Is Our Economic System Sustainable?

by Joel Shatzky

In the United States economic system, which is the world’s dominant economic system, an increasingly small percentage of the population controls an increasingly larger share of the wealth. In the “golden age” of American capitalism, the period between the end of the Korean War and the oil crisis of 1973 when OPEC raised the cost of a barrel of oil exponentially, the standard of living of most Americans increased annually. This trend ended by the mid-1970s and during the past 35 years the standard of living for the average American has declined. Families are being driven out of the middle class and more and more working people and their children face poverty.

There are many reasons for this trend. The economic dominance of the United States ended as the economies of Europe and Japan, decimated by World War II, began to catch up with the U.S. manufacturing sector. There has been a continuous outsourcing of higher-paying jobs in the manufacturing sector as companies sacrifice the public interest to improve the “bottom line” for investors. There was a sharp decline in labor union membership in the United States, especially in the private sector, which weakened the economic and political influence of workers and their representatives. The situation accelerated after President Reagan used the Worker Replacement option to break the Air Traffic Controllers strike in 1981. At the same time there has been a rise in the costs of health care, the expansion of “necessary consumption” to include electronic devices such as computers and fees for services that had been free in the past, and the increasing indebtedness of individual Americans. All these and other economic factors have contributed to a “locked-in” economy that is decimating the quality of life of an increasing portion of the population. Most of the following statistics are easily available from the Bureau of Labor Statistics (http://www.bls.gov, accessed October 9, 2010).

In New York City, the average cost of living is $96,000 a year for a middle class family and although above the national average, it is not outside of the range of many other metropolitan areas. However, according to recent income statistics, over 75% of individual income earners receive less than $50,000 a year in wages. This means that for most families a middle-class life style requires at least two full-time wage earners. And while in the past forty years the average income for females has doubled, that of males has remained basically stagnant. Moreover, 40% of all children in the United States live in low-income families. Most of these children live in poverty because they grow up with only one of their biological parents.

Part of the problem is due to the vast income inequality in this country. According to a recent report by G. William Dumhoff, a sociologist at the University of California Santa Cruz, “In the United States, wealth is highly concentrated in a relatively few hands. As of 2007, the top 1% of households (the upper class) owned 34.6% of all privately held wealth, and the next 19% (the managerial, professional, and small business stratum) had 50.5%, which means that just 20% of the people owned a remarkable 85%, leaving only 15% of the wealth for the bottom 80% (wage and salary workers). In terms of financial wealth (total net worth minus the value of one’s home), the top 1% of households had an even greater share: 42.7%” (http://sociology.ucsc.edu/whorulesamerica/power/wealth.html, accessed July 26, 2010).
In order to remedy this disproportionate distribution of wealth, governments would have to alter the tax structure radically. That would be politically impossible given the dependency Congress and State legislatures have upon the wealthiest 1% of the population to provide them with funds for election campaigns.

Another way to change the wealth distribution is to require union wages in service industries where most full-time workers remain eligible for government-subsidized services and disbursements such as food stamps, subsidized health care, low-cost or free school lunches, and the Earned Income Tax. But wage increases for public sector workers would require tax increases and increases for private sector workers could well plunge small and mid-sized businesses into bankruptcy, leading to higher levels of unemployment and increased economic distress.

Unsustainable Cost of Living

One of the traditional claims of conservatives is that “the poor in this country would be considered rich in others.” This is belied by the fact that malnutrition is a significant problem in the United States. According to statistics from the U.S. Department of Agriculture, of the 49.1 million people living in food insecure households (up from 36.2 million in 2007), 32.4 million are adults and 16.7 million are children. Another 17.3 million people live in households that are considered to have “very low food security,” a USDA term that means one or more people in the household were hungry over the course of the year because of the inability to afford enough food. While this kind of hunger does not approach levels suffered in third-world countries, it is hard to believe that in the richest country the economic and political systems allow this to happen.

Even where the working population is not in such dire straits, there are economic problems that cannot be easily ameliorated by mere “reforms.” In the past, a large segment of the population lived near or worked on farms. Prior to the Great Depression 1929-1941, one in four laborers were employed in farm work. Even when things were tough, there tended to be food available. There was homelessness and extreme poverty, but there were also extended family structures that provided people with help. These have largely disappeared in the modern city. The high cost of public transportation is another new problem as low-wage workers find it increasingly costly to get to work.

The workplace is becoming more and more difficult for the average worker to survive in as “productivity” demands increase the level of stress and anomie in a society that may pay lip service to being a “caring culture” outside of the job but can be very cruel in getting to “the bottom line.” In fact, I believe there is “no bottom to the bottom line.” Absenteeism is one way workers respond to increasingly unreasonable demands in their workplace as both large and small businesses continue to search for new ways of increasing profits at the expense of workers.

