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We Are the Poor!

Three pieces on Political Economy

What Are Classes?

Revised, February 2018

Why Are We Poor?

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by Bruce E. Parry, Ph.D.

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What Are Classes?

Bruce E. Parry, Ph.D.
Revised, February 2018

What are classes? We hear about them all the time. “We live in a class society.” “The working class.” “The capitalist class.” “The rich and powerful.” “The middle class.” “The upper middle class.” “The 1 percent.” “The 99 percent.” “The poor.” But what we don’t hear are the definitions of what we’re talking about. Many of us have been taught that it’s more important to act, or to “do something,” than spend time on definitions. Yet how we define the problems we face has everything to do with *how* we’ll act in trying to solve them.

There are several ways of looking at class. One is to just use the word without defining it, as in “We are against racism, sexism and classism.” But there are two definitions that stand out. One is more popular and widely used. The other has been ignored, yet is ultimately more practical when it comes to understanding social problems and how to solve them. The two definitions are quite different, but they describe the same reality, so they overlap quite a bit.

The first, less useful but more widely used definition of class is to define class by income level. The rich are the top 20 percent of all income earners. The 1 percent is the top one-hundredth of all income earners and are the super-rich. The poor are the bottom 20 percent of the population. The middle class is the part of the population that’s “doing OK,” where “doing OK” is often defined not only by income level, but also by the level of education or type of job.

There are a number of problems with this approach. First, since there will always be those with more resources and those with less, there is no way to overcome class inequality using this definition.

Second, the definitions are unclear; they change to meet the needs of the writer. Third, this definition hides many economic and political realities. It doesn’t make any distinction between how people

make their living or get the money they have. Fourth, the members of these classes have no names and can change from year to year, so we don't know whom we're really talking about.

Take the "middle class" for example. This is what politicians are always talking about. One definition is "the social group between the upper and working classes, including professional and business workers and their families." But CNNMoney has found another five ways to define the middle class. One is people with income ranging from \$47,000 to \$141,000 (median income in 2016 was \$31,099, so this is definitely not in the middle of the income distribution). Another is about wealth: people having zero debt to those having wealth of \$401,000 (again, this is definitely not the middle; in 2013 average net worth – excluding homeownership – was \$25,116). A third definition is based on consumption, a fourth on aspirations. And the St. Louis Federal Reserve has a complicated definition that includes the demographic profiles of people by age, race and education. In short, there is no agreement on what the middle class actually is.

Closely related to defining classes by income level is what is called "identity politics" where issues are defined as "women's issues," "African American issues," "gay issues," etc. These identities grew out of the specifics of oppression of women, people of color and people with different gender and sexual preferences. This is discussed more below, but today is being used by some to complicate the problem of defining classes. Members of each of these "identities" belong to all the classes, no matter how you define classes. So "identity politics" can confuse the economic and political interests of those concerned. Making the problem more difficult is the fact that all the data, all the statistics are available only on the basis of income and identity. That fact reinforces the idea of defining classes and identities as how society is organized.

There is another, more useful way to define classes. It is to define classes by people's economic role within society. This way clearly defines whom we are talking about, how they got their money, and what we can do about it. Instead of the "rich," the "middle class," the "poor" or the "upper class," we identify just two classes: the capitalist class and the working class. These classes clearly identify how society is actually organized.

The capitalist class consists of all those who own the "means of production and distribution": the corporations, the plants and factories, the companies and the banks, the land and the buildings, the media, the TV stations, the networks, and the newspapers and magazines. We call this ownership of *private* property, as distinct and different from *personal* property, like our cars and TV sets. The capitalists make their money through the ownership of these companies and corporations. These companies and corporations are "capital." Capital is not a thing.

Capital is the legal and economic relationships in society whereby owning these companies and corporations allows the capitalists – the owners – to earn profits, interest and rent. Most capitalists are rich, but not all the rich are capitalists. Many movie stars, athletes, TV personalities, artists and others earn huge sums of money by working and become very rich. Some use this wealth to become business people, that is to become capitalists. Some do not. The key is that we define the capitalist class by their economic role in society. This gives us a way of knowing what they are doing and why they are doing it. This class is also sometimes called the bourgeoisie, from the French term for the capitalists historically based in the towns.

The working class is, perhaps, poorly named. The working class consists of all those who do not own the companies and corporations, or – more precisely – do not own *private* property, the “means of production and distribution” that enable them to make money without working. While we call it the working class, the class includes a huge number of people who are not working. And that is key. It includes those who are working, but also the unemployed. It includes their families. It includes the section of the population that is neither working nor unemployed: the discouraged workers, the disabled, the permanently unemployed. It includes the homeless whether working or not. This list does not include everyone in the working class, but it gives the idea. Essentially, anyone who does not own the means of production and distribution as described above is in the working class. Estimates of the working class are that the class is about 80 percent of U.S. population. This class, or sections of this class, are sometimes called the proletariat after the historical Roman class with no property, who couldn't vote, produced offspring (*proles* in Latin) to colonize conquered territories, and served as the backbone of the Roman Army.

Members of the working class have no choice but to make their money by working for a living. For those not working, they have found an alternative. Everyone must find some way to get money in order to live in this society, so people can be very creative. Ways of getting money are basically divided into the formal economy and the informal economy. The formal economy means having a job or receiving government assistance. The informal economy means working off the books, under the table or in the illegal economy.

As mentioned above, this kind of class analysis is often compared to “identity politics.” The working class consists of women and men, people of all races, nationalities and ethnic origins. It includes straight and gay, transgender and queer. It includes immigrants, whether or not they have documentation. As long as people have to earn their living by working, as long as they do not own their own means of production or distribution, they belong to the working class.

