
Kim Scipes

Most contemporary discussions of globalisation, and especially of the impact of neoliberal economic policies, focus on the countries of the Global South (Bond 2005; Eltis and Hellinger 2003; Harris 2006; Klein 2007; MR 2007; and Scipes 1999, 2006b). Recent articles arguing that the globalisation project has receded and might be taking different approaches (Bello 2006; Thornton 2007) have also focused on the Global South. What has been somewhat discussed (Giroux 2004; Piven 2004; Aronowitz 2005) but not systematically addressed, however, is what has been the impact of globalisation and especially related neoliberal economic policies on working people in a ‘northern’ country?

This article specifically addresses this question by looking at the impact of neoliberal economic policies on working people in the United States. Following Frances Fox Piven, neoliberal economic policies refer to the set of policies carried out, in the name of individualism and unfettered markets, for “the deregulation of corporations, and particularly of financial institutions; the rollback of public services and benefit programs; curbing labour unions; ‘free trade’ policies that would pry open foreign markets; and wherever possible the replacement of public programs with private markets” (Piven 2007: 13). The case of the United States is particularly useful to examine because its elites have projected themselves as “first among equals” of the globalisation project (Bello 2006), and it is the place of the Global North where the neoliberal project has been pursued most resolutely and has advanced the farthest. In other words, the experiences of American workers illuminate the effects of the neoliberal project in the Global North to the greatest extent, and suggest what will happen to working people in other northern countries should they accept their respective governments’ adoption of such policies. However, care must be taken as to how this is understood. While sociologically-focused textbooks (Aguirre and Baker 2008; Hurst 2007) have joined together some of the most
recent thinking on social inequality—and have demonstrated that inequality not only exists but is increasing—this has been generally presented in a national context; in this case, within the United States. And if they recognise that globalisation is part of the reason for increasing inequality, it is generally included as one of a set of reasons.

This article argues that we simply cannot understand what is happening unless we put developments within a global context: the United States effects, and is affected by, global processes. Thus, while some of the impacts can be understood on a national level, we cannot ask related questions as to causes—or future consequences—by confining our examination to a national level: we absolutely must approach this from a global perspective (Nederveen Pieterse 2004 and 2008).

This also must be put in historical perspective as well, although the focus in this piece will be limited to the post-World War II situation. Inequality within what is now the United States today did not—obviously—arise overnight. Unquestionably, it began at least 400 years ago in Jamestown—with the terribly unequal and socially stratified society of England’s colonial Virginia before Africans were brought to North America (Fischer 1989), much less after their arrival in 1619, before the Pilgrims. Yet, to understand the roots of development of contemporary social inequality in the US, we must understand the rise of ‘Europe’ in relation to the rest of the world (Rodney 1972; Nederveen Pieterse 1989). In short, again, we have to understand that the development of the United States has been and will always be a global project and, without recognising that, we simply cannot begin to understand developments within the United States.

We also have to understand the multiple and changing forms of social stratification and resulting inequalities in the US. This article prioritises economic stratification, although is not limited to just the resulting inequalities. Nonetheless, it does not focus on racial, gender or any other type of social stratification. However, it is not written from the perspective that economic stratification is always the most important form of stratification, nor from the perspective that we can only understand other forms of stratification by understanding economic stratification: all that is being claimed herein is that economic stratification is one type of social stratification, arguably one of the most important types, yet, only one of several, and investigates the issue of economic stratification in the context of contemporary globalisation and the neoliberal economic policies that have developed to address this phenomenon as it affects the United States.

Once the global-historical perspective is understood and after quickly suggesting in the ‘prologue’ why the connection between neoliberal economic
policies and the effects on working people in the United States has not been made usually, this article focuses on several interrelated issues: (1) it reports the current economic situation for workers in the United States; (2) it provides a historical overview of US society since World War II; (3) it analyses the results of US Government economic policies; and (4) it ties these issues together. From that, it comes to a conclusion about the impact of neoliberal economic policies on working people in the United States.

Prologue: Origins of Neoliberal Economic Policies in the United States

As stated above, most of the attention directed toward understanding the impact of neoliberal economic policies on various countries has been confined to the countries of the Global South. However, these policies have been implemented in the United States as well. They arguably began in 1982, when the Chairman of the US Federal Reserve, Paul Volcker, launched a vicious attack on inflation—and caused the deepest US recession since the Great Depression of the late 1920s-1930s.

However, these neoliberal policies have been implemented in the US perhaps more subtly than in the Global South. This is said because, when trying to understand changes that continue to take place in the United States, these economic policies are hidden ‘under’ the various and sundry ‘cultural wars’ (around issues such as drugs, premarital sex, gun control, abortion, marriages for gays and lesbians) that have been taking place in this country and, thus, not made obvious: most Americans, and especially working people, are not aware of the changes detailed below.²

However, it is believed that the implementation of these neoliberal economic policies and the cultural wars to divert public attention are part of a larger, conscious political programme by the elites within this country that is intended to prevent re-emergence of the collective solidarity among the American people that we saw during the late 1960s and early 1970s (Piven 2004 and 2007)—of which the internal breakdown of discipline within the US military, in Vietnam and around the world, was arguably the most crucial (Moser 1996; Zeiger 2006)—that ultimately challenged, however inchoately, the very structure of the established social order, both internationally and in the United States itself. Thus, we see both Democratic and Republican Parties are in agreement to maintain and expand the US empire (in more neutral political science-ese, a ‘unipolar world’), but the differences that emerge within each party and between each party are generally confined to how this can best be accomplished. While this article focuses on the economic and social changes going on, it should be
kept in mind that these changes did not ‘just happen’: conscious political
decisions have been made that produced social results (Piven 2004) that make
the US experience—at the centre of a global social order based on an ‘advanced’
capitalist economy—qualitatively different from experiences in other more
economically-developed countries. So, what has been the impact of these
policies on workers in the US?

1) The Situation for US Workers and Growing Economic Inequality
as of Mid-2007
Steven Greenhouse of The New York Times published a piece on 4 September
2006, writing about entry-level workers, young people who were just entering
the job market. Greenhouse noted changes in the US economy; in fact, there
have been substantial changes since early 2000, when the economy last created
many jobs.

- Median incomes for families with one parent age 25-34 fell 5.9 per cent
  between 2000-2005. It had jumped 12 per cent during the late 1990s
  (The median annual income for these families today is $48,405.)
- Between 2000-2005, entry-level wages for male college graduates fell
  by 7.3 per cent (to $19.72/hr).
- Entry-level wages for female college graduates fell by 3.5 per cent (to
  $17.08).
- Entry-level wages for male high school graduates fell by 3.3 per cent (to
  $10.93)
- Entry-level wages for female high school graduates fell by 4.9 per cent
  (to $9.08)

Yet, the percentage drop in wages hides the growing gap between college
and high school graduates. Today, on average, college grads earn 45 per cent
more than high school graduates, where the gap had “only” been 23 per cent in
1979: the gap has doubled in 26 years (Greenhouse 2006b).

A 2004 story in Business Week found that 24 per cent of all working Americans
received wages below the poverty line. In January 2004, 23.5 million Americans
received free food from food pantries. “The surge for food demand is fuelled by
several forces—job losses, expired unemployment benefits, soaring health-care
and housing costs, and the inability of many people to find jobs that match the
income and benefits of the jobs they had.” And 43 million people were living in
low-income families with children (Jones 2004). A 2006 story in Business Week
found that US job growth between 2001-2006 was really based on one industry:
health care. Over this five-year period, the health-care sector has added 1.7
million jobs, while the rest of the private sector has been stagnant. Michael Mandel, the economics editor of the magazine, writes:

... information technology, the great electronic promise of the 1990s, has turned into one of the greatest job-growth disappointments of all time. Despite the splashy success of companies such as Google and Yahoo!, businesses at the core of the information economy—software, semi-conductors, telecom, and the whole range of Web companies—have lost more than 1.1 million jobs in the past five years. These businesses employ fewer Americans today than they did in 1998, when the Internet frenzy kicked into high gear (Mandel 2006: 56).

In fact, “take away health-care hiring in the US, and quicker than you can say cardiac bypass, the US unemployment rate would be 1 to 2 percentage points higher” (Mandel 2006: 57).