According to a January 2010 USA Today report: “Even Americans who are lucky enough to have work in this economy are becoming more unhappy with their jobs, according to a new survey that found only 45% of Americans are satisfied with their work. That was the lowest level ever recorded by the Conference Board research group in more than 22 years of studying the issue.” The firing of 18 nurses in a Washington DC hospital because they were unable to come to work due to a paralyzing snowstorm in February 2010 is an illustration of the unreasonable demands made on workers who were expected, in this instance, to risk their lives in order to “do their jobs.”
Although we stress the importance of “self-reliance” as part of the American ethic, we live in a society increasingly dependent upon a technology and an economic system beyond our understanding and certainly beyond our control. A good example is the automobile. We cannot live without them even when we cannot afford them, but they have become so technologically complex that ordinary individuals cannot fix them themselves any more. Social and economic complexity is a leading cause of the stress experienced by the average wage earner, mental illness, and increased dependency on medications in order to “cope” with stress.

In her new book on mental health, former First Lady Rosalyn Carter writes, “In any given year, approximately one out of every four adults in our country struggles with a mental illness, yet people with these illnesses are a hidden minority who suffer from pervasive discrimination.” Evidence of this crisis can be seen in high suicide rates in this country, more than half due to self-inflicted gunshot wounds. It is curious to consider that one of the effects of the recent Supreme Court decision that the right to bear modern automatic weapons is guaranteed by the Constitution is a new form of population control.

One of the consequences of social inequality is that the United States has the highest incarceration rate in the world. One–fourth of all people in all of the prisons on earth reside in this country. According to the U.S. Bureau of Justice Statistics (BJS), “In 2008, over 7.3 million people were on probation, in jail or prison, or on parole at year-end — 3.2% of all U.S. adult residents or 1 in every 31 adults.” In addition, according to a December 2009 BJS report, there were 92,854 people held in juvenile facilities. The recidivism rate of almost 70% demonstrates the failure of the system to rehabilitate inmates. With limited skills in learning — only 3% of incarcerated prisoners read on a “high proficiency level” — it is highly improbable that they will be getting decent-paying jobs when they are released, further making their return to crime likely. So many people are imprisoned at such a great cost that during the current economic crisis a number of states released non-violent felons from jail because they could not afford to keep them there. If the new anti-immigration law championed in Arizona spreads to other states, the largest-growing area of employment—penal institution-related occupations—will accelerate and entitlements such as Social Security and Medicare will be cut to pay for them.

“Wal-Martization” of the Work Force

The true purpose of “education” is to provide intellectual tools for leadership in a complex, challenging society. The purpose of “training” is to socialize and “dumb-down” the overwhelming majority of young learners to become willing servants for capitalist entrepreneurs. In other words, they are being “Wal-Martized.” Our public school system is being transformed into a “training ground” for the majority and an “academy” for the elite. But even if that were not so, the jobs of the future will require very few people to have the educational tools a good education can provide them. The “Wal-martinization” of the working and middle class will mean persistently low wages, poor working conditions, and little chance of advancement in a culture which encourages servility and whose only objective is to find more ways to increase profits by exploiting its workforce as efficiently as possible.

According to one report on Wal-Mart practices, “Whereas Wal-Mart employees start at the same salary as unionized employees in similar lines of work, they make 25 percent less than their unionized counterparts after two years at the job. The rapid turnover - 70 percent of employees leave within the first year - is attributed to a lack of recognition and inadequate pay, according to a survey Wal-Mart conducted. Yet this can work to the company's advantage, since it is more difficult for unions to organize when there is constant employee turnover.” Wal-Mart is used as the model for industries around the world as it continues to expand in countries with high-growth potential such as China. Even with
Wal-Mart’s success, the hopes that are pinned on private sector job creation, have little basis in fact.

**Adding Up the Numbers**

The reality is that the cost of living has outstripped the capacity for our low-wage based economy to provide the necessary income to the overwhelming majority of its workers without government subsidies. And increased government subsidies lead to increased deficit spending. If all small businesses gave union-level wages that would enable their workers to have just one job and “a life,” many of these enterprises would go bankrupt as we can see from the failure rate of all businesses. Even if scientists and technologists find ways to create alternatives or to renew the currently non-renewable resources of this planet, I believe there is a fundamental dynamic that will eventually make our economic system obsolete. An entirely new system that is economically sustainable will have to be put in its place that, at present, has probably not even been conceived.

I used to believe that the reason for economic inequality was primarily the “profit motive” because capitalists are always hungry to expand markets and increase their profit margins either by abandoning workers or reducing wages and benefits. But for political reasons, and to maintain stability, the economic system has always provided a minimal level of subsistence for workers and their families. However, in the current economic crisis the cost of maintaining an acceptable working-class lifestyle may be beyond the capacity of many small and middle-sized businesses. They will fail, putting even greater stress on the ability of the system to function.