Identity politics has been used to replace the various definitions of class with identities based on gender, race, ethnic origin, nationality, sexual orientation or other identifiable features rather than their economic position in society. Use of these identities emerged as part of the struggle against the oppression and special exploitation of women and minority groups within society. They are still an important part of the struggle against oppression and discrimination. But they are used by some to hide the class nature of the struggles being waged. For those striving to reveal the underlying economic and political interests, it is important to see these struggles as aspects of class struggle.

Members of each identity group belong to multiple classes. Looking at the identity alone hides meaningful understanding of the economic and political interests, because those interests vary by economic class. The interests of the capitalist class are raised in the media all the time. For example, the media talks about the “glass ceiling,” the problem that women and oppressed minorities are blocked from becoming CEOs of companies. Women and minorities can often identify. But the real interests of working class women and minorities are around getting and holding jobs, income, health care, housing, food and other necessities. Such problems as these are rarely raised in the media as “women’s issues” or “minority issues.” That is how the use of identity politics today tends to separate people and isolate them into groups (some call them “silos”) with less power. It has gotten to the point where “class” just becomes another identity, as in “fight classism.” What does that mean?

We recognize that when sections of the working class are under attack, the whole working class is under attack. Working women and people of color, immigrants with and without documents, people with non-traditional sexual orientations and others are being politically, legally and economically dispossessed and violently assaulted. Male supremacy and white supremacy are everywhere.

The problem is systemic. It is reinforced and created by the economic system based on real economic class interests. Members of the working class come from every background and each has had their own life experience. But the system has one part of the working class pointing the figure at the other, saying “they are to blame.” The other is pointing back, saying “No, they’re to blame.” The blame is pointed at “the other” whether “the other” is male or female, black or white, immigrant or native born or Native American. Mainly, the system has us pointing at ourselves thinking we are to blame for our disadvantaged economic and political situation.

All this is part and parcel of “divide and conquer.” The ruling class uses these methods of division to keep the working class as a whole splintered. Identity politics identifies the attack as on a specific group,

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not on the class as a whole. The attacks on the working class are unequal; the most oppressed are attacked first and separated off. Then they are blamed for the attack: the poor are blamed for their poverty; workers of color and women are blamed for having lower incomes. Note also that there is no “white working class.” That idea suggests that there is more than one working class, or that white workers are not in the same class as workers of color. This came out clearly in the 2016 presidential election.

Class analysis looks to the unity of economic interests of all workers by recognizing that an attack on one – for whatever reason – is an attack on the working class as a whole. “As you have done to the least among us, so you have done to us all” is the motto of working class unity.

Classes are the poles within a society: the extremes within a spectrum. At one pole stand the capitalists: owners of the major corporations and banks, and other companies. These people are often identified as the 1 percent, but we now know that they are not just rich, but capitalists. They are very rich because they make their money from the profits these companies make and they are powerful because they have economic and political leverage within society.

At the other pole are the homeless, the poor, the unemployed, the immigrants and the workers that comprise the working class. While some are making it, many are not. Poverty is a class issue. Only the working class experiences poverty and most of the working class is poor. On the one hand, poverty is the result of the fact that many workers are not needed by the companies or are paid so little that they have become the “working poor.” On the other hand, many workers can’t find jobs or are unable to work for other reasons, such as disability, home care needs, etc. Studies show that 48 percent of the population of the U.S. are poor or near poor. Almost 80 percent (4 out of 5) will experience poverty at some point in their lives. Workers can only work when the capitalists – the owners of the corporations and companies – can make a profit by hiring them. That’s why there are *always* unemployed workers.

Modern technology is making the situation worse. Modern technology is labor-replacing technology; it throws workers out of work and creates what can only be called permanent unemployment. This is increasing the level of poverty, not only in the U.S., but worldwide.

The reason that these economic definitions of class are better is that they reveal the class interests of the members of the class. The role of businesses is to make a profit. Companies only hire workers when it is profitable to do so. It is always profitable for companies to have a lot of unemployed people because competition among the workers for jobs keeps wages low. Thus, the interests of the capitalist class are in making

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a profit. The interests of the working class are to have everything they need in order to have a safe, stable, enjoyable, rewarding life for themselves and their families. The interests of the two classes are opposed. This is the root cause of the social and political problems that we face today.

Obviously there are people who do not neatly fit into either of our definitions of classes. That is why we said that the two classes represent poles. There are also small capitalists or “petit bourgeois.” These are owners of businesses small enough that they have to work for them. Key examples are small contractors, like plumbers, who own a business, but go out and do the work themselves. Many small contractors are the only employees of their companies. Others employ a few workers. In these cases, the owners are more workers than capitalists. In 2016, there were, for example, 9,600,000 self-employed workers who weren’t part of any company.

But some small businesses are not so small. Some make millions of dollars a year and their owners, while they work for them, are more capitalist than worker. The true capitalist, however, no longer has to work to earn a living, and many become the idle rich, living off their financial assets such as stocks and bonds.

There are also the professional strata. These include many doctors, lawyers, professors and other professionals that have special training and skills that are hard to come by and in demand. Again, some of these professionals parlay these skills into wealth, while others wind up being glorified workers, such as unionized doctors at huge medical centers.

Then there are the managers and executives of the corporations. These people work for a living and earn salaries, but they are paid out of the profits the companies make and are part and parcel of the capitalist system. At the highest levels, they own stock in the companies and are given stock options, so they are capitalists in their own right. In other cases, they are entry-level and low-level executives who may aspire to higher positions, but have not yet reached them. Many are tied to the capitalist system.

Classes change and develop. At different periods in history, there have been different ruling classes and working classes. In ancient Rome, there were many classes: patricians and slaves, proletarians and other classes. