarcity for millions of people at home and abroad. And as we shall see in subsequent chapters, they enjoy a predominant voice in the highest councils of government.

Corporate Concentration

We are taught that the economy consists of a wide array of independent producers who compete with each other for consumer markets. In fact, a small number of giant corporations control most of the private sector. And the trend is toward ever greater concentrations as giant companies are swallowed up by super-giants in industries such as oil, automotive, pharmaceuticals, telecommunications, media, publishing, health insurance, weapons manufacturing, and banking. Mergers and acquisitions are fueled by deregulation, low interest rates, and a booming stock market. In the financial industry alone, during the first half of 1998, there were almost 1,500 mergers, the biggest ones being Banc One Corp.'s acquisition of First Chicago for about $30 billion, and NationsBank's $62.4 billion buyout of Bank of America. In 2000, two banking powerhouses, Chase Manhattan and J. P. Morgan, entered into a $35.2 billion merger.[11]

Mergers are justified as strengthening the competitive capacity of a firm. But merged companies seldom display improved performance. The many billions spent on acquisitions absorb money that could have been better spent on new technologies and production. The mergers benefit the big shareholders, creditors, and top executives who walk away with megaprofits from the sale — while consumers and workers pay the costs. Numerous corporations treat worker pension funds as part of the firm's assets. If and when the corporation merges with another or is bought out, the fund is absorbed by the takeover and the workers often never see a penny of the money they paid into it.[12]

Corporate consolidations lead to bigger corporate debts. Taken together, big business expends about half its earnings just on interest payments to banks and other creditors (all of which is tax deductible). A corporation has to procure large sums to buy a dominant share of its own stock if it wishes to ward off a hostile takeover by corporate raiders. If it is trying to acquire another company, it needs money to buy up that firm's stock. In either case, cash reserves are seldom sufficient and companies must borrow heavily from banks. To meet its debt obligations, the firm reduces wages and benefits, sells off productive plants for quick cash, lays off workers, and enforces speedups. Thus after merging with NationsBank, Bank of America reduced its workforce (through firings and attrition) by 31,000. Sometimes the merged corporation moves to a cheaper labor market abroad. In the last decade, U.S.-based transnational companies created 345,000 jobs abroad while cutting 783,000 jobs in the United States.[13]

A handful of giant business conglomerates, controlled by the Mellons, Morgans, DuPonts, Rockefellers, and a few others, dominate the U.S. economy. The DuPonts control ten corporations, each worth billions of dollars, including General Motors, Coca-Cola, and United Brands, along with many smaller firms. The DuPonts serve as trustees of dozens of colleges. They own about forty manorial estates and private museums in Delaware alone and have set up thirty-one tax-exempt foundations. The DuPonts are frequently the largest contributor to Republican presidential campaigns and various right-wing and anti-labor causes.

Another powerful financial empire, that of the Rockefellers, extends into just about every industry in every state of the Union and every nation of the world. The Rockefellers control five of the world's twelve largest oil companies and four of the biggest banks. At one time or another, they or their close associates have occupied the offices of the president, vice-president, secretaries of state, commerce, defense, and other cabinet posts, the governorships of several states, and key positions in the Federal Reserve Board, the Central Intelligence Agency (CIA), the Council on Foreign Relations, and in the U.S. Senate and House.

Far from being neutral technocrats devoted to the public welfare, top corporate executives are self-enriching members of the owning class. Over the past fifteen years the salaries of chief executive officers (CEOs) of corporations rose an average 500 percent. In 1998, Disney CEO Michael Eisner pocketed $575 million, Gap CEO Millard Drexler took home $495 million, Yahoo CEO Timothy Koogle pulled in $476 million, while IBM CEO Louis Gerstner made off with $336 million. That same year, the nation's top five hundred companies handed out $10.4 *billion* in stock options, mostly to CEOs.[14] At the top of this heap was Microsoft owner Bill Gates, whose net worth slumped from $85 billion to $63 billion, still leaving him the richest person in the United States as of 2000. One corporate chief, Richard Munro, admitted: "Corporate managers lead just about the most privileged lives in our society."[15] Still, it should be remembered that the CEO's salary and bonuses represent but a tiny portion — usually not more than 3 or 4 percent — of the profits distributed to the corporation's superrich stockholders. In other words, there are others among the superrich who don't work and are far more privileged than the CEOs.