There has been extensive job loss in manufacturing. Over 3.4 million manufacturing jobs have been lost since 1998, and 2.9 million of them have been lost since 2001. Additionally, over 40,000 manufacturing firms have closed since 1999, and 90 per cent have been medium and large shops. In labour-intensive industries, 25 per cent of laid-off workers remain unemployed after six months, two-thirds of them who do find new jobs earn less than on their old job, and one-quarter of those who find new jobs “suffer wage losses of more than 30 per cent” (AFL-CIO 2006a: 2).

The AFL-CIO details the American job loss by manufacturing sector in the 2001-05 period:

- Computer and electronics: 543,000 workers or 29.2 per cent
- Semiconductor and electronic components: 260,100 or 36.7 per cent
- Electrical equipment and appliances: 152,500 or 26 per cent
- Vehicle parts: 153,400 or 18.6 per cent
- Machinery: 289,400 or 19.9 per cent
- Fabricated metal products: 235,200 or 13.3 per cent
- Primary metals: 144,800 or 23.5 per cent
- Transportation equipment: 246,300 or 12.1 per cent
- Furniture products: 58,500 or 13.4 per cent
- Textile mills: 158,500 or 43.1 per cent
- Apparel 220,000 or 46.6 per cent
- Leather products: 24,700 or 38.3 per cent
- Printing: 159,300 or 19.9 per cent
- Paper products: 122,600 or 20.4 per cent
- Plastics and rubber products: 141,400 or 15 per cent
An Alternative Perspective for the Global South...

- Chemicals: 94,900 or 9.7 per cent
- Aerospace: 46,900 or 9.1 per cent
- Textiles and apparel declined by 870,000 jobs 1994-2006, a decline of 65.4 per cent (AFL-CIO, 2006a: 2).

By the end of 2005, only 10.7 per cent of all US employment was in manufacturing—down from 21.6 per cent at its height in 1979—in raw numbers, manufacturing employment totaled 19.426 million in 1979, 17.263 million in 2000, and 14.232 million in 2005. The number of production workers in this country at the end of 2005 was 9.378 million. This was only slightly above the 9.306 million production workers in 1983, and was considerably below the 11.463 million as recently as 2000 (US Bureau of Labour Statistics 2006b). As one writer puts it, this is “the biggest long-term trend in the economy: the decline of manufacturing.” He notes that employment in the durable goods (e.g., cars and cable TV boxes) category of manufacturing has declined from 19 per cent of all employment in 1965 to 8 per cent in 2005 (Altman 2006). And at the end of 2006, only 11.7 per cent of all manufacturing workers were in unions (US Bureau of Labour Statistics 2007).

In addition, in 2004 and 2005, “the real hourly and weekly wages of US manufacturing workers have fallen 3 per cent and 2.2 per cent respectively” (AFL-CIO 2006a: 2). The minimum wage level went unchanged for nine years: until recently when there was a small increase—to $5.85 an hour on 24 July 2007—US minimum wage had remained at $5.15 an hour since 1 September 1997. During that time, the cost of living rose 26 per cent. After adjusting for inflation, this was the lowest level of the minimum wage since 1955. At the same time, the minimum wage was only 31 per cent of the average pay of non-supervisory workers in the private sector, which is the lowest share since World War II (Bernstein and Shapiro 2006).

In addition to the drop in wages at all levels, fewer new workers get health care benefits with their jobs: In 2005, 64 per cent of all college grads got health coverage in entry-level jobs, where 71 per cent had gotten it in 2000—a 7 per cent drop in just five years. Over a longer term, we can see what has happened to high school grads: in 1979, two-thirds of all high school graduates got health care coverage in entry-level jobs, while only one-third do today (Greenhouse 2006b). It must be kept in mind that only about 28 per cent of the US workforce are college graduates—most of the work force only has a high school degree, although a growing percentage of them have some college, but not college degrees.

As things have become so bad, many young adults have gotten discouraged
and given up. The unemployment rate is 4.4 per cent for ages 25-34, but 8.2 per cent for workers 20-24. (Greenhouse 2006a). Yet things are actually worse than that. In the US, unemployment rates are artificially low. If a person gets laid off and gets unemployment benefits—which fewer and fewer workers even get—they get a check for six months. If they have not gotten a job by the end of six months—and it is taking longer and longer to get a job—and they have given up searching for work, then not only do they lose their unemployment benefits, but they are no longer counted as unemployed: one doesn’t even count in the statistics! According to the then-head of the US Federal Reserve System, Alan Greenspan, “the average duration of unemployment increased from twelve weeks in September 2000 to twenty weeks in March [2004]” (see Shapiro 2004: 4). In March 2004, 354,000 jobs workers had exhausted their unemployment benefits, and were unable to get any additional federal unemployment assistance: Shapiro (2004: 1) notes, “In no other month on record, with data available back to 1971, have there been so many ‘exhaustees’.”

Additionally, although it’s rarely reported, unemployment rates vary by racial grouping. No matter what the unemployment rate is, it really only reflects the rate of whites who are unemployed because about 78 per cent of the workforce is white. However, since 1954, the unemployment rate of African-Americans has always been more than twice that of whites, and Latinos are about one and a half times that of whites. So, for example, if the overall rate is five per cent, then it’s at least ten per cent for African-Americans and 7.5 per cent for Latinos.

However, most of the developments presented above—other than the racial affects of unemployment—have been relatively recent. What about longer term? Paul Krugman, a Nobel Prize-winning Princeton University economist who writes for The New York Times, pointed out these longer term effects: non-supervisory workers make less in real wages today (2006) than they made in 1973! So, after inflation is taken out, non-supervisory workers are making less today in real terms than that their contemporaries made 33 years ago (Krugman 2006b). Figures provided by Stephen Franklin—obtained from the US Bureau of Statistics, and presented in 1982 dollars—show that a production worker in January 1973 earned $9.08 an hour—and $8.19 an hour in December 2005 (Franklin 2006). Workers in 2005 also had less long-term job security, fewer benefits, less stable pensions (when they have them), and rising health care costs.

In short, the economic situation for ‘average Americans’ is getting worse. A front-page story in the Chicago Tribune tells about a worker who six years ago was making $29 an hour, working at a nuclear power plant. He got laid off,
and now makes $12.24 an hour, working on the bottom tier of a two-tiered unionised factory owned by Caterpillar, the multinational earth moving equipment producer, which is less than half of his old wages. The article pointed out, “Glued to a bare bones budget, he saved for weeks to buy a five-pack of $7 T-shirts” (Franklin 2006). As Foster and Magdoff point out:

Except for a small rise in the late 1990s, real wages have been sluggish for decades. The typical (median-income) family has sought to compensate for this by increasing the number of jobs and working hours per household. Nevertheless, the real (inflation-adjusted) income of the typical household fell for five years in a row through 2004 (Foster and Magdoff 2009: 28).

A report by Workers Independent News (WIN) stated that while a majority of metropolitan areas have regained the 2.6 million jobs lost during the first two years of the Bush Administration, “the new jobs on average pay $9,000 less than the jobs replaced,” a 21 per cent decline from $43,629 to $34,378. However, WIN says that “99 out of the 361 metro areas will not recover jobs before 2007 and could be waiting until 2015 before they reach full recovery” (Russell 2006).

At the same time, Americans are going deeper and deeper into debt. At the end of 2006, total US household debt was $7.008 trillion, with home mortgage debt being $4.811 trillion and non-mortgage debt $1.749 trillion; at the end of 2006, comparable numbers were a total of $12.817 trillion; $9.705 trillion (doubling since 2000); and $2.431 trillion (US Federal Reserve 2007-rounding by author). Foster and Magdoff (2009: 29) show that this debt is not only increasing, but based on figures from the Federal Reserve, that debt as a percentage of disposable income has increased overall from 62 per cent in 1975 to 96.8 per cent in 2000, and to 127.2 per cent in 2005.

Three polls from mid-2006 found “deep pessimism among American workers, with most saying that wages were not keeping pace with inflation, and that workers were worse off in many ways than a generation ago” (Greenhouse 2006). And, one might notice, nothing has been said about increasing gas prices, lower home values, etc. The economic situation for most working people is not looking pretty.

