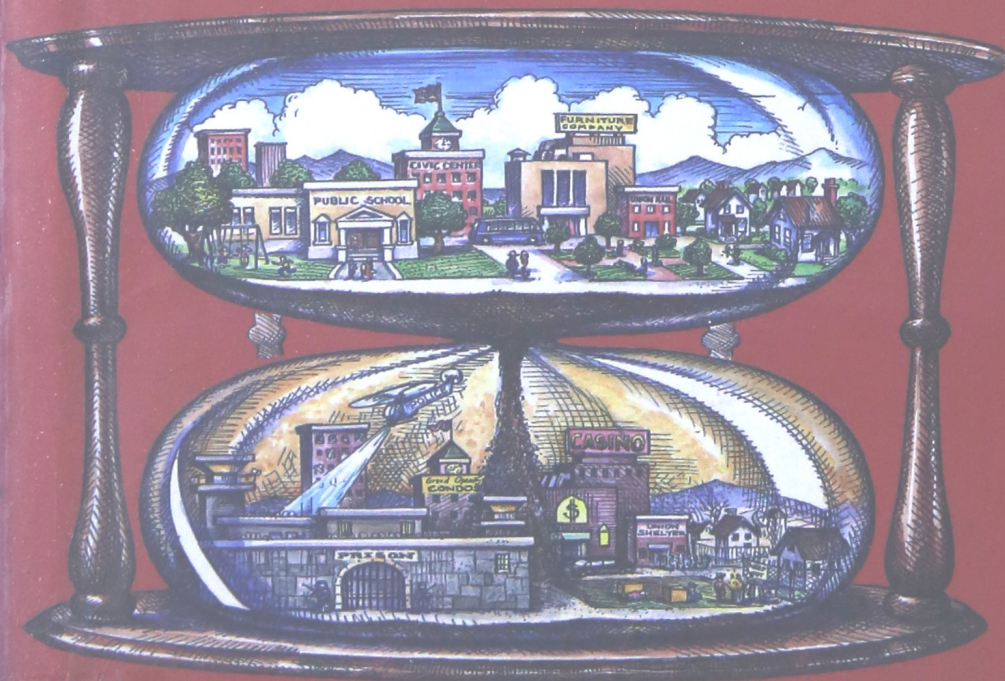


# CHAOS OR Community?

Seeking Solutions, Not Scapegoats  
For Bad Economics



Holly Sklar

# **CHAOS OR COMMUNITY?**

**SEEKING SOLUTIONS, NOT  
SCAPEGOATS FOR BAD ECONOMICS**

**HOLLY SKLAR**

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*For my mother, Elayne Kardeman,  
who encourages the creative best in people as a parent,  
innovative art teacher/therapist and fun-loving grandma*

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# INTRODUCTION

The American Dream—always an impossible dream for many—is dying a slow death. As the systemic causes go untreated, a host of local and national leaders are peddling the snake oil of scapegoating. We don't have to swallow it. Together, we can find real remedies for our common problems.

Three decades ago, in *Where Do We Go From Here*, Martin Luther King spoke prophetically about polarizing national and international trends. He urged us to choose community over chaos:

A true revolution of values will soon look uneasily on the glaring contrast of poverty and wealth. With righteous indignation, it will look at thousands of working people displaced from their jobs with reduced incomes as a result of automation while the profits of the employers remain intact, and say "This is not just."...

America, the richest and most powerful nation in the world, can well lead the way in this revolution of values. There is nothing to prevent us from paying adequate wages to schoolteachers... There is nothing but a lack of social vision to prevent us from paying an adequate wage to every American citizen whether he be a hospital worker, laundry worker, maid or day laborer. There is nothing except shortsightedness to prevent us from guaranteeing an annual minimum—and livable—income for every American family. There is nothing, except a tragic death wish, to prevent us from reordering our priorities, so that the pursuit of peace will take precedence over the pursuit of war. There is nothing to keep us from remolding a recalcitrant status quo with bruised hands until we have fashioned it into a brotherhood...

The oceans of history are made turbulent by the ever-rising tides of hate. History is cluttered with the wreckage of nations and individuals who pursued this self-defeating path of hate...

We are now faced with the fact that tomorrow is today...We still have a choice today: nonviolent coexistence or violent coannihilation. This may well be mankind's last chance to choose between chaos and community.<sup>1</sup>

In the last three decades, humankind has taken giant steps toward community—and chaos. The Cold War threat of coannihilation has faded, but many nations are wracked by internal conflict. The United States grows increasingly disunited. The ruinous social and economic trends that King warned us about have intensified. Wealth is not trickling down. It is flooding upward. Real wages for average workers have plummeted—despite rising productivity. Many corporate executives make more in a week than their workers make in a year. Unemployment is high whether the economy is in recession or “recovery.” The “War on Poverty” has given way to the escalating war on the poor. Once-thriving communities are in decline.

Economic inequality is now so extreme that the richest 1 percent of American families have nearly as much wealth as the entire bottom 95 percent. More than a fifth of all children are living in poverty in this, the world's richest nation. That's according to the government, which undercounts both poverty and unemployment. Downward mobility has become the legacy for younger generations. Neither two incomes, nor college degrees assure that younger families will ever match their parents' living standards.

For more and more people, a job is not a ticket out of poverty, but into the ranks of the working poor. Jobs and wages are being downsized in the “leaner, meaner” world of global corporate restructuring. Corporations are aggressively automating and shifting operations among cities, states and nations in a continual search for greater public subsidies and lower-cost labor. Full-time jobs are becoming scarcer as corporations shape a cheaper, more disposable workforce of temporary workers, part-timers and other “contingent workers.”

Workers are increasingly expected to migrate from job to job, at low and variable wage rates, without paid vacation, much less a pension. How can they care for themselves and their families, maintain a home, pay for college, save for retirement, plan a future? How do we build strong communities? What about the millions of people without jobs? This brand of economics is a prescription for chaos.

The cycle of unequal opportunity is intensifying. Its beneficiaries often slander those most systematically undervalued, underpaid, underemployed, underfinanced, underinsured, underrated and otherwise

underserved and undermined—as undeserving and underclass, impoverished in moral values and lacking the proper “work ethic.”

The angry, shrinking middle class is misled into thinking that those lower on the economic ladder are pulling them down, when in reality those on top are rising at the expense of those below. People who should be working together to transform the economic policies that are hurting them are instead turning hatefully on each other.

Instead of full employment, the United States has full prisons. It imprisons Black men at a much higher rate than South Africa did under apartheid. The military budget continues consuming resources at Cold War levels, while programs to prevent violence and invest in people, infrastructure and the environment are sacrificed on the altar of deficit reduction.

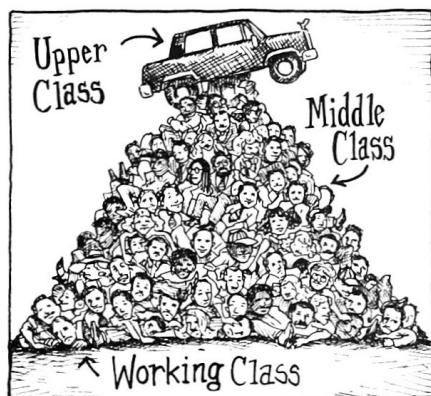
Instead of dedicating itself to equal opportunity for children, society is living a self-fulfilling prophecy: labeling more children as illegitimate, expecting more children to fail, and declaring more children the enemy. A society which sees a great number of its children as hopeless, is a society without hope for the future.

To realize community over chaos we must revitalize democracy with plain talk about who really benefits and who loses from government policy. We need vigorous debate over how to reshape policy in the public interest—not the pseudo debate of false campaign promises, negative political ads and talk radio hate-mongering.

Rights and “entitlements” familiar today—among them the eight-hour day, minimum wage, Social Security and the right of workers to organize and bargain collectively—were obtained in the face of strong opposition. Many of these achievements are being eroded. Demagoguery is threatening democracy. To realize community over chaos we must not only protect old gains, but forge new social, political and economic rights for the 21st century.

# TRICKLE DOWN ECONOMICS

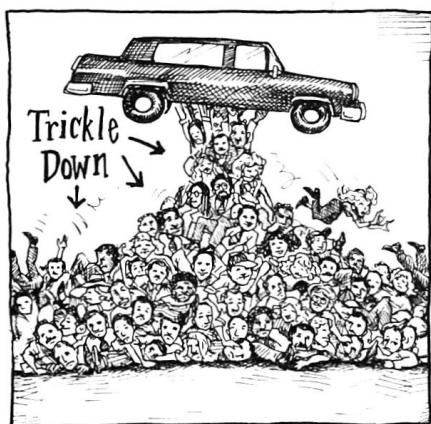
AND THE EROSION OF THE AMERICAN MIDDLE CLASS



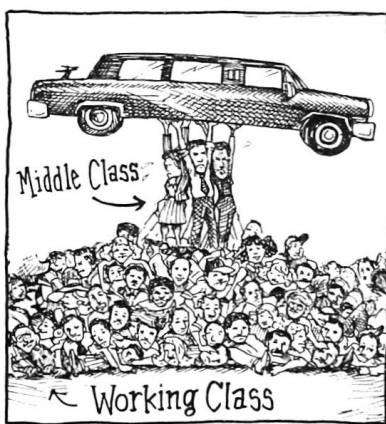
1970



1980



1990



2000

WUERKER

# WEALTH AND POVERTY

The 1980s were the triumph of upper America—an ostentatious celebration of wealth, the political ascendancy of the richest third of the population and a glorification of capitalism, free markets and finance...*No parallel upsurge of riches had been seen since the late nineteenth century, the era of the Vanderbilts, Morgans and Rockefellers.* (Italics in original.)

Kevin Phillips, conservative political analyst,  
*The Politics of Rich and Poor.*

One out of four children is born into poverty in the United States—according to the official measure. The United States is the world's wealthiest nation, but much of that wealth is concentrated at the top. The combined wealth of the top 1 percent of American families is nearly the same as that of the entire bottom 95 percent. (See table 1.) Such obscene inequality befits an oligarchy, not a democracy. The income gap in Manhattan, New York is worse than Guatemala's.<sup>2</sup>

Wealth is being redistributed *upward*. Between 1977 and 1989, the top 1 percent of American families more than doubled their after-tax incomes, adjusting for inflation, while the bottom 60 percent of families lost income. (See figure 2.) Over the 1962-89 period, "roughly three-fourths of new wealth was generated by increasing the value of initial wealth (much of it inherited)." The wealthiest 1 percent owned more than half of all bonds, trusts and business equity; nearly half of all stocks; and 40 percent of non-home real estate in 1989. The bottom 90 percent owned about a tenth of all those assets, except non-home real estate, of which they owned 20 percent.



**TABLE 1**  
**Percent Distribution of Household Wealth**  
**and Income, 1989**

<b>Share of Households</b>	<b>Net Worth (assets minus debt)</b>	<b>Household Income</b>	<b>Financial Net Wealth (net worth minus net equity in owner-occupied housing)</b>
<b>Top 1%</b>	38.9	16.4	48.1
<b>Bottom 95%</b>	39.1	70.5	27.7
<b>Top 0.5%</b>	31.4	13.4	39.3
<b>Next 0.5%</b>	7.5	3.0	8.8
<b>Next 4%</b>	21.9	13.3	24.1
<b>Next 5%</b>	11.5	10.5	11.5
<b>Next 10%</b>	12.2	15.5	10.1
<b>Bottom 80%</b>	15.4	44.5	6.1
<b>Top Fifth</b>	84.6	55.5	93.9
<b>Upper Middle Fifth</b>	11.5	20.7	6.8
<b>Middle Fifth</b>	4.6	13.2	1.5
<b>Lower Middle Fifth</b>	0.8	7.6	0.1
<b>Bottom Fifth</b>	-1.4	3.1	-2.3

Source: Edward N. Wolff, "Trends in Household Wealth in the United States, 1962-83 and 1983-89," *Review of Income and Wealth*, June 1994, Table 4. Also see Wolff, "The Rich Get Increasingly Richer," Economic Policy Institute, *Briefing Paper*, 1992, Table 2. Wolff explains differences with Census data, which understates income and wealth at the top.

Not surprisingly, the gap between Whites and people of color looms much wider in wealth than income. While the average income of families of color was 63 percent that of White families in 1989, their average wealth (measured by the net worth of assets minus debt) was only 29 percent.<sup>3</sup>

It took a minimum of \$310 million to make the *Forbes* Four Hundred richest Americans in 1993—a big jump from \$90 million in 1982. Billionaires led the pack, starting with Microsoft leader Bill Gates, who has an estimated net worth topping \$9.3 billion. Paul Allen, Microsoft's cofounder and owner of the Portland Trail Blazers basketball team, is further down the list with \$3.9 billion. After Gates comes stock market investor Warren Buffett, \$9.2 billion; media tycoon John Werner Kluge, \$5.9 billion; Fidelity Investments' chief executive Ned Johnson