Monopoly Farming

We treat farmers as an interest group apart from business, at a time when a handful of agribusiness firms,[16] big banks, and commercial corporations control most of our food supply and farmlands. Thus, R. J. Reynolds, with vast holdings in cigarettes, transportation, and petroleum, owns Del Monte — itself a transnational agribusiness. Five giant corporations dominate the domestic and world grain market. Just 1 percent of all food corporations control 80 percent of the food industry's assets and close to 90 percent of the profits.[17]

Independent family farms are being driven deeper into debt or completely out of business because the price that agribusiness distributors pay them for their perishable crops is often below the costs of machinery, seeds, and fertilizers. Today, the combined farm debt is many times greater than net farm income. Only 2 or 3 percent of the cost of a farm commodity goes to the farmer, the rest to the corporate distributors. Of the less than two million existing farm families (down from six million in 1940), most survive by finding additional work off the farm.[18]

Contrary to popular belief, large commercial agribusiness farms do not produce more efficiently than small farms, especially when real costs are taken into account. The shift from family farm to corporate agribusiness has brought numerous diseconomies. The family farm uses less pesticides and herbicides, does not resort to genetic engineering, and is concerned about farm waste disposal and preserving the cleanliness of its ground water, which it uses for its own living purposes. Family farms treat their livestock in a healthier more humane way, are more economical in their use of fuel and topsoil, and, because they supply primarily local markets, they have lower transportation costs.

Bakersfield - local farmers live here and are concerned 4 their etc.

With the growth of corporate agribusiness, regional self-sufficiency in food has virtually vanished. The Northeast, for instance, imports more than 70 percent of its food from other regions. For every two dollars spent growing food in the United States, another dollar is spent transporting it. Giant agribusiness farms rely on intensive row crop planting and heavy use of toxic spraying and artificial fertilizers, causing millions of acres of topsoil to be blown away each year. The nation's ability to feed itself is being jeopardized, as more and more land is eroded or toxified by large-scale, quick-profit, biotechnological, commercial farming, not to mention the damage to people's health resulting from the consumption of foods produced by these chemicalized methods.[19]

On the big commercial agribusiness farms, the plight of the nation's two million landless farm laborers has gone from bad to worse. The pesticides and herbicides they are exposed to and their poor living conditions constitute serious health hazards. Their real wages (accounting for inflation) have dropped 20 percent or more over the last twenty years.[20]

Downsizing and Downgrading

Corporations are hailed by some as great job providers. If anything, many corporate measures are designed to eliminate jobs. The top two hundred corporations account for more than a quarter of the world's economic activity while employing less than one-hundredth of one percent (0.01) of the world's people. As one writer notes, "Today, the more people a company fires, the more Wall Street loves it, and the higher its stock price goes."[21]

The capitalist seeks to raise profitability by downsizing (laying off workers), speedups (making the diminished workforce toil faster and harder), downgrading (reclassifying jobs to lower-wage categories), and using more and more part-time and "contract" labor (hiring people who receive no benefits, seniority, or steady employment). Hundreds of thousands of better-paying manufacturing jobs have been eliminated, while some 80 percent of new jobs created have been in low-paying retail trade, restaurant, clerical, health, and temporary services. In recent downsizing, the ranks of managers and supervisors have been thinned along with workers — but much more slowly, so that a proportionately larger share of the national income goes to supervisors at the expense of production workers.[22]

As a cost of production, wages must be kept down; as a source of consumer spending, wages must be kept up. By holding down wages, employers reduce the buying power of the very public that buys their products, thus creating a chronic tendency toward overproduction and recession. For the big capitalists, economic downturns are not unmitigated gloom. Weaker competitors are weeded out, unions are weakened and often broken, strike activity declines, a reserve supply of unemployed workers helps to depress wages, and profits rise faster than wages. The idea that all Americans are in the same boat, experiencing good and bad times together, should be put to rest. Even as the economy declines, the rich grow richer by grabbing a still bigger slice of whatever exists. Thus, during the 1992 recession, corporate profits grew to record levels, as companies squeezed more output from each employee while paying less in wages and benefits.[23]

Former Secretary of the Treasury Nicholas Brady once remarked that recessions are "not the end of the world" and "no big deal." Certainly not for Brady, who rests comfortably on a handsome fortune, and certainly not for his wealthy associates, who welcome the gratifying opportunity to acquire bankrupted holdings at depressed prices.[24] Brady and friends understand that the comfort and prosperity of the rich require an abundant supply of those who, spurred by the lash of necessity, tend the country club grounds, serve the banquet luncheons, work the mines, mills, fields, and offices, performing a hundred thankless — and sometimes health damaging — tasks for relatively paltry wages.