In fact, bankruptcy filings totalled 2.043 million in 2005, up 31.6 per cent from 2004 (AP 2006), before gas prices went through the ceiling and housing prices began falling in mid-2006. Yet in 1998, writers for the Chicago Tribune had written, “… the number of personal bankruptcy filings skyrocketed 19.5 per cent last year, to an all-time high of 1,335,053, compared with 1,117,470 in 1996” (Schmeltzer and Gruber 1998). And at the same time, there were 37 million Americans in poverty in 2005, one out of every eight. Again, the rates vary by
racial grouping: while 12.6 per cent of all Americans were in poverty, the poverty rate for whites was 8.3 per cent; for African Americans, 24.9 per cent were in poverty, as were 21.8 per cent of all Latinos (what is rarely acknowledged, however, is that 65 per cent of all people in poverty in the US are white.) And 17.6 per cent of all children were in poverty (US Census Bureau 2005).

What about the 'other half'? This time, Paul Krugman gives details from a report by Ian Dew-Becker and Robert Gordon, titled "Where Did the Productivity Growth Go?." Krugman writes:

Between 1973 and 2001, the wage and salary income of Americans at the 90th percentile of the income distribution rose only 34 per cent, or about 1 per cent per year. But income at the 99th percentile rose 87 per cent; income at the 99.9th percentile rose 181 per cent; and income at the 99.99th percentile rose 497 per cent. No, that's not a misprint. Just to give you a sense of who we're talking about: the nonpartisan Tax Policy Center estimates that this year, the 99th percentile will correspond to an income of $402,306, and the 99.9th percentile to an income of $1,672,726. The Center doesn't give a number for the 99.99th percentile, but it's probably well over $6 million a year (Krugman 2006).

But how can we understand what is going on? We need to have a historical approach to understand the significance of the changes reported above.

(2) The US Social Order Since World War II

When considering the US situation, it makes most sense to look at 'recent' US developments, those since World War II. Just after the War, in 1947, the US population was about six per cent of the world's total. Nonetheless, this six per cent produced about 48 per cent of all goods and services in the world! With Europe and Japan devastated, the US was the only industrialised economy that had not been laid waste. Everybody needed what the US produced—and this country produced the goods, and sent them around the world.

At the same time, the US economy was not only the most productive, but the rise of the industrial union movement in the 1930s and 1940s—the CIO (Congress of Industrial Organisations)—meant that workers had some power to demand a share of the wealth produced. In 1946, just after the war, the US had the largest strike wave in its history: 116,000,000 production days were lost in early 1946, as industry-wide strikes in auto, steel, meat packing, and the electrical industry took place across the United States and Canada, along with smaller strikes in individual firms. Not only that, but there were general strikes
that year in Oakland, California and Stamford, Connecticut. Workers had been held back during the war, but they demonstrated their power immediately thereafter (Lipsitz 1994; Murolo and Chilty 2001). Industry knew that if it wanted the production it could sell, it had to include unionised workers in on the deal. It was this combination—devastated economic markets around the world and great demand for goods and services, the world’s most developed industrial economy, and a militant union movement—that combined to create what is now known as the “great American middle class.”

To understand the economic impact of these factors, changes in income distribution in US society must be examined. The best way to illuminate this is to assemble family data on income or wealth—income data is more available, so that will be used; arrange it from the smallest amount to the largest; and then to divide the population into fifths, or quintiles. In other words, arrange every family’s annual income from the lowest to the highest, and divide the total number of family incomes into quintiles or by 20 per cents (i.e., fifths). Then compare changes in the top incomes for each quintile. By doing so, one can then observe changes in income distribution over specified time periods.

The years between 1947 and 1973 are considered the ‘golden years’ of the US society. The values are presented in 2005 dollars, so that means that inflation has been taken out: these are real dollar values, and that means these are valid comparisons.

Figure 1: US Family Income, in US dollars, Growth and Distribution, by quintile, 1947-1973 compared to 1973-2001, in 2005 Dollars

<table>
<thead>
<tr>
<th></th>
<th>Lowest 20%</th>
<th>Second 20%</th>
<th>Third 20%</th>
<th>Fourth 20%</th>
<th>95th Percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td>1947</td>
<td>$11,758</td>
<td>$18,973</td>
<td>$25,728</td>
<td>$36,506</td>
<td>$59,916</td>
</tr>
<tr>
<td>1973</td>
<td>$23,144</td>
<td>$38,188</td>
<td>$53,282</td>
<td>$73,275</td>
<td>$114,234</td>
</tr>
<tr>
<td>Difference (26 years)</td>
<td>$11,386 (97%)</td>
<td>$19,145 (100%)</td>
<td>$27,554 (107%)</td>
<td>$36,769 (101%)</td>
<td>$54,318 (91%)</td>
</tr>
<tr>
<td>1973</td>
<td>$23,144</td>
<td>$38,188</td>
<td>$53,282</td>
<td>$73,275</td>
<td>$114,234</td>
</tr>
<tr>
<td>2001</td>
<td>$26,467</td>
<td>$45,355</td>
<td>$68,925</td>
<td>$103,828</td>
<td>$180,973</td>
</tr>
<tr>
<td>Difference (28 years)</td>
<td>$3,323 (14%)</td>
<td>$7,167 (19%)</td>
<td>$15,643 (29%)</td>
<td>$30,553 (12%)</td>
<td>$66,739 (58%)</td>
</tr>
</tbody>
</table>

Source: US Commerce Department, Bureau of the Census (hereafter, US Census Bureau) at www.census.gov/hhes/www/income/histinc/f01ar.html. All dollar values converted to 2005 dollars by US Census Bureau, removing inflation and comparing real values. Differences and percentages calculated by author. Percentages shown in both rows labelled “Difference” show the dollar difference as a percentage of the first year of the comparison.
Data for the first period, 1947-1973—the data above the grey line—
shows there was considerable real economic growth for each quintile. Over the
26-year period, there was approximately 100 per cent real economic growth for
the incomes at the top of each quintile, which meant incomes doubled after
inflation was removed; thus, there was significant economic growth in the
society.

And importantly, this real economic growth was distributed fairly evenly. The
data in the fourth line (in parentheses) is the percentage relationship between
the difference between 1947-1973 real income when compared to the 1947 real
income, with 100 per cent representing a doubling of real income: i.e., the
difference for the bottom quintile between 1947 and 1973 was an increase of
$11,386, which is 97 per cent more than $11,758 that the top of the quintile had
in 1947. As can be seen, other quintiles also saw increases of roughly
comparable amounts: in ascending order, 100 per cent, 107 per cent, 101 per
cent, and 91 per cent. In other words, the rate of growth by quintile was very
similar across all five quintiles of the population. When looking at the figures
for 1973-2001, something vastly different can be observed. This is the section
below the grey line. What can be seen? First, economic growth has slowed
considerably: the highest rate of growth for any quintile was that of 58 per cent
for those who topped the fifth quintile, and this was far below the “lagger” of
91 per cent of the earlier period.

Second, of what growth there was, it was distributed extremely unequally. And
the growth rates for those in lower quintiles were generally lower than for those
above them: for the bottom quintile, their real income grew only 14 per cent over
the 1973-2001 period; for the second quintile, 19 per cent; for the third, 29 per
cent; for the fourth, 42 per cent; and for the 80-95 per cent, 58 per cent: loosely
speaking, the rich are getting richer, and the poor poorer.

Why the change? I think two things in particular. First, as industrialised
countries recovered from World War II, corporations based in these countries
could again compete with those from the US—first in their own home countries,
and then through importing into the US, and then ultimately when they invested
in the United States. Think of Toyota: they began importing into the US in the
early 1970s, and with their investments here in the early ’80s and forward, they
now are the largest domestic US auto producer. The second cause for the change
has been the deterioration of the American labour movement: from 35.3 per
cent of the non-agricultural workforce in unions in 1954, to only 12.0 per cent of
all American workers in unions in 2006—and only 7.4 per cent of all private
industry workers are unionised, which is less than in 1930!

This decline in unionisation has a number of reasons. Part of this
deterioration has been the result of government policies—everything from the
crushing of the air traffic controllers when they went on strike by the Reagan Administration in 1981, to reform of labour law, to reactionary appointments to the National Labour Relations Board, which oversees administration of labour law. Certainly a key government policy, signed by Democratic President Bill Clinton, has been the North American Free Trade Act (NAFTA). One analyst came straight to the point:

Since ... [NAFTA] was signed in 1993, the rise in the US trade deficit with Canada and Mexico through 2002 has caused the displacement of production that supported 879,280 US jobs. Most of these lost jobs were high-wage positions in manufacturing industries. The loss of these jobs is just the most visible tip of NAFTA’s impact on the US economy. In fact, NAFTA has also contributed to rising income inequality, suppressed real wages for production workers, weakened workers’ collective bargaining powers and ability to organize unions, and reduced fringe benefits (Scott 2003: 1).

