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Getting by after 50 years of economic stagnation

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The Federal Reserve Bank's annual "Report on the Economic Well-Being of U.S. Households" (released in May 2016) reports that 31 percent of Americans say they are "just getting by" or "struggling"; 22 percent have been forced to take a second job; and 46 percent would be thrown into financial crisis by an unexpected expense of just $400 – forced to borrow money (likely from a payday lender, at usurious rates) or sell something. This, the central bankers report, represents improved economic well-being.

Fifteen percent of the U.S. population is officially poor, and in their new book, *$2.00 a Day: Living on Almost Nothing in America,* Kathryn Edin and H. Luke Shaefer report that nearly 1.5 million American households receive less than $2 a day in cash income. That figure has nearly doubled since 1996 – the year Bill Clinton and a Republican Congress agreed on a major welfare "reform" bill that tied cash benefits to strict work or training requirements and limited how long benefits could be received.

Pundits and polytricksters proclaimed the reforms a wild success. Many people did get jobs, typically part-time gigs that paid wages too low to support even a single person with any measure of comfort. Because there aren't enough jobs at the bottom of the labor market to go around, it's difficult to find full-time jobs, and even more difficult to pair one part-time job with another given the rise of just-in-time scheduling.

As corporations have consolidated, increasing the dominance of handful of players in most industries, the newly empowered bosses have slashed wages and benefits – pocketing much of the savings for themselves, but also passing it along in the form of higher profits. In transportation and warehousing, for example, the 50 largest firms increased their share of industry revenue by 11.4 percent over the last 15 years, and slashed the share of income going to workers by 7.6 percent. In health care, where concentration rates declined slightly, workers saw an extremely modest 1.8 percent increase over those 15 years. So the better off the bosses are, the worse off the rest of us – at least in relative terms.

"Party Like It's 1973." That's how *Business Week* headlined a May 2016 piece heralding the return of prosperity, as indicated by the fact that first-time unemployment claims had fallen to their lowest level since November 1973. Actually, they hadn't: as the graph that followed showed, the current figure is 2.1 million, compared to 1.8 million in 1973. A series of statistics meant to reassure us that times are good followed; all making 1973 look good. The official unemployment rate is higher (though it's since fallen to 1973 levels, but only because millions of people have given up looking for work), payroll growth was twice as strong in 1973, inflation-adjusted hourly wages were higher, and annual GDP growth was two-and-a-half times higher.

This is I suppose encouraging news for mainstream economists, but it reinforces the point made in *ASR* 64 about how workers are no better off today than we were 50 years ago. We said it a year ago, and now *Business Week* concedes the point. They seem to think this is a good thing, but while we're invited to wax nostalgic for 1970s salaries and fashions (don't even think about the benefits) the bosses are reveling in the Roaring '20s, with unprecedented income disparity and so much money rolling around that some parasites can think of nothing better to do with their stolen wealth than to eat it (in the form of gold sprinkled on their food – it's flavorless and has no nutritional value [quite the opposite], but makes a statement of a sort).

The U.S. Bureau of Labor Statistics says workers have set a new record for the percentage still working in our not-so-golden years. Some 20 percent of people aged 65 and up are still working, the highest level since they started counting many decades ago. (The proportion would likely be much higher were it not for those forced to take early retirement during the great recession, and now unable to claw their way back into the labor market.) A Bloomberg report conceded that the main reason workers are postponing retirement is simply that they can't afford it, but ended on the cheery note that maybe retirement just isn't as much fun as it used to be. And, of course, if you had to refinance your home to keep afloat, lost your pension in the recession, and face the prospect of privatized Medicare, retiring may well not look too attractive. But a study by the Employee Research Institute found that while overall satisfaction with retirement is indeed declining, the wealthier you are the more you enjoy retirement. Indeed, the super-rich find retirement so much fun that some are starting in their 40s.

Payday lenders and other "nontraditional" financial services firms see opportunity in all this, of course. Once limited to pawn shops, credit cards and high-interest mortgages, there are now a host of financial instruments designed to part the unwary from their money – and steal their cars, homes and paychecks (or at least anything the cops didn't seize first through asset forfeiture and high-fee probation programs) in the process.

Rather than adopt measures that would get the government out of the union-busting business, the Obama administration is proposing regulations on the industry that would take effect next year: making sure borrowers are able to pay off a two-week loan in two weeks, that loans can't be endlessly rolled over to generate new fees, and that a borrower can't take another payday loan if he or she paid one off less than 30 days ago. (This, of course, would do nothing to address the desperation that forced workers to turn to the loan sharks in the first place; it will simply incentivize the vultures to find new schemes to take advantage of them.)

And many are desperate indeed. Average U.S. life expectancy has dropped in recent years, driven by drug overdoses and suicide. As income has stagnated and the cost of living has continued to climb, many workers have slipped into debt. One study says the average U.S. household with credit card debt is now $15,762 in the hole, with no conceivable way of digging out. (Add in car and student loans, and there are lots of workers who couldn't clear their debt in five years even if they devoted 100 percent of their income to debt payments.) And since the average household with debt pays $6,658 in interest per year, they inevitably fall deeper into debt with each year that passes.

In today's mail I see an appeal from Habitat for Humanity which begins, "Did you know there is no county in the entire United States where a family with two minimum wage incomes can afford to pay the rent? Not one!" Some of these families are homeless, others couch surf, a lucky few live in (often dilapidated) public housing, and many are crowded into tiny apartments, always a step or two from eviction. If they manage to find a place where they can manage the rent, it's probably rundown, likely poisoning their children with lead paint, in a dangerous part of town, far from jobs and quality food and decent schools. Financial catastrophe is always knocking at the door – a couple days home from work sick (or with a sick kid), a car

repair, an emergency room visit or a dental bill. That leads to the $400 question.

As organized labor has collapsed, an extreme individualism has stepped in as the alternative – a go-it-alone perspective narrowly focused on getting an education or specialized training, going to where the jobs are (what does it matter if you have a family?), and pulling yourself up by your bootstraps. Of course, there's no support to make this possible, and growing numbers of our fellow workers find themselves mired in an economy of contract work, low pay, and few, if any, benefits.

We are told that our problems are individual failures, and our successes the result of hard work or, perhaps, a reward from god. But hard work has nothing to do with it. Very few of those pulling down million dollar salaries work anywhere near as hard as the low wage workers whose labor supports them. Developing skills or getting an education only helps you get ahead as long as the boss can't find a way to outsource or automate the work, and even then only as long as those particular skills are in short supply. Many of those who were persuaded to get degrees in information technology, for example, find themselves on the industrial scrapheap as soon as a new software program comes along or the boss finds workers (perhaps halfway across the globe) who can do the work for half the cost.

The occasional wage slave can escape, but for workers as a whole our lot is simply to toil and to die. Escape is possible, but only if we work together to make it happen. Our problems are not individual problems; they are the inevitable result of our present social and economic arrangements. The solution also is not individual – it will require organization, concerted action, solidarity. Until we come together to make a new world, too many of our fellow workers will remain $400 from financial catastrophe.