Wealth and poverty are not just juxtaposed, they are in a close dynamic relationship. Wealth creates poverty and relies on it for its own continued existence. Without slaves and serfs, how would the master and lord live in the style to which they are accustomed? Without the working poor, how would the leisured rich make do? With no underprivileged, who would be privileged?

Profit-Price Inflation

A common problem of modern capitalism is inflation. Inflation occurs when the total supply of money and credit expands at a faster rate than the available goods and services, resulting in a continual rise in prices, or when big companies achieve near monopoly control over a market and jack up prices to maximize their profits. Even a modest inflation rate of 3 or 4 percent substantially reduces within a few years the buying power of wage earners and persons on fixed incomes. Corporate leaders maintain that inflation is caused by wage demands. Generally, however, prices and profits have risen faster than wages. The four essentials, food, fuel, housing, and health care, which together devour 70 percent of the average family income, are among the most inflationary of all. Yet the share going to labor in those four industries has been dropping. The skyrocketing costs of housing in states like California cannot be blamed on construction workers, who have actually suffered wage cutbacks. The rise in food prices is not caused by indebted family farmers or impoverished farm laborers or minimum-wage servers at McDonald's. And the astronomical costs of health care cannot be blamed on the low wages paid to health-care workers.

In most industries the portion of production costs going to workers has been shrinking, while the share taken by executives, shareholders, and interest payments to bankers has risen dramatically. As former Secretary of Labor Robert B. Reich said, "[T]here is no inflation push from wages."[25] The "wage-price" spiral is usually a profit-price spiral, with the worker more the victim than the cause of inflation. (This is not to deny that by depressing wages, business is sometimes able to maintain a slower inflation creep while pocketing big profits. But that is not the same as arguing that wages cause inflation.)

As financial power is concentrated in fewer hands, prices are more easily manipulated. Instead of lowering prices when sales drop, the big monopoly firms often raise them to compensate for sales losses. The same is true with agribusiness: whether crops are poor or plentiful, food prices at the consumer level tend only to rise. Prices are pushed up by limiting production, as when the petroleum cartels create artificial oil and gasoline scarcities that mysteriously disappear after the companies raise their prices.

Massive military expenditures "happen to be a particularly inflation-producing type of federal spending," admits the *Wall Street Journal.*[26] The Civil War, World Wars I and II, the Korean War, and the Vietnam War all produced inflationary periods. Even during peacetime, huge defense outlays consume vast amounts of labor power and material resources, the military being the largest single consumer of fuel in the United States. Military spending creates jobs and consumer buying power while producing no goods and services. The resulting increase in buying power generates an upward pressure on prices, especially since the defense budget is funded partly through deficit spending — that is, by the government's spending more than it collects in taxes.

Market Demand and Human Need

Those who say that private enterprise can answer our needs seem to overlook the fact that private enterprise has no such interest, its function being to produce the biggest profits possible. People may need food, but they offer no market until their need (or want) is coupled with buying power to become a market *demand.* When asked what they were doing about the widespread hunger in the United States, one food manufacturer responded with refreshing candor: "If we saw evidence of profitability, we might look into this."[27]

The difference between need and demand shows up in the international market also. When the free market rather than human need determines how resources are used, poor nations feed rich ones. Beef, fish, and other protein products from Peru, Mexico, Panama, India, and other Third World countries find their way to profitable U.S. markets rather than being used to feed the hungry children in those countries. The children need food, but they lack the money; hence, there is no demand. The free market is anything but free. Money is invested only where money is to be made. Under capitalism, there is a glut of nonessential goods and services for those with money and a shortage of essential ones for those without money. Stores groan with unsold items while millions of people live in acute deprivation.

The human value of productivity rests in its social purpose. Is the purpose to plunder the land without regard to ecological needs, fabricate endless consumer desires, produce shoddy goods designed to wear out quickly, pander to snobbism and acquisitiveness, squeeze as much compulsive toil as possible out of workers while paying them as little as possible, create artificial scarcities in order to inflate prices — all in order to grab ever bigger profits for the few? Or is productivity geared to satisfying essential communal needs first and superfluous desires last, caring for the natural environment and the public's health and well-being? Does it expand educational opportunities and cultural life? Capitalist productivity-for-profit gives little consideration to the latter set of goals.

Productivity: A Mixed Blessing

Capitalism's defenders claim that corporate productivity creates prosperity for all. But productivity should not be treated apart from its social effects. For example, the coal-mining companies in Appalachia were highly productive and profitable while swindling the Appalachians out of their land, forcing them to work under dangerous conditions, destroying their countryside with strip mining, and refusing to pay any of the resulting social costs.

