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A booming economy?

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The U.S. economy is booming, at least as measured by the stock market and CEO pay levels. Both the S&P 500 and the Dow Jones indexes hit record highs this Spring, though both are slightly below their pre-Crash highs in inflation-adjusted dollars.

Corporate profits are at record highs, notes the Economic Policy Institute, and top executives are being lavishly rewarded. In 2012, the average CEO of a top-350 American-based corporation pulled in \$14.1 million, up 37.4 percent since 2009. From 1978 to 2012, CEO compensation increased 875 percent, more than double stock market growth – the average CEO now earns 273 times as much as the average worker (up from 20 times as much in 1965).

According to the Royal Bank of Canada, the total wealth of the world's millionaires (the bank includes only liquid assets in its calculations) has risen 14 percent since 2007, right before the Crash. The wealthiest of the wealthy – those with more than \$30 million – make up less than 1 percent of millionaires. But they hold over a third, 35.2 percent, of their wealth.

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The Washington Post's Wonkblog (May 28) declares that “The economy is holding up surprisingly well.” So some people are doing very well indeed.

But can we afford all this prosperity?

Stock prices are up 16 percent so far this year, housing prices are on the upswing, but average weekly wages fell 1 percent last year. “Average” pay is creeping up over the longer term, according to Bureau of Labor Statistics figures, but it is creeping up very, very slowly (about 5 percent in the past three decades) – well below increases in productivity, corporate profits, and management pay.

That average conceals much more than it reveals; inflation-adjusted median pay (half make more, half less) has fallen in the past 40 years, and the decline is particularly pronounced at the bottom pay scales. (Median household income is up somewhat, but that’s because more people are working, and working longer hours.) Wages fall, and work-time grows, even as our productivity reaches such heights that our planet is choking to death with the stuff we make. That’s because we have an economy engineered to send money to the top, and to make everyone else bear the costs.

The wealthiest 1 percent of Americans now rake in nearly a quarter of income, and control 40 percent of total wealth. The bottom 80 percent own just 7 percent of the wealth. Governments were created by the rich (despite their incessant grumblings about their taxes) precisely to preserve this state of affairs.

So wages are stagnant at best, and falling for many. Millions are unemployed. Millions more are forced into part-time work, unable to find a job where they can do more than merely subsist. To combat the costs of this social misery, unemployment benefits are being axed, food stamps gutted, schools closed, and social services decimated. We’re producing more than enough to go around, but the only thing in abundance is exploiters.

Some would have us believe that the solution is more job training or better education. It's true that more-educated people do better economically (and, of course, true education is a social good in itself), but even those with college degrees are seeing lower pay as more graduates are forced into jobs that once required only a high school diploma, or not even that, and ever more jobs are transformed from steady gigs with benefits into contract work and other "flexible" schemes. Indeed, more than 27 percent of college graduates under age 25 are now officially unemployed or under-employed (BLS figures count only involuntary part-time work; adding those forced to accept jobs that do not require their level of education or provide a living wage would surely more than double the figure). So while individual workers *might* benefit from more education (leaving aside the question of the crushing debt burden facing many recent graduates), this is hardly the solution to our collective economic woes.

Increasingly, we hear employers whining about how difficult it is to find qualified workers (and so they either want the right to import indentured labor from abroad or government subsidies for new hires or training programs). There's not the slightest evidence to support such claims. Unemployed workers outnumber available jobs in every category, according to BLS statistics (which substantially undercount unemployment). To the extent that bosses are unable to fill openings, it's because of starvation wages or, increasingly, computer programs that filter out applicants with "too much" experience, a history of receiving a living wage, or who might need a couple of days' training on a particular software package to get up to speed.

Things are of course much worse across Europe, and everywhere the austerity-peddlers have had their way.

Even some mainstream economists recognize that this economy does not work for the vast majority, even if they hope to salvage it by tinkering at the margins. Writing in the March 8 *New York Times*, Paul Krugman writes:

We are, in effect, dealing with priests who demand human sacrifices to appease their angry gods – but who actually have no insight whatsoever into what those gods actually want, and are simply projecting their own preferences onto the alleged mind of the market.

This demand for human sacrifice – for cuts to workers’ retirement benefits and to food stamps and other welfare programs, for even stingier health care services for those who work for a living, for anything that make life under this capitalist system a little more bearable – is bipartisan. The Obama administration offers up cuts to Medicare and food stamps, and proposes to “fix” the way inflation is calculated to leave Social Security benefits lagging the actual cost of living even more. The Republicans counter with proposals to subcontract retirement and health benefits to for-profit providers, and to sell off students to the lowest bidders.

Both sides are dogmatic supporters of the market and of capitalism (as is Krugman, who simply argues that it needs to be regulated, lest its brutal logic lead to horrors beyond our capacity to absorb), but markets are fundamentally inhuman. We trust our prosperity, our lives, our very planet, to them at our peril.

There is, as we have argued in these pages in the past, more than enough capacity to produce abundant lives for all, should we organize to make that happen. We could (and used to) do far better even under capitalism, by organizing to enforce demands for shorter hours, better conditions, and a more humane society. But if we are content to allow the capitalists and their government lackeys to organize the economy, and more broadly our society, then the current “recovery” is about as good as we can hope for.