

# The Class War Launched by America's Wealthiest

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Global Research, January 14, 2011  
[AlterNet](#) 14 January 2011

Region: [USA](#)

Theme: [Poverty & Social Inequality](#)

## **We're in a class war.**

It's the corporations and the very wealthiest against all the rest of us. We're losing.

In 1962 the wealthiest 1 percent of American households had 125 times the wealth of the median household. Now it's 190 times as much. Is that a case of a rising tide lifting all boats, just a few of them a little bit higher? No.

From 1950 to 1965, median family income rose from \$24,000 a year to \$38,000 a year. That's close to 4 percent a year, close to 60 percent over 15 years. That's a rising tide.

In 1964 there was a big tax cut. That's when things started to slow down for average people. By the mid-'70s the rise of the middle class stalled. From 1975 to 2010 median family income rose \$42,936 to \$49,777. That's not quite 16 percent over 25 years, less than six-tenths of 1 percent per year.

Briefly, when taxes went up under Clinton, median income rose, peaked at \$52,587 in 1999, and then, after Bush cut taxes, declined. Keep in mind that this is median *family* income. In the '50s and '60s, family income was usually earned by a single person. Today, family income normally comes from at least two people.

At the same time, income for the richest soared. In 1979 the richest 1 percent of Americans earned 9 percent of all U.S. income. Now they earn 24 percent of all U.S. income. One percent of Americans earn nearly one-fourth of all the income in the country.

Then came the crashes of 2001 and 2008 and the recessions that followed.

The crash hasn't changed anything. Things have become worse.

From 1990 to 2005, adjusted for inflation — the minimum wage is down 9 percent, production workers' pay is up only over 15 years 4.3 percent.

At the same time, the rich get richer:

Corporate profits are up 106.7 percent. The S&P 500 is still up 141.4 percent since 1990. CEO compensation is up 282 percent. Call it transfer of wealth. Or call it class warfare.

What's wrong with the rich getting richer?

Slate's Timothy Noah, in "[The United States of Inequality](#)," wrote, "Income distribution in the United States [has become] more unequal than in Guyana, Nicaragua, and Venezuela, and roughly on par with Uruguay, Argentina, and Ecuador."

Take a look at that list.

Countries with wide income inequality don't lead the world in research, technology, industry, and innovation. They're unstable. They have large underclasses. They have high rates of crime. They have little opportunity.

In such countries the rich have disproportionate power. They take control of all aspects of society, especially government, the police, and the judiciary. They become self-perpetuating.

If current trends continue, "The United States by 2043 will have the same income inequality as Mexico." (Tula Connell, Mar 12, 2010, AFL-CIO Now.)

Countries with high levels of income inequality are third-world countries.

Here's how regular people can deal with cultures of high inequality. The primary, and best, weapon is a progressive tax structure. As people move up the income ladder they pay a higher rate at each rung. Unearned income -from dividends and capital gains - is taxed at least as high as earned income (money that people actually work for.) Tax cuts for the wealthy mark, with great precision, the decline in fortunes of ordinary Americans. Tax cuts for the wealthy mark, with equal precision, the increase in inequality. We had a chance to slow the process by letting the last round, the Bush tax cuts, expire. We've lost that round.

People can become educated and move on up.

Back in the '60s, when I was growing up, New York City had free universities. The burgeoning SUNY system charged \$400 tuition a semester. The minimum Regents scholarship was \$400 a semester. If a student didn't get one, he or she could easily earn enough to pay tuition with a summer job. The same held true for most state university systems across the country.

Today, students have to borrow. The median student debt for an undergraduate degree - forget about a doctorate, law school, and med school - is \$20,000. The first, and truest, lesson you learn when you go to college is how to be in service to the banks.

We've lost that battle.

What does it mean?

"Children from low-income families have only a 1 percent chance of reaching the top 5 percent of the income distribution, versus children of the rich who have about a 22 percent chance.

"Children born to the middle quintile of parental family income (\$42,000 to \$54,300) had about the same chance of ending up in a lower quintile than their parents (39.5 percent) as they did of moving to a higher quintile (36.5 percent). Their chances of attaining the top five percentiles of the income distribution were just 1.8 percent."

(*Understanding Mobility in America*, April 26, 2006, Tom Hertz, American University.)

Working people can organize and form unions. Unions do more than raise wages. They improve working conditions and safety. They provide protection against abuse, intimidation and wrongful dismissal. Non-union employers have to compete, partly to keep out unions, so the existence of unions helps everyone. Unions also have political power, they spend money and mobilize their members to vote.

Businesses have become very good at beating unions. And they're getting better at it. According to *Business Week*, ("How Wal-Mart Keeps Unions at Bay," 10/28/2002), "over the past two decades, Corporate America has perfected its ability to fend off labor groups."

In the 1940s a third of private sector employees were unionized. Now it's down to just 7.2 percent. Unions only remain strong in the public sector, where membership is 37 percent.

If you read the papers or watch the news, you will see an anti-public service union story almost everyday. These are the people who teach your kids, pick up the trash, clean the sewers, drive the buses and trains, they're the police and fireman. The stories will tell you their pension fund liabilities will bankrupt the states; that it's unionized teachers who have ruined our schools. Charter schools - without unions - are the new favorite charity for billionaires.

When a country is, or becomes, a third-world country, the other thing people can do is run. To some place richer and freer. Like America.

But when America becomes Mexico, where you gonna run to?

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