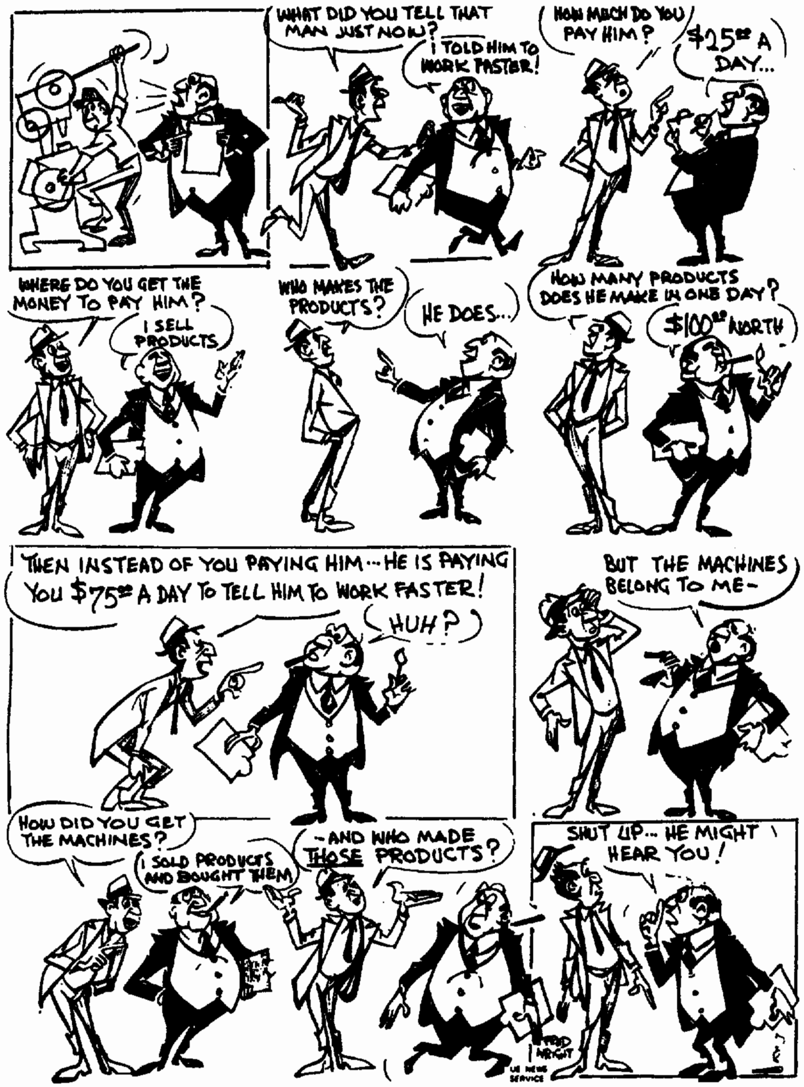
The fruits of corporate productivity are not likely to be shared in a fair manner, if at all. Between 1973 and 1997, worker productivity (output per hour of work) increased by over 20 percent, while real wages (adjusted for inflation) *declined* by 22.6 percent.[28] An increase in productivity, as measured by the gross domestic product or GDP (the total cost of all goods and services in a given year), is no sure measure of society's well-being. Important nonmarket services like housework and child rearing go uncounted, while many things of negative social value are tabulated. Thus, crime and highway accidents, which lead to increased insurance, hospital, and police costs, add quite a bit to the GDP but take a lot out of life. What is called productivity, as measured quantitatively, may actually represent a deterioration in the quality of life.

It is argued that the accumulation of great fortunes is a necessary condition for economic growth, for only the wealthy can provide the huge sums needed for the capitalization of new enterprises. Yet in many industries, such as railroads, aeronautics, nuclear energy, and computers, much of the initial funding came from the government (that is, from the taxpayers). It is one thing to say that large-scale production requires capital accumulation but something else to presume that the source of accumulation must be the purses of the rich.

Giant corporations are subsidized by government for much of their research. And they leave a good deal of the pioneering research to smaller businesses and individual entrepreneurs. The inventiveness record of the biggest oil companies, Exxon and Shell, is strikingly undistinguished. Referring to electric appliances, one General Electric vice president noted: "I know of no original product invention, not even electric shavers or heating pads, made by any of the giant laboratories or corporations. . . . The record of the giants is one of moving in, buying out, and absorbing the small creators."[29] The same can be said of recent advances in the software industry.

Defenders of the free market claim that big production units are needed for the modern age. However, bigness is less the result of technological necessity and more the outcome of profit-driven acquisitions and mergers, as when the same corporation has holdings in manufacturing, insurance, utilities, amusement parks, broadcast media, and publishing.

When times are good, the capitalists sing praise to the wonders of their free-market system. When times are bad, they blame labor for capitalism's



ills. Workers must learn to toil harder for less in order to stay competitive in the global economy, they say; then business would not move to cheaper labor markets in Third World countries. But workers who take wage and benefit cuts "in order to remain competitive" often end up seeing their jobs exported overseas anyway.

One cause of low productivity is technological obsolescence. Unwilling to spend their own money to modernize their plants, big companies cry

poverty and call for federal funds to finance technological innovation — supposedly to help them compete against foreign firms. Yet, these same companies might then produce huge cash reserves for mergers. For example, after laying off twenty thousand workers, refusing to modernize its aging plants, and milking the government of hundreds of millions of dollars in subsidies and tax write-offs, U.S. Steel came up with $6.2 billion to purchase Marathon Oil in 1981.

"Desirable" Unemployment

During 1997–2000, inflation was slowing down, unemployment was at its lowest level in years, the federal budget showed a surplus for the first time in decades, corporate coffers were brimming with profits, and the stock market was soaring into the stratosphere. It was called the "Clinton prosperity." But a closer look revealed that real wages were below 1973 levels, consumer debt and personal bankruptcies were at record highs, and the gap between the rich and most other people was wider than at any time since the 1920s. "A rising tide lifts all yachts," as one wag put it. Low-income workers did not share in the prosperity and had yet to recover from the sharp erosion of earnings they had suffered over the previous two decades. The "Clinton prosperity" still left 32.2 million U.S. residents living below the poverty level, with a record number of people requiring the support of charitable food banks.[30]

In capitalist societies, if people cannot find work, that is their misfortune. No free-market economy has ever come close to full employment. If anything, unemployment is useful to capitalism. Without a reserve army of unemployed to compete for jobs and deflate wages, labor would cut more deeply into profits. In recent years the official unemployment count has ranged around 5 to 7 percent, or over nine million people. But this figure does not include an estimated four to five million "discouraged" workers who have exhausted their unemployment compensation and left the rolls, millions of part-timers or reduced-time workers who want full-time jobs, nor the many forced into early retirement, those who join the armed forces because they cannot find work (and who are thereby listed as "employed"), and prison inmates who would have been listed as unemployed but for incarceration.[31]

The number of underemployed part-time workers jumped from 12.6 million to 27.8 million between 1965 and 1995. (Of course, some people on the job market prefer part-time work because of school or family obligations. But they do not make up the bulk of the part-time and some-time employees.) The median hourly wage of part-timers was about one-third less than full-time employees in the same occupations. The number of workers who found it necessary to hold down two jobs climbed from 3.7 million to

8 million between 1975 and 1995. Among the part-timers are millions of "contract workers," who are paid only for hours put in, without promise of regular employment. About one-fifth of them, more than a million, have returned to their previous employers, working at the same jobs but now at lower wages, without health insurance, paid vacations, pension fund, seniority, or hope of advancement. U.S. Labor Department statistics show that only about 35 percent of laid-off full-time workers end up with equally remunerative or better-paying jobs.[32]

Some people say there is plenty of work available; unemployment results because individuals are just lazy. But when unemployment jumps by a half-million or more during an economic slump, is it really because a mass of people suddenly found work too irksome and preferred to lose their income, homes, cars, medical coverage, and pensions? When decent jobs do open up, vast numbers of the "lazy" line up for them. To give a few examples from the 1997–98 "boom years": At a John Deere plant in Ottumwa, Iowa, 4,000 people applied for 53 jobs. In Eleanor, West Virginia, 27,500 applied for 250 openings at a new Toyota plant. And in New York City, 4,000 people lined up for 700 relatively low-paying hotel jobs.

Technological advances and automation can expand worker productivity without bringing a commensurate gain in jobs. For example, Chrysler once announced an investment of $225 million for a new line of Dodge trucks that created only seventy jobs; at the same time Chrysler continued to lay off workers. Another cause of decline in better-paying jobs is the runaway shop: U.S. firms move to cheaper Third World labor markets, supposedly to maintain their competitiveness in the global economy. As one corporate executive put it, "Until we get real wages down much closer to those of the Brazils and South Koreas, we cannot pass along productivity gains to wages and still be competitive."[33] In other words, working people will share in the growing profits only after they join the race to the bottom and are reduced to desperate Third World poverty-wage levels.