These attacks by elected officials have been joined by the effects due to the restructuring of the economy. There has been a shift from manufacturing to services. However, within manufacturing, which has long been a union stronghold, there has been significant job loss: between July 2000 and January 2004, the US lost three million manufacturing jobs, or 17.5 per cent, and 5.2 million since the historical peak in 1979, so that “Employment in manufacturing [in January 2004] was its lowest since July 1950” (CBO 2004). This is due to both outsourcing labour-intensive production overseas and, more importantly, technological displacement as new technology has enabled greater production at higher quality with fewer workers in capital-intensive production (Fisher 2004). Others have blamed burgeoning trade deficits for the rise: “... an increasing share of domestic demand for manufacturing output is satisfied by foreign rather than domestic producers” (Bivens 2005). Others have even attributed it to changes in consumer preferences (Schweitzer and Zaman 2006). Whatever the reason, of the 50 states, only five (Nevada, North Dakota, Oregon, Utah, and Wyoming) did not see any job loss in manufacturing between 1993-2003, yet 37 lost between 5.6 and 35.9 per cent of their manufacturing jobs during this period (Public Policy Institute 2004).

However, part of the credit for deterioration of the labour movement must be given to the labour movement itself: the leadership has been simply unable to confront these changes and, at the same time, they have consistently worked against any independent action by rank-and-file members. However, it must be asked: are the changes in the economy presented herein merely statistical manipulations, or is this indicating something real?
This point can be illustrated another way: by using CAGR, the Compound Annual Growth Rate. This is a single number that is computed, based on compounded amounts, across a range of years, to come up with an average number to represent the rate of increase or decrease each year across the entire period. This looks pretty complex, but it is based on the same idea as compound interest used in our savings accounts: you put in $10 today and (this is obviously not a real example) because you get ten per cent interest, so you have $11 the next year. Well, the following year, interest is not computed off the original $10, but is computed on the $11. So, by the third year, from your $10, you now have $12.10. And this is what is meant by the Compound Annual Growth Rate: this is average compound growth by year across a designated period.

Based on the numbers presented above in Figure 1, the author calculated the Compound Annual Growth Rate by quintiles (Figure 2). The annual growth rate has been calculated for the first period, 1947-1973, the years known as the ‘golden years’ of US society. What has happened since then? Compare results from the 1947-73 period to the annual growth rate across the second period, 1973-2001, again calculated by the author.

**Figure 2: Annual percentage of family income growth, by quintile, 1947-1973 compared to 1973-2001**

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<tbody>
<tr>
<td>95th Percentile</td>
<td>2.51%</td>
<td>1.66%</td>
</tr>
<tr>
<td>Fourth quintile</td>
<td>2.72%</td>
<td>1.25%</td>
</tr>
<tr>
<td>Third quintile</td>
<td>2.84%</td>
<td>.92%</td>
</tr>
<tr>
<td>Second quintile</td>
<td>2.73%</td>
<td>.62%</td>
</tr>
<tr>
<td>Lowest quintile</td>
<td>2.64%</td>
<td>.48%</td>
</tr>
</tbody>
</table>

Source: Calculated by author from the data provided by the US Census Bureau at www.census.gov/hhes/www/income/histinc/f01ar.html.

What we can see here is that while everyone’s income was growing at about the same rate in the first period—between 2.51 and 2.84 per cent annually—by the second period, not only had growth slowed down across the board, but it grew by very different rates: what we see here, again, is that the rich are getting richer, and the poor poorer. If these figures are correct, a change over time in the percentage of income received by each quintile should be observable. Ideally, if the society were egalitarian, each 20 per cent of the population would get 20 per cent of the income in any one year. In reality, it differs. To understand Figure 3, below, one must not only look at the percentage of income held by a quintile across the chart, comparing selected year by selected year, but one
needs to look to see whether a quintile’s share of income is moving toward or away from the ideal 20 per cent.

Figure 3: Percentage of family income distribution by quintile, 1947, 1973, 2001.

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Top fifth (lower limit of top 5 per cent, or 95th Percentile) — $184,500</td>
<td>43.0%</td>
<td>41.1%</td>
<td>47.7%</td>
</tr>
<tr>
<td>Second fifth — $103,100</td>
<td>23.1%</td>
<td>24.0%</td>
<td>22.9%</td>
</tr>
<tr>
<td>Third fifth — $68,304</td>
<td>17.0%</td>
<td>17.5%</td>
<td>15.4%</td>
</tr>
<tr>
<td>Fourth fifth — $45,021</td>
<td>11.9%</td>
<td>11.9%</td>
<td>9.7%</td>
</tr>
<tr>
<td>Bottom fifth — $25,616</td>
<td>5.0%</td>
<td>5.5%</td>
<td>4.2%</td>
</tr>
</tbody>
</table>

(Source: U.S. Census Bureau at www.census.gov/hhes/www/income/histinc/f02ar.html.)

Unfortunately, much of the data available publicly ended in 2001. However, in the summer of 2007, after years of not releasing data any later than 2001, the Census Bureau released income data up to 2005. It allows us to examine what has taken place regarding family income inequality during the first four years of the Bush Administration.

Figure 4: US Family Income, in US dollars, Growth and Distribution, by quintile, 2001-2005, 2005 Dollars

<table>
<thead>
<tr>
<th>Lowest 20%</th>
<th>Second 20%</th>
<th>Middle 20%</th>
<th>Fourth 20%</th>
<th>Lowest level of top 5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$26,467</td>
<td>$45,855</td>
<td>$68,925</td>
<td>$103,828</td>
</tr>
<tr>
<td>2005</td>
<td>$25,616</td>
<td>$45,021</td>
<td>$68,304</td>
<td>$103,100</td>
</tr>
<tr>
<td>Difference (4 years)</td>
<td>-$851</td>
<td>-$834</td>
<td>-$621</td>
<td>-$728</td>
</tr>
<tr>
<td>(-3.2%)</td>
<td>(-1.8%)</td>
<td>(-.01%)</td>
<td>(-.007%)</td>
<td>(1.94%)</td>
</tr>
</tbody>
</table>

Source: US Census Bureau at www.census.gov/hhes/www/income/histinc/f01ar.html. (Over time, the Census Bureau refines these amounts, so they have subsequently converted amounts to 2006 dollar values. These values are from their 2005 dollar values, and were calculated by the Census Bureau.) Differences and percentages calculated by author.

Thus, what we have seen under the first four years of the Bush Administration is that for at most Americans, their economic situation has worsened: not only has overall economic growth for any quintile slowed to a minuscule 1.94 per cent at the most, but that the bottom 80 per cent actually lost income; losing money (an absolute loss), rather than growing a little but falling
further behind the top quintile (a relative loss). Further, the decrease across the bottom four quintiles has been suffered disproportionately by those in the lowest 40 per cent of the society. This can perhaps be seen more clearly by examining CAGR rates by period.

We can now add the results of the 2001-2005 period share of income by quintile to our earlier chart:

**Figure 5: Percentage of income growth per year by percentile, 1947-2005**

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<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Top 95 percentile</td>
<td>2.51%</td>
<td>1.66%</td>
<td>.48%</td>
</tr>
<tr>
<td>Fourth fifth</td>
<td>2.72%</td>
<td>1.25%</td>
<td>-.18%</td>
</tr>
<tr>
<td>Third fifth</td>
<td>2.84%</td>
<td>.92%</td>
<td>-.23%</td>
</tr>
<tr>
<td>Second fifth</td>
<td>2.73%</td>
<td>.62%</td>
<td>-.46%</td>
</tr>
<tr>
<td>Bottom fifth</td>
<td>2.64%</td>
<td>.48%</td>
<td>-.81%</td>
</tr>
</tbody>
</table>

Source: Calculated by author from data gathered from the US Department of the Census www.census.gov/hhes/www/income/histinc/f01ar.html.

As can be seen, the percentage of family income at each of the four bottom quintiles is less in 2005 than in 1947; the only place there has been improvement over this 58-year period is at the 95th percentile (and above).

**Figure 6: Percentage of family income distribution by quintile, 1947, 1973, 2001, and 2005.**

<table>
<thead>
<tr>
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<tbody>
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<td>22.9%</td>
</tr>
<tr>
<td>Third fifth — $68,304</td>
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<td>9.6%</td>
</tr>
<tr>
<td>Bottom fifth — $25,616</td>
<td>5.0%</td>
<td>5.5%</td>
<td>4.2%</td>
<td>4.0%</td>
</tr>
</tbody>
</table>


What has been presented so far, regarding changes in income distribution, has been at the group level; in this case, quintile by quintile. It is time now to see how this has affected the society overall. Sociologists and economists use a number called the Gini index to measure inequality. Family income data have
been used so far, and we will continue using it. A Gini index is fairly simple to use. It measures inequality in a society. A Gini index is generally reported in a range between 0.000 and 1.000, and is written in thousandths, just like a winning percentage mark: three digits after the decimal. And the higher the Gini score, the greater the inequality.

Looking at the Gini index, we can see two periods since 1947, when the US Government began computing the Gini index for the country. From 1947-1968, with yearly change greater or smaller, the trend is downward, indicating reduced inequality: from .376 in 1947 to .378 in 1950, but then downward to .348 in 1968. So, again, over the first period, the trend is downward. What has happened since then? From the low point in 1968 of .348, the trend has been upward. In 1982, the Gini index hit .380, which was higher than any single year between 1947-1968, and the US has never gone below .380 since then. By 1992, it hit .403, and we’ve never gone back below: .400. In 2001, the US hit .435. But the score for 2005 has only recently been published: .440. So, the trend is getting worse, and with the policies established under George W. Bush, I see them only continuing to increase in the forthcoming period [And by the way, this increasing trend has continued under both the Republicans and the Democrats, but since the Republicans have controlled the presidency for 18 of the last 26 years (since 1981), they get most of the credit—but let’s not forget that the Democrats have controlled Congress across many of those years, so they, too, have been an equal opportunity destroyer!]

However, one more question must be asked: how does this income inequality in the US, compared to other countries around the world? Is the level of income inequality comparable to other “developed” societies, or is it comparable to “developing” countries? We must turn to the US Central Intelligence Agency (CIA) for our data. The CIA computes Gini scores for family income on most of the countries around the world, and the last time checked in 2007 (August 1), they had data on 122 countries on their web page and these numbers had last been updated on 19 July 2007 (US Central Intelligence Agency 2007). With each country listed, there is a Gini score provided. Now, the CIA does not compute Gini scores yearly, but they give the last year it was computed, so these are not exactly equivalent but they are suggestive enough to use. However, when they do assemble these Gini scores in one place, they list them alphabetically, which is not of much comparative use (US Central Intelligence Agency 2007).

However, the World Bank categorises countries, which means they can be compared within category and across categories. The World Bank, which does not provide Gini scores, puts 208 countries into one of four categories based on
Gross National Income per capita—that's total value of goods and services sold in the market in a year, divided by population size. This is a useful statistic, because it allows us to compare societies with economies of vastly different size: per capita income removes the size differences between countries. The World Bank locates each country into one of four categories: lower income, lower middle income, upper middle income, and high income (World Bank 2007a). Basically, those in the lower three categories are 'developing' or what we used to call 'third world' countries, while the high income countries are all of the so-called developed countries.

The countries listed by the CIA with their respective Gini scores were placed into the specific World Bank categories in which the World Bank had previously located them (World Bank 2007b). Once grouped in their categories, median Gini scores were computed for each group. When trying to get one number to represent a group of numbers, median is considered more accurate than an average, so the median was used, which means half of the scores are higher, half are lower—in other words, the data is at the 50th percentile for each category. The Gini score for countries, by Gross National Income per capita, categorised by the World Bank:

**Figure 7: Median Gini Scores by World Bank income categories**

<table>
<thead>
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<tbody>
<tr>
<td>Low income countries (less than $875/person/year)</td>
<td>.406</td>
<td>.450</td>
</tr>
<tr>
<td>Lower-middle income countries (between $876-3,465/person/year)</td>
<td>.414</td>
<td>.450</td>
</tr>
<tr>
<td>Upper-middle income countries (between $3,466-10,725/person/year)</td>
<td>.370</td>
<td>.450</td>
</tr>
<tr>
<td>Upper-income countries (over $10,726/person/year)</td>
<td>.316</td>
<td>.450</td>
</tr>
</tbody>
</table>

(Countries selected by US Central Intelligence Agency were placed in categories developed by the World Bank) and compared to 2004 US Gini score as calculated by US Central Intelligence Agency (CIA).

As can be seen, with the (CIA-calculated) Gini score of .450, the US family income is more unequal than the medians for each category, and is more unequal than some of the poorest countries on earth, such as Bangladesh (.318—calculated in 2000), Cambodia (.400, 2004 est.), Laos (.370-1997), Mozambique (.396, 1996-97), Uganda (.450-1999) and Vietnam (.361, 1998). This same finding
also holds true using the more conservative Census Bureau-calculated Gini score of .440.

Thus, the US has not only become more unequal over the 35 years, as has been demonstrated above, but has attained a level of inequality that is much more comparable to those of developing countries in general and, in fact, is more unequal today than some of the poorest countries on earth. There is nothing suggesting that this increasing inequality will lessen anytime soon. And since this increasing income inequality has taken place under the leadership of both major political parties, there is nothing on the horizon that suggests either will resolutely address this issue in the foreseeable future regardless of campaign promises made. However, to move beyond discussion of whether President Obama is likely to address these and related issues, some consideration of governmental economic policies is required. Thus, he will be constrained by decisions made by previous administrations, as well as by the ideological blinders worn by those he has chosen to serve at the top levels of his administration.

3) Governmental Economic Policies

There are two key points that are especially important for our consideration: the US Budget and the US National Debt. They are similar, but different—and consideration of each of them enhances understanding.

A) US Budget. Every year, the US Government passes a budget, whereby governmental officials estimate beforehand how much money needs to be taken into cover all expenses. If the government actually takes in more money than it spends, the budget is said to have a surplus; if it takes in less than it spends, the budget is said to be in deficit.

Since 1970, when Richard Nixon was President, the US budget has been in deficit every year except for the last four years under Clinton (1998-2001), where there was a surplus. But this surplus began declining under Clinton—it was $236.2 billion in 2000, and only $128.2 billion in 2001, Clinton’s last budget. Under Bush, the US has gone drastically into deficit: -$157.8 billion in 2002; -$377.6 billion in 2003; -$412.7 billion in 2004; -$318.3 billion in 2005; and “only”-$248.2 billion in 2006 (Economic Report of the President 2007: Table B-78). Now, that is just yearly surpluses and deficits. They get combined with all the other surpluses and deficits since the US became a country in 1789 to create a cumulative amount, what is called the National Debt.

B) US National Debt. Between 1789 and 1980—from Presidents Washington through Carter—the accumulated US National Debt was $909 billion or, to put it another way, $.9 trillion. During Ronald Reagan’s presidency (1981-89), the National Debt tripled, from $.9 trillion to $2.868
trillion. It has continued to rise. As of the end of 2006, 17 years later and after a four-year period of surpluses where the debt was somewhat reduced, National Debt (or Gross Federal Debt) was $8.451 trillion (Economic Report of the President 2007: Table B-78). To put it into context: the US economy, the most productive in the world, had a Gross Domestic Product (GDP) of $13.061 trillion in 2006, but the National Debt was $8.451 trillion—64.7 per cent of GDP—and growing (Economic Report of the President 2007: Table B-1). In April 2006, one investor reported that “the US Treasury has a hair under $8.4 trillion in outstanding debt. How much is that? He put it into this context: “…if you deposited one million dollars into a bank account every day, starting 2006 years ago, that you would not even have ONE trillion dollars in that account” (Van Eeden 2006).

Let’s return to the budget deficit: like a family budget, when one spends more than one brings in, they can do basically one of three things: (a) they can cut spending; (b) they can increase taxes (or obviously a combination of the two); or (c) they can take what I call the ‘Wimpy’ approach. For those who might not know this, Wimpy was a cartoon character, a partner of “Popeye the Sailor,” a Saturday morning cartoon that was played for over 30 years in the United States. Wimpy had a great love for hamburgers. And his approach to life was summed up in his rap: “I’ll gladly give you two hamburgers on Tuesday, for a hamburger today.”

What is argued is that the US Government has been taking what I call the Wimpy approach to its budgetary problems: it does not reduce spending, it does not raise taxes to pay for the increased expenditures—in fact, President Bush cut taxes for the wealthiest Americans—but instead it sold US Government securities, often known as Treasuries, to rich investors, private corporations or, increasingly, to other countries to cover the budget deficit. In a set number of years, the US Government agrees to pay off each bond—and the difference between what the purchaser bought them for and the increased amount the US Government pays to redeem them is the cost of financing the Treasuries, a certain percentage of the total value. By buying US Treasuries, other countries have helped keep US interest rates low, helping to keep the US economy in as good of shape as it has been (thus, keeping the US market flourishing for them), while allowing the US Government not to have to confront its annual deficits. At the end of 2006, the total value of outstanding Treasuries—to all investors, not just other countries—was $8.507 trillion (Economic Report of the President 2007: Table B-87). It turns out that at in December 2004, foreigners owned approximately 61 per cent of all outstanding US Treasuries. Of that, seven per cent was held by China; these were valued at $223 billion (Gundzik 2005).
The percentage of foreign and international investors’ purchases of the total US public debt since 1996 has never been less than 17.7 per cent, and it has reached a high of 25.08 per cent in September 2006. In September 2006, foreigners purchased $2.134 trillion of Treasuries; these were 25.08 per cent of all purchases, and 52.4 per cent of all privately-owned purchases (Economic Report of the President, 2007: Table B-89). Altogether, “the world now holds financial claims amounting to $3.5 trillion against the United States, or 26 per cent of our GDP” (Humpage and Shenk 2007: 4).

Since the US Government continues to run deficits, because the Bush Administration has refused to address this problem, the United States has become dependent on other countries buying Treasuries. Like a junky on heroin, the US must get other investors (increasingly countries) to finance its budgetary deficits. To keep the money flowing in, the US must keep interest rates high—basically, interest rates are the price that must be paid to borrow money. Over the past year or so, the Federal Reserve has not raised interest rates, but prior to that, for 15 straight quarterly meetings, they did. And, as known, the higher the interest rate, the mostly costly it is to borrow money domestically, which means increasingly likelihood of recession—if not worse. In other words, dependence on foreigners to finance the substantial US budget deficits means that the US must be prepared to raise interests rates which, at some point, will choke off domestic borrowing and consumption, throwing the US economy into recession.

Yet this threat is not just to the United States—according to the International Monetary Fund (IMF), it is a threat to the global economy. A story about a then-recently issued report by the IMF begins, “With its rising budget deficit and ballooning trade imbalance, the United States is running up a foreign debt of such record-breaking proportions that it threatens the financial stability of the global economy…” The report suggested that net financial obligations of the US to the rest of the world could equal 40 per cent of its total economy if nothing was done about it in a few years, “an unprecedented level of external debt for a larger industrial country” according to the report. What was perhaps even more shocking than what the report said was which institution said it: “The IMF has often been accused of being an adjunct of the United States, its largest shareholder” (Becker and Andrews 2004).

Other analysts go further. After discussing the increasingly risky nature of global investing, and noting that “The investor managers of private equity funds and major banks have displaced national banks and international bodies such as the IMF,” Gabriel Kolko (2007) quotes Stephen Roach, Morgan Stanley’s chief economist, on 24 April 2007: “a major financial crisis seemed imminent and that the global institutions that could forestall it, including the IMF, the
World Bank and other mechanisms of the international financial architecture, were utterly inadequate." Kolko recognises that things may not collapse immediately, and that analysts could be wrong, but still concludes, "the transformation of the global financial system will sooner or later lead to dire results" (Kolko 2007: 5).

What might happen if investors decided to take their money out of US Treasuries and, say, invest in Euro-based bonds? The US would be in big trouble, would be forced to raise its interest rates even higher than it wants—leading to possibly a severe recession—and if investors really shifted their money, the US could be observably bankrupt; the curtain hiding the "little man" would be opened, and he would be observable to all.

Why would investors rather shift their investment money into Euro-bonds instead of US Treasuries? Well, obviously, one measure is the perceived strength of the US economy. To get a good idea of how solid a country's economy is, one looks at things such as budget deficits, but perhaps even more importantly balance of trade: how well is this economy doing in comparison with other countries?

The US international balance of trade is in the red and is worsening: $717 billion in 2005. In 1991, it was $31 billion. Since 1998, the US trade balance has set a new record for being in the hole every year, except during 2001, and then breaking the all time high the very next year! $165 B in 1998; $263 B in 1999; $378 B in 2000; only $362 B in 2001; $421 B in 2002; $494 B in 2003; $617 B in 2004; and $717 B in 2005 (Economic Report of the President 2007: Table B-103). According to the Census Department, the balance of trade in 2006 was -$759 billion (US Census Bureau 2007).

And the US current account balance, the broadest measure of a country's international financial situation—which includes investment inside and outside the US in addition to balance of trade—is even worse: it was -$805 B in 2005, or 6.4 per cent of national income. "The bottom line is that a current account deficit of this unparalleled magnitude is unsustainable and there is no hope of it being painlessly resolved through higher exports alone," according to one analyst (quoted in Swann 2006). Scott notes that the current account deficit in 2006 was -$857 billion (Scott 2007b, fn. 1). "In effect, the United States is living beyond its means and selling off national assets to pay its bills" (Scott 2007b: 1).21

In addition, during mid-2007, there was a bursting of a domestic "housing bubble," which has threatened domestic economic well-being but that ultimately threatens the well-being of global financial markets. There had been a tremendous run-up in US housing values since 1995—with an increase of more than 70 per cent after adjusting for the rate of inflation—and this had created
“more than $8 trillion in housing wealth compared with a scenario in which house prices had continued to rise at the same rate of inflation,” which they had done for over 100 years, between 1890 and 1995 (Baker 2007: 8).

This led to a massive oversupply of housing, accompanied with falling house prices: according to Dean Baker, “the peak inventory of unsold new homes of 573,000 in July 2006 was more than 50 per cent higher than the previous peak of 377,000 in May of 1989” (Baker 2007: 12-13). This caused massive problems in the sub-prime housing market—estimates are that almost $2 trillion in sub-prime loans were made during 2005-06, and that about $325 billion of these loans will default, with more than 1 million people losing their homes (Liedtke 2007)—but these problems are not confined to the sub-prime loan category: because sub-prime and “Alt-A” mortgages (the category immediately above sub-prime) financed 40 per cent of the housing market in 2006, “it is almost inevitable that the problems will spill over into the rest of the market” (Baker 2007: 15). And Business Week agrees: “Subprime woes have moved far beyond the mortgage industry.” It notes that at least five hedge funds have gone out of business, corporate loans and junk bonds have been hurt, and the leveraged buyout market has been hurt (Goldstein and Henry 2007).

David Leonhardt (2007) agrees with the continuing threat to the financial industry. Discussing “adjustable rate mortgages”—where interest rates start out low, but reset to higher rates, resulting in higher mortgage payments to the borrower—he points out that about $50 billion of mortgages will reset during October 2007, and that this amount of resetting will remain over $30 billion monthly through September 2008. “In all,” he writes, “the interest rates on about $1 trillion worth of mortgages or 12 per cent of the nation’s total, will reset for the first time this year or next.”

Why all of this is so important is because bankers have gotten incredibly “creative” in creating new mortgages, which they sell to home buyers. Then they bundle these obligations and sell to other financial institutions and which, in turn, create new securities (called derivatives) based on these questionable new mortgages. Yes, it is basically a legal ponzi scheme, but it requires the continuous selling and buying of these derivatives to keep working: in early August 2007, however, liquidity—especially “financial instruments backed by home mortgages”—dried up, as no one wanted to buy these instruments (Krugman 2007). The US Federal Research and the European Central Bank felt it necessary to pump over $100 billion into the financial markets in mid-August 2007 to keep the international economy solvent (Norris 2007).

So, economically, this country is in terrible shape—with no solution in sight. On top of this—as if all of this is not bad enough—the Bush Administration
was asking for another $481.4 billion for the Pentagon's base budget, which it noted was "a 62 per cent increase over 2001." Further, the Administration sought an additional $93.4 billion in supplemental funds for 2007 and another $141.7 billion for 2008 to help fund the "Global War on Terror" and US operations in Iraq and Afghanistan (US Government 2007). According to Stockholm International Peace Research Institute (SIPRI), in 2006, the US defence spending was equivalent to 46 per cent of all military spending in the world, meaning that almost more money was provided for the US military in one year than was spent by the militaries of all the other countries in the world combined (SIPRI 2007). And SIPRI's accounting doesn't include the $500 billion spent so far, approximately, on wars in Afghanistan and Iraq.

In short, not only have things gotten worse for American working people since 1973—and especially after 1982, with the imposition of neoliberal economic policies by institutions of the US Government—but ongoing Federal budget deficits, the escalating National Debt, the need to attract foreign money into US Treasuries, the financial market "meltdown" as well as the massive amounts of money being channelled to continue the empire, all suggest that not only will intensifying social problems not be addressed, but will get worse for the foreseeable future.

4) Synopsis

This analysis provides an extensive look at the impact of neoliberal economic policies enacted in the United States on American working people. These neoliberal economic policies have been enacted as a conscious strategy by US corporate leaders and their governmental allies in both major political parties as a way to address intensifying globalisation while seeking to maintain US dominance over the global political economy.

While it will be a while before anyone can determine success or failure overall of this elite strategy but, because of its global-historical perspective, sufficient evidence is already available to evaluate the affects of these policies on American working people. For the non-elites of this country, these policies have had a deleterious impact and they are getting worse. Employment data in manufacturing, worsening since 1979 but especially since 2000 (Aronowitz 2005), has been horrific—and since this has been the traditional path for non-college educated workers to be able to support themselves and their families, and provide for their children, this data suggests social catastrophe for many—see Rubin (1995), Barnes (2005), and Bageant (2007), and accounts in Finnegan (1998) and Lipper (2004) that support this—because comparable jobs available to these workers are not being created. Thus, the problem is not just that people
are losing previously stable, good-paying jobs—as bad as that is—but that there is nothing being created to replace these lost jobs, and there is not even a social safety net in many cases that can generally cushion the blow (Wilson 1996; Appelbaum, Bernhardt, and Murnane 2003).

Yet the impact of these social changes has not been limited to only blue-collar workers, although the impact has been arguably greatest upon them. The overall economic growth of the society has been so limited since 1973, and the results increasingly being unequally distributed since then, that the entire society is becoming more and more unequal: each of the four bottom quintiles—the bottom 80 per cent of families—has seen a decrease in the amount of family income available to each quintile between 2001-05. This not only increases inequality and resulting resentments—including criminal behaviours—but it also produces deleterious effects on individual and social health (Kawachi, Kennedy and Wilkinson 1999; Eitzen and Eitzen Smith 2003). And, as shown above, this level of inequality is much more comparable internationally to ‘developing’ countries rather than ‘developed’ ones.

When this material is joined with material on the US budget, and especially the US National Debt, it is clear that these “problems” are not the product of individual failure, but of a social order that is increasingly unsustainable. While we have no idea of what it will take before the US economy will implode, all indications are that US elites are speeding up a run-away train of debt combined with job-destroying technology and off-shoring production, creating a worsening balance of trade with the rest of the world and a worsening current account, with an unstable housing market and intensifying militarism and an increasingly antagonistic foreign policy: it is like they are building a bridge over an abyss, with a train increasingly speeding up as it travels toward the bridge, and crucial indicators suggest that the bridge cannot be completed in time.

Whether the American public will notice and demand a radical change in time is not certain—it will not be enough to simply slow the train down, but it must turn down an alternative track (Albert 2003; Woodin and Lucas 2004; Starr 2005)—but it is almost certain that foreign investors will. Should they not be able to get the interest rates here available elsewhere in the ‘developed’ parts of the world, investors will shift their investments, causing more damage to working people in the United States. And when this economic-focused analysis is joined with an environmental one—George Monbiot (2007) reports that the best science available argues that industrialised countries have to reduce their carbon dioxide emissions by 90 per cent by the year 2030 if we are to have a chance to stop global warming—then it is clear that US society is facing a period of serious social instability.
5) Conclusion

This article has argued that the situation for working people in the United States, propelled by the general governmental adoption of neoliberal economic policies, is getting worse—and there is no end in sight. The current situation and historical change have been presented and discussed. Further, an examination and analysis of directly relevant US economic policies have been presented, and there has been nothing in this analysis that suggests a radical, but necessary, change by US elected officials is in sight. In other words, working people in this country are in bad shape generally—and it is worse for workers of colour than for white workers—and there is nothing within the established social order that suggests needed changes will be effected.

The neoliberal economic policies enacted by US corporate and government leaders have been a social disaster for increasing numbers of families in the United States. Globalisation for profit—or what could be better claimed to be “globalisation from above”—and its resulting neoliberal economic policies have long been recognised as being a disaster for most countries in the Global South. This study argues that this top-down globalisation and the accompanying neoliberal economic policies have been a disaster for working people in northern countries as well, and most particularly in the United States. The political implications from these findings remain to be seen. Surely, one argument is not only that another world is possible, but that it is essential.

This paper was given at the April 2009 Annual Conference of the United Association for Labour Education at the National Labour College in Silver Spring, Maryland, USA.

Notes

1 By “northern” country, I use this term to refer collectively to the industrialised countries of the United States, Canada, Western Europe, Australia and New Zealand, and Japan. Although this paper was initially written during 2007 to address the larger issue of the effects of neoliberal economic policies on the United States, it also serves as a “snapshot” of economic conditions in this country just before the escalating economic crisis that has been considered as beginning in 2007. Accordingly, with only a few minor exceptions, I have not updated the data beyond 2006, even when available, so as to not “confuse” the analysis: unless specifically noted, the findings herein, are a result of the political-economic policies adopted by governmental and business leaders prior to the financial crisis, and thus cannot be attributed to the crisis.

2 Joe Bageant (2007) provides an in-depth look at individual, non-unionised white workers in and around Winchester, Virginia, and the impact of changes on these people and their families. While he shows they are very aware of how things are generally worsening for themselves and others in the region, Bageant also shows that they have little to no accurate understanding of what is causing these problems.
This author’s experiences—growing up (at time in poverty) and serving as an enlistee in the US Marine Corps (1969-73), following with over 30 years experience as an activist in working class communities of all colors, working in and around the US labor movement, and living in a number of areas around the United States—and his academic training confirm this. See also, for example, William Finnegan (1998), Eitzen and Eitzen Smith (2003), Lipper (2004) and Barnes (2005).

For an interesting and vivid account of the struggles of low-waged workers—albeit written by an upper middle class professional journalist who took a series of low-waged jobs on an assignment—see Ehrenreich (2001).

Author’s calculation of data from the “Economic Report of the President, 2007” (last updated 12 February 2007) shows 10.7 per cent of the total workforce employed in manufacturing (Economic Report of the President 2007, Table B-46).

These were not all in the manufacturing sector, although most were. Exact data has not been found.

In the US, because there is no national health service, health insurance is generally only provided through employment. Approximately 47 million Americans, 16.1 per cent of the population, had no health insurance in 2005. The number uninsured rose by 1.3 million between 2004-05, and almost 7 million between 2000 and 2005. “The percentage of people (workers and dependents) with employment-based health insurance has dropped by 70 per cent in 1987 to 59.5 per cent in 2005. This is the lowest level of employment-based health insurance coverage in more than a decade... (National Coalition on Health Care 2007: 1).

An Issue Brief“ from the Democratic Party members serving on the Committee on Ways and Means in the US House of Representatives, dated October 21, 2003, pointed out that “the US economy has lost 2.7 million jobs since March 2001.” They made the point that “This has been the longest period of declining employment since the Great Depression,” and presented a chart (#2) that showed “The Change in Private Employment, Two Years After the Recession Began.” The chart shows the decline of 2.8 per cent in private employment during the recession beginning in 2001—the closest figures from a comparable period was after the beginning of the 1973 recession, when private employment declined 1.7 per cent (US Ways and Means Committee Democrats 2003).

If this figure had reached 50 per cent, it would have meant that the US would have produced goods and services equal in value to those produced by all the other countries in the world combined! Still, 48 per cent is pretty impressive.

To better understand the US social situation, following Metzgar (2000), I delineate between the “professional” middle class—generally college educated and often employed as professionals such as doctors and lawyers, etc., as well as in management—and the “working” middle class, traditionally skilled workers and members of industrial unions in industries such as coal, steel, auto, meat packing, etc. While the post World War II economic expansion increased both parts of the middle class, it was the working part of the middle class that expanded so greatly, making a “middle class” lifestyle—including owning a boat and/or cottage on the lake, or a cabin in the woods, along with the ability to provide a college education
for their children—a reality for so many unionized industrial workers and their families. Metzgar (2000) is particular good for illuminating these processes especially during the 1950s-early ‘60s, including their contradictions, among working families.

