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Capitalism Run Amok: Hungry Kids, Falling Wages and Empty Houses

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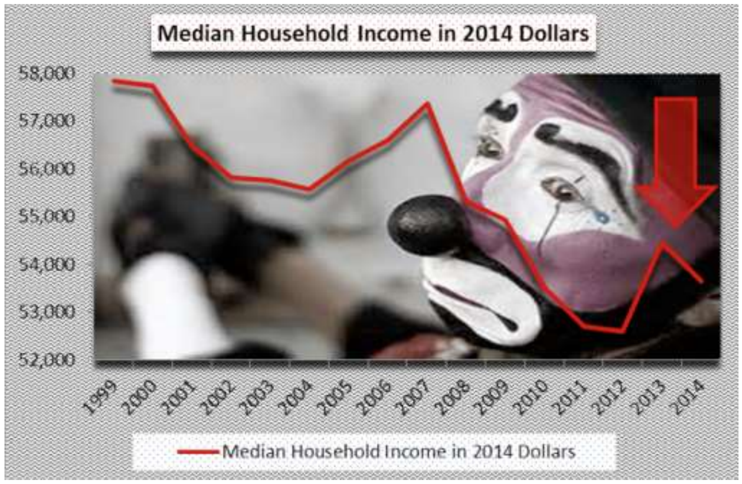
War Turned Inward

The fever that gripped the U.S. following the attacks of September, 11, 2001 demonstrated that manufacturing a shared enemy did little to create a deeper commonality of interests amongst nominal citizens. Whatever one may think about the specifics of the attacks— the motives of the attackers, their choice of targets or the veracity of official explanations, it would have required a full scale assault by an established military to destroy as many lives and communities as American born and bred bankers did through predatory mortgage lending in the housing boom and bust. And as much as official apologists would like to deny it, this destruction is wholly in keeping with the market outcomes that now constitute the base credo of the market-state.

The paper-thin bravado that sent heavily armored children and young adults to slaughter innocents in Afghanistan and Iraq for the benefit of Bechtel, Northrup Grumman and Exxon Mobil found its domestic truth in the quivering puddles that had supported the wars suddenly wondering how they were going to feed themselves and their children with their jobs outsourced and their homes in foreclosure. A fortunate few saw their fealty to the system of economic and social dispossession rewarded through the spectacle of social dissolution, through their neighbor's bounty of cheaply-made goods strewn across suburban and ex-urban lawns as sheriffs and their agents made room for fresher members of the tenuous classes.



Graph (1) above: eight years after the onset of the Great Recession the storyline of recovery is fraying around the edges. Real Median Household Income, the statistic conceived to obfuscate more straightforward wage data through aggregation, continues its downward trajectory. When associated with unforgiven and re-imposed household debt a picture of Great Depression-style debt deflation emerges for the toiling and dispossessed classes. The great public mystery of renewed urban violence is why its conspicuous relation to economic re-immiseration remains so well hidden? Overlaid maps of predatory banking in the early-mid 2000s with social dissolution and urban decay today correlate 1:1. An invading army could hardly have achieved this level of destruction without advanced weaponry and a deep hatred for the peoples being invaded. Data source: Census Bureau. Image source: flickr.com.

After eight years of alleged economic 'recovery' the pre-existing lines of social division are once again being clarified as class, race and geography separate the recovered from those left behind. Recent data from the Census Bureau (Graphs (1, 3)) illustrates the ongoing downward trajectory of real (inflation-adjusted) household incomes for all but the richest. This is more than simple 'income inequality,' it is evidence that very particular class interests are being served by the political establishment. The incomes and wealth of the richest have been recovered through official policies with little regard for the other 99.97% of the population. Leftish economists repeatedly claim that political dysfunction explains policy paralysis while policies that benefit the rich have met no resistance.

Graph (2) above: food stamp (SNAP- Supplemental Nutrition Assistance Program) usage and stock prices (Wilshire 5000) have risen together over the last twenty five years putting a lie to 'trickle-down' theories of the social benefit of rising financial asset values. Technical quibbles aside (neither series is scaled to relevant bases), of relevance is the catastrophic rise in the need for food assistance since 2007 as stock prices have been supported by government and quasi-government (Federal Reserve) policies. Rising stock prices benefit the rich alone because the rich own most of the stock. Data source: St. Louis Federal Reserve. Image source: alaskapublicemployees.com.

The Great Irrelevance

The great irrelevance of the moment, recently answered in the negative, of whether the Federal Reserve will raise interest rates ignores the obvious: it would if it could, but it can't. The attendant spectacle of dedicated servants of Wall Street in contrived conniptions over 'the plight of the poor' would be laughable were it not for the ongoing social dissolution so in evidence. The trajectory of falling interest rates since 1982 ties directly to the increasing hold that financial operators have over capitalist economies. The falling price of credit (interest rates) led to its deep instantiation into every aspect of contemporary economic relations. The political victory for the existing order finds various and sundry advocates for the poor and toiling classes arguing that bank-friendly policies benefit the rest of us with little evidence on their side.

Assertion of a unitary public interest ignores both that more direct (fiscal) policies would have more direct effect and that it is the very beneficiaries of banker-friendly policies (bankers) who are using their political power to preclude policies directly beneficial to the poor. It is hardly incidental that leading members of the Black 'mis-leadership class' (as the folks at Black Agenda Report have so named them) have been enlisted to use what little remains of their credibility to carry water for Wall Street in this regard. In recent history when interest rates were lowered to benefit bankers (the Greenspan 'put') the entirety of Black wealth disappeared into bank coffers.

And that is the least of it— the social dissolution now seen across the country ties directly to decades of exploitative practices by capitalists using finance as a tool for economic exploitation.

National Democrats have been pushing the storyline of economic recovery even as major American cities are being torn apart by engineered economic devastation. Households have seen the largest and most sustained decline in incomes since the Great Depression as millions of prime-age workers sit idle, excluded from meaningful employment. National and international banks, Wall Street, sit on untenable levels of bad 'assets' that would (mechanically) decline in value if interest rates were ever raised. The social cruelty of the recovery meme lies in the destitution of those excluded from it along the axes of class and race. Leading, and generally thoughtful, economists proclaim that a second Great Depression was averted when whether one was or not depends very much on where one is sitting.

Just how cynical official efforts have been to push economic Pollyanna front-and-center is made evident through the economic 'recovery' storyline itself. 'Household income' replaced more direct measures of labor wages as women joined the workforce en masse in the 1970s. Where one wage-earner could support a family before the 1970s it required two to earn just a bit more a decade later. While generally put forward with a shrug by mainstream economists, real wages for most people haven't fallen to the degree of recent years since the Great Depression. There are known methods of economic resolution— government jobs programs and targeted government spending, which would boost employment and wages. But these have been foregone in favor of monetary policies that boost housing values and financial asset prices.

Immaculate Bullshit

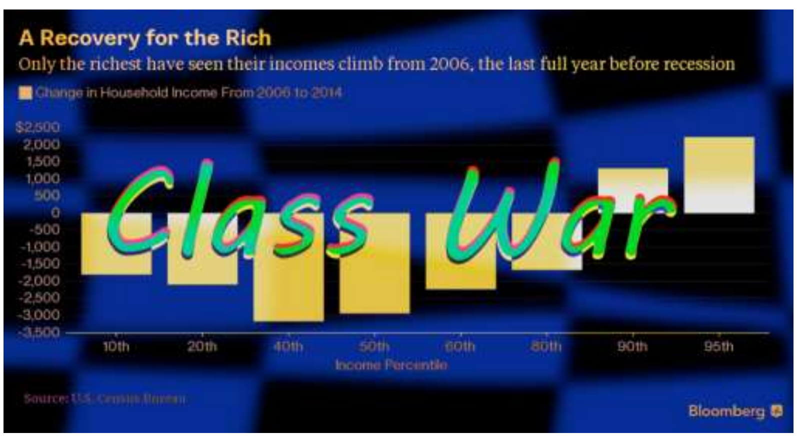
Eight years of selective economic reporting have succeeded in shifting the grounds of discourse from wholesale replacement of the established order to tinkering around the edges. And it isn't that the already rich and those connected to (government supported) technology and financial centers haven't seen recovery— many are as prosperous as ever. Eight years of government support for all things financial have reflated traditional bubble areas— stock and financial asset prices and home values in London, Manhattan and Southern California. The questions of what happened to the millions of foreclosures that were supposed to keep pressure on house prices, of the millions of missing prime-age workers who couldn't afford to retire and of the mysterious, ongoing drop in median incomes were overtaken by engineered optimism, not answered.

Employment: If all workers dropped out of the labor force the unemployment rate would be zero. The three million prime-aged workers who dropped out since 2008 got it down to 5.1%. These are people who were working when there were jobs and who aren't working now. How good a description of the state of labor markets is the unemployment rate then? Additionally, McJobs— tenuous employment at low wages with few if any benefits; have increasingly replaced the jobs that created the American Middle Class. Never far below the surface is the moral chide of the 'lazy' unemployed— that with an unemployment rate of 5.1% anyone who wants a job can get one. Or as Mitt Romney put it, why don't poor parents simply lend their children the money to start their own businesses?

Incomes: As Graphs (1, 3) illustrate, real median household incomes have been declining since the late 1990s for most households and the trend shows no sign of abating. The more precise story ties to unemployment— 'disappearing' prime-age workers explain the drop more than declining wages for workers with jobs. This brings 'household income,' conceived to cover for falling 'breadwinner' wages from the pre-1970s economy, full circle with single 'breadwinners' once again supporting households in greatly diminished circumstances. What falling household incomes demonstrate is that the economic circumstances of most people fell off of the proverbial cliff around 2008 and have yet to see any 'recovery.' This leaves an increasing swath of working families one paycheck away from destitution or already there.

Wealth: To wallow in the obvious, wealth has always been the purview of the wealthy. Whatever one thinks of the Federal Reserve policies of the last eight years, they have led to full recovery of financial asset prices and luxury real estate. The wealthiest ten percent of the population owns eighty percent of financial assets with heavy concentrations at the top of the top one percent. Additionally, the high-end real estate owned by the rich has largely recovered while that on the lower end of the spectrum remains severely 'under water' (worth less than the mortgages against them). The 'centrist' economic argument that recovery for the rich alone is better than no recovery requires a view of class relations that is clearly not reciprocal.

Housing: Optimists have long been proclaiming a housing market recovery without answering the question of what happened to the mountain of foreclosures that were the result of the housing bust. The answer is making itself known in the Northeastern U.S. as years of bank 'forbearance' are being resolved through a new wave of foreclosures. Economic misery long hidden from view is being brought into tragic relief. Large areas of New York, New Jersey and Pennsylvania are seeing levels of foreclosures that will devastate lives and communities for decades to come. The Obama administration could have used bank bailout funds to 'buy-down' mortgage principal and the housing bust would be a distant memory. It chose to support bankers against the victims of their predatory practices instead.



Graph (3) above: the term 'income inequality' has disappeared from the headlines since Thomas Piketty made a splash with his book on the topic last year. This newly released data from the Census Bureau illustrates its central components— rising incomes for the rich and falling incomes for everyone else over the last decade. The start of the trend dates to the inception of the modern epoch of finance capitalism in the early 1980s coincident with Ronald Reagan's version *of tax cuts for the wealthy. The truth of stagnant wages and household incomes for most people puts a lie to 'trickle-down' theories that are now several decades past their expiration date. Of relevance is that this, and the data in Graph (1) above, is new— this is reporting on current circumstance, not that of several years ago that has since been resolved.*