The Hardships of Working America

We hear that the United States is a middle-class nation, but actually most Americans are working-class. Their income source is hourly wages and their labor is manual, unskilled, or semiskilled. Even among white-collar service employees, the great majority are nonmanagerial and low-wage.[34] Compared to twenty years ago, U.S. workers put in an annual average of 180 additional hours on the job — the equivalent of six more weeks of toil. They have more forced overtime, fewer paid days off, fewer benefits, less sick leave, shorter vacations, and less discretionary income. Middle-class families are deeper in debt. People are working harder for relatively less in order to generate sufficient income for themselves and their dependents, a necessity that has become more urgent as wages stagnate, higher-paying jobs disappear, and government income supplements are reduced.[35]

One survey found that 70 percent of respondents felt less secure in their jobs and 73 percent reported greater stress on the job in recent years. Another showed that one hundred million U.S. residents are worried that their total family income is not enough to meet expenses.[36] Even conservative business leader Mortimer Zuckerman allowed that "fewer than one job in five pays enough today to support a family of four."[37]

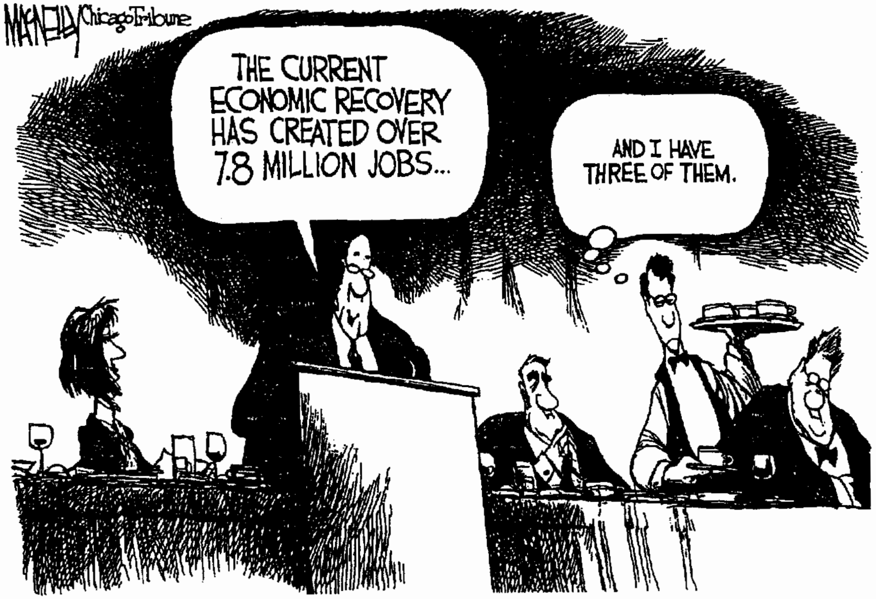
By the end of the twentieth century, the Census Bureau reported 12.7 percent of the U.S. population, or 34.4 million, living below the poverty level. This estimate understates the problem by excluding many undocumented workers and other poor people who go uncounted in the census. Almost two-thirds of the families below the government's official poverty line have a member who is fully employed. They work for a living but not for a living wage. At the height of the "Clinton prosperity," about 5.6 million *full-time* workers were living in poverty.[38]

Among the "working poor" can be numbered the thousands of janitors around the country who launched concerted struggles for a living wage in 2000. In Los Angeles, the 26-percent wage increase that striking janitors won would still leave them with an annual wage of only $19,000 by 2003, in an area where rents often run far higher than their total income.[39] Then there are the farm laborers who toil for meager sums while working and living under distressing conditions, and the growing numbers of sweatshop employees who put in long hours for below minimum wages, plus the immigrant female domestics in affluent households who work twelve-to-fifteen-hour shifts, six days a week, for wages sometimes amounting to as little as two dollars an hour.[40]

An additional twenty-five million people in the United States live just above the official poverty line in dire straits. They have no medical insurance, are often unable to pay utility bills or keep up car payments, and some even lack sufficient funds for food during certain times in the month.[41] It is not laziness that keeps these people down, but the low wages their bosses pay them and the high prices, exorbitant rents, and heavy taxes they must pay others.

As of 2000, the Census Bureau's poverty line for a family of four was $17,050. The poverty level is purportedly adjusted regularly by the Consumer Price Index (CPI) to account for inflation. However, for those of modest means, a larger proportion of their income goes to basic necessities such as rent, food, fuel, and medical care than to other items. The cost of these necessities rose much more rapidly than the general price index, but the Census Bureau has failed to adjust for this, thereby grossly underestimating the nation's poor.[42]

Americans have been taught that they are the most prosperous people in the world. The truth is, of twenty major industrial countries, the United



States ranks fifteenth in life expectancy and has the highest poverty rate, the highest infant mortality rate, and the highest rate of youth deaths due to accidents, homicide, and other violence.[43]

The poor pay more for most things: 30 percent interest on auto loans for unreliable used cars, exorbitant rents in run-down unsafe buildings that slumlords refuse to repair, and installment sales that charge interest rates of 200 to 300 percent. Unregulated and extremely lucrative fringe "banks" and check cashing companies make billions of dollars annually by charging low-income people fees of up to 10 percent to cash their paychecks or welfare and Social Security checks. Others make short-term loans to people who run short of cash between paychecks, a business that made an estimated $2 billion in 2000. Calculated on an annual base, the loan fees can be 500 percent or higher. Many of these storefront usury shops are owned or funded by major banks and corporations, including Chase Manhattan, NationsBank, Ford, and American Express. Their growth has been fueled by a decline in the number of households with bank accounts and an increase in low-income population.[44]

Especially hard hit are African Americans and Latinos, who are disproportionately concentrated in low-paying jobs, and endure unemployment and poverty rates about twice as high as that of Whites.[45] For all the talk about affirmative action and favoritism to non-Whites, in fact, people of

color continue to suffer racial discrimination in employment and other areas of life. One investigation demonstrated that when Whites and African Americans, who were deliberately matched in qualifications, applied for the same jobs, the Whites were three times more likely to be hired, and less likely to encounter discouragement and slighting treatment.[46] Ethnic minorities are still turned down more often than Whites for home mortgages, regardless of income.[47] There does exist a widespread unofficial "affirmative action," but it operates on behalf of middle- and upper-class Whites.

Women also number among the superexploited. Of the more than fifty-eight million females who work, a disproportionately high number are concentrated in low-paying secretarial and service jobs. In the mid-1960s women averaged 69 cents for every dollar men made. After thirty years of struggle and hard work, they now earn 76 cents for every dollar men receive. At that rate, women will need another hundred years of sacrifice and struggle to achieve wage parity. Although twenty million mothers are working, 44 percent of single mothers remain below the poverty level. Two out of three adults in poverty are women.[48]

The Human Costs of Economic Injustice

In 2000, thirteen million of the nation's children lived in poverty, a higher rate than twenty years before. Elected officials and children's advocates across the country cited low wages and high living costs as primary factors in the prevalence of child poverty. Children in poverty are more likely to be born at a low birth weight, die in infancy or early childhood, and contract serious ailments, including diseases associated with malnutrition. They are more likely to experience hunger, suffer from untreated illnesses, be exposed to environmental toxins and domestic and neighborhood violence, and suffer lethargy and delays in learning development.[49] A Surgeon General's report found that young and elderly poor suffer a "silent epidemic of oral disease," from tooth decay to mouth cancer, due largely to poor overall health and inability to pay for dental care or dental insurance.[50]

By the end of the 1990s, during one of the longest economic booms in U.S. history, almost one in ten households (some 30 million people, up from 25 million in 1985) reported not getting enough to eat during some part of the month. Food banks and soup kitchens were busier than ever. Hunger or near-hunger levels were highest in New Mexico, Mississippi, Texas, Arizona, and Louisiana, in that order; and lowest in North Dakota, Massachusetts, South Dakota, Delaware, and Minnesota. Anti-hunger workers note that increasing numbers of families, especially single working mothers, line up for food baskets to supplement their insufficient earnings.[51]

In major cities and small towns, indigents pick food out of garbage cans and dumps. As one columnist noted, "If the president on his visit to China had witnessed Chinese peasants eating from garbage cans, he almost certainly would have cited it as proof that communism doesn't work. What does it prove when it happens in the capitalist success called America?"[52]

One of every five U.S. adults is functionally illiterate, including most unwed mothers. One of four inhabit substandard housing without adequate plumbing or heat. Housing is the largest single expenditure for many low-income families, consuming 60 to 70 percent of their income. Due to realty speculations, gentrification, condominium conversions, unemployment, low wages, and abolition of rent control, people of modest means have been squeezed out of the housing market in greater numbers than ever. Over two million affordable housing units have vanished during the last twenty years, forcing more and more families to double and triple up, imposing hardships and severe strains on domestic relations.[53]

Estimates of homelessness vary from one to three million, almost a third of whom are families with children. Homelessness offers a life of hunger, filth, destitution, loneliness, mental depression, and unattended illness. One study found that many persons who stayed in homeless shelters or makeshift street shelters held full-time jobs. With rents so high and pay so low, they could not afford a place to live.[54] Even among the housed, there are millions who are only a paycheck away from the streets.

Despite all the talk about the affluent elderly, almost half of the people who live in poverty are over sixty-five. Five million of them regularly experience the threat of hunger or do not get enough food to eat. Despite Medicare assistance, the elderly face the highest out-of-pocket health-care costs. Millions are finding that Social Security, pensions, and savings are insufficient. Almost half of all seniors have returned to work or are looking for work.[55]

It is difficult for those who have never known serious economic want to imagine the misery and social pathology it can cause. Studies indicate that drops in income and even modest jumps in unemployment rates bring discernible increases in illness, emotional distress, substance addictions, suicide, crime, and early visits to the grave.[56]

Over 30 percent of Americans have experienced some form of mental "disorder" such as serious depression. Tens of millions are addicted to alcohol, nicotine, or some other drug. Millions more are addicted to medical drugs such as amphetamines and barbiturates. The pushers are the doctors; the suppliers are the drug industry; the profits are stupendous.[57]

Each year, 30,000 Americans on average take their own lives. Another 17,000 or so are murdered. The number of young people who kill themselves has tripled since the 1950s.[58] Millions of U.S. women are battered by men; almost five million sustain serious injury each year.[59] Over two million children — predominantly but not exclusively from lower-income families — are battered, abused, abandoned, or seriously neglected each

year.[60] Many elderly also are subjected to serious abuse which, like child abuse, increases dramatically when economic conditions worsen.

In sum, the story of the United States' great "affluence" has a grimmer side. The free market is very good for winners, offering all the rewards that money can buy, but it is exceedingly harsh on millions of others. It is not enough to denounce the inequities that exist between the wealthy and the majority of the population; it is also necessary to understand the connection between them. By its very nature, the capitalist system squanders our natural resources, exploits and underpays our labor, creates privation and desperate social needs, serving the few at great cost to the many.

If we love our country, then we should also care for the people who inhabit it and not want to see them victimized. The data presented in this chapter are an attack not on the United States but on the untrammeled market system that victimizes our nation's people.

Notes

1. Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (New York: Modern Library, 1937, originally 1776), 33.
2. The late Victor Perlo wrote frequently on this subject; see his columns in *People's Weekly World*, April 26, 1997; May 31, 1997; and August 1, 1998.
3. For the classic statement on the nature of capitalism, see Karl Marx, *Capital*, vol. 1, available in various editions. For introductory treatments, see Marx's *Wages, Price, and Profit* (various editions), and his *A Contribution to the Critique of Political Economy* (New York: International, 1970).
4. Quoted in Pat Barile, "Where Production Benefits Workers," *Daily World*, September 20, 1984.
5. Internal Revenue Service, *Statistics of Income Bulletin*, 1999–2000; Chuck Collins and Felice Yeskel, *Economic Apartheid in America* (New York: New Press, 2000).
6. "Forbes 400 World Series," *Nation*, October 20, 1997.
7. *Wall Street Journal* quoted in Richard Grossman, "Corporations Must Not Supplant 'We the People,'" *Maine Telegram*, February 4, 1996.
8. John Miller, "A Rising Tide Fails to Lift All Boats," *Dollars and Sense*, May/June 2000.
9. For details on how the Census Bureau fudges the picture, see Michael Parenti, "Economy in Numbers: The Super Rich Are Out of Sight," *Dollars and Sense*, May/June 1998; also available on <http://www.michaelparenti.org>.
10. Paul Samuelson quoted in Sam Pizzigati, *The Maximum Wage* (New York: Apex, 1992); see also Chuck Collins, Chris Hartman, and Holly Sklar, *Divided Decade: Economic Disparity at the Century's Turn* (Boston: United for a Fair Economy, 2000); Stephen Rose, *Social Stratification in the United States 2000* (New York: New Press, 2000).
11. *New York Times*, January 13, 1999; Jake Lewis, "The Making of the Banking Behemoths," *Multinational Monitor*, June 1996; Associated Press report, September 14, 2000.
12. On the "golden parachutes" for top executives, see Victoria Colliver, "The Softest Landing," *San Francisco Examiner*, August 14, 1998; and "Pensions," *Solidarity*, United Auto Workers, May 1966.
13. *San Francisco Chronicle*, July 29, 2000; *Union*, Service Employees International Union, Spring 1996.