10 Social scientists distinguish between “income” and “wealth.” Income is that what you receive in a year, from wages, salaries, and/or transfer payments (“welfare,” unemployment, alimony), etc. Wealth is what one owns, and can be passed down inter-generationally, such as a house to children. Income, while unequal as shown herein, in much less unequal than wealth, which is very skewed. “In the United States, the top 1 per cent of wealth holders in 2001 together owned more than twice as much as the bottom 80 per cent of the population. If this were measured simply in terms of financial wealth, i.e., excluding equity in owner-occupied housing, the top 1 per cent owned more than four times the bottom 80 per cent” (Foster and Magdoff 2009: 130). In other words, by focusing herein on family incomes, I am taking a more conservative approach than had I focused on wealth.

11 The elites in this country, and the mainstream media they control, see the 1947-73 period as being the norm for US society, and just see the economic changes since then as being cyclic—they assume, if they give it any thought at all, that US society will return to these days—sometime. As I argued 25 years ago (Scipes 1984), the economic changes are “structural” and conditions will generally get worse for a growing number of US workers. Developments presented in this paper suggest that so far, the analysis by myself and those who have taken a critical approach to the status quo have been the more correct of the two.

12 For some strange reason, the US Government does not want people to know the situation for the top five per cent of the population; accordingly, they only give data up to the 95th per centile. So while I refer to this as the top “quintile,” in reality it only covers from the 80-95th per centiles.

13 Bivens does not consider the origins of such foreign production: it is foreign-owned, or is it US-owned, but located overseas? As trade is becoming more capital intensive, even from “cheap labor” sites such as China, it looks to be more and more US-owned. If this speculation is correct, it would mean that US manufacturers are locating overseas—away from US workers and their unions—yet exporting back to the US to take advantage of the prices found within US markets. Thus, they get foreign wage costs with US consumption patterns and prices—a nice way to increase profits, yet with worsening consequences for American workers.

Note that in its 8 June 2006 Section 301 Petition Against the Chinese Government, the AFL-CIO includes the following: “Foreign direct investment (FDI) to China increased from $46.8 billion in 2000 to $60.3 billion in 2005—or $100 billion including Hong Kong. Seventy per cent of China’s FDI is in manufacturing, with heavy concentrations in export-oriented companies and advanced technology centres. Contract (future) FDI projections are more than double the actual level today, with US-based firms leading the way (emphasis added) (AFL-CIO, 2006a: 4). The AFL-CIO also quotes the vice chairman of the US-China Economic and Security Review Commission, who stated, we are witnessing “the actual transfer
of US national manufacturing capacity [to China] and the export back of the goods” (AFL-CIO 2006a: 1).


In other words, trade with China has costs jobs in the United States—for an excellent analysis see Scott, 2007a—as the AFL-CIO and the Economic Policy Institute have claimed repeatedly. However, both organisations blame the Chinese government for unfairly trading with the US. I argue that my 2006 reasoning is more compelling (Scipes 2006a): it is the decisions by US-based multinational corporations and their governmental supporters to transfer production to China—both getting way from US unions and obtaining much lower wage rates—that is responsible for these massive job losses, not the Chinese government.

14. It is impossible to cover the literature on conditions within the US labour movement and efforts to change it with a couple of citations: the range is extensive, and much of it is of high quality. For the most extensive listing of references that I know of, organised by subject, is Kim Scipes’ “Contemporary Labor Issues” bibliography, which is on-line at http://faculty.pnc.edu/kspipes/LaborBib.htm. This, incidentally, is updated fairly regularly, and when possible, links are provided to articles on line. Some of the better books include Goldfield (1987) on the decline of the US labor movement; Tillman and Cummings, eds. (1999) on grassroots efforts to change the labour movement for the better; Luce (2004) for expanding the conceptualisation of labor to include the fight for a “living wage”; Rose (2000) and Clawson (2003) for building coalitions with organisations not usually considered in the labour movement; Turner, Katz and Hurd, eds. (2001) and Milkmam and Voss, eds. (2004) for collections of articles on rebuilding and rethinking the labour movement; Lopez (2004) for an in-depth study of efforts to reform SEIU (Service Employees International Union) local unions in the Pittsburgh, Pennsylvania area; and Fletcher and Gaspas (2008) for an examination of the labour movement after the 2005 split and the emergence of the Change to Win labour center. An earlier collection that brought together research on union strategies, and is still valuable, is Bronfenbrenner, Friedman, Hurt, Oswald, and Seeber, eds. (1998).

15 The dollar values provided are the top level for each quintile in 2005 dollars, except for the top quintile, which is artificially ended by the government at the 95th percentile. This is obtained from www.census.gov/hhes/www/income/histinc/f01ar.html.) This amount can be translated into current dollars for any year from 1800 to 2008 by use of “The Inflation Calculator” at www.westegg.com/inflation/.

16 On 19 April 2009, as I was preparing this article, I double-checked this chart. They have a score of .440 for 2005, as reported. However, they have a Gini score of .444 for 2006, which is plausible, but they have a Gini score for 2007 as .432, which is
totally implausible and must be seen as a mistake. Historical Income Tables-Families, Table F-4.

17 When the CIA presents Gini scores, it writes them with only one digit to the right of the decimal. Thus, the US Gini score in 2004 is presented as 45.0. Their scores have been converted by this author to the usual style of presentation, 450. Note that the CIA’s 2004 measure of inequality (Gini score) in the United States is .450, while the Census Bureau’s measure in 2007—based on 2005 data—is “only” .440. Obviously some different assumptions were made by statisticians for the two agencies: I use the CIA’s higher Gini score in comparison with other countries on my assumption that measurements made within the same agency are more likely to be consistent than between agencies.

18 In an article written just before passage of the last tax cut bill by Congress, David Cay Johnston reported, “The Tax Policy Center ... estimated yesterday that 80 per cent of the tax savings will flow to the top 10 per cent of taxpayers and that almost a fifth of the benefits will flow to the top one-tenth of one per cent.” Johnston further noted, “The official estimate of the bill’s cost ... $69 billion. But this assumes tax breaks will be in place only for one year or two. If they were to continue for the next decade—which President Bush and his Republican supporters want—the cost would be more than 15 times as great, estimates by the Congressional Budget Office, an arm of Congress, show.” Included with the article is a chart by the Tax Policy Center, suggesting the average tax saving per taxpayer (in 2005 dollars) would vary by income: those making less than $10,000 would get an increase of $0 in savings; those making between $50,000-75,000 would get $112; those making between $75,000-100,000 would get $406; those making between $200,000-500,000 would get $4,527; and those making over $1 million would get $42,766 (Johnston 2006).

An article reporting a study by the non-partisan Congressional Budget Office on earlier Bush tax cuts began by saying “Families earning more than $1 million a year saw their federal tax obligations drop more sharply than any group in the country as a result of President Bush’s tax cuts...”. Families in the middle fifth of annual earnings—with annual earnings of $56,200 in 2004—saw tax cuts of approximately $1,180, while families in the top one per cent of earnings, with average incomes of $1.25 million, got tax cuts of approximately $58,000 (Andrews, 2007). For an important discussion of tax cuts implemented during the first term of the Bush Administration, see Piven (2004: 41-47).

19 At approximately the same time, foreign investors have been pouring money into long-term US securities of all types, including Treasury bonds and notes, government-backed agency securities, and corporate bonds and stocks. Floyd Norris reports that between October 1, 2004 and September 30, 2005, “foreigners put a net of $1.01 trillion into long-term American securities. It was the first time the 12-month total topped that threshold. It is a figure that works out to almost $2 million of investments per minute (Norris 2005).

20 This is not the cause of the current financial crisis, because the housing market collapsed before things could get this far. However, this reality confronts the
government as the Obama Administration confronts this crisis: should investors, particularly foreign ones, decide not to invest at current interest rates, these rates will have to be raised to secure the capital needed—with additional terrible results for the domestic economy.

21 The US Bureau of Economic Analysis (BEA) provided data on the “Balance on Current Account” from 1997 to 2006. Data is released as scheduled, and then usually a “revision” is published, which corrects mistakes and any other data that is not correct to produce a revised “Balance on Current Account.” Scott reported the original data, which was -$857 billion. The revised amount for 2006 was -$811.5 billion. There is something very interesting about the data: the revised “Balance of Current Account” has grown consistently (with the single exception of 2001) from -$140.7 billion in 1997 to -$811.5 billion in 2006 (US Bureau of Economic Affairs 2007-Table 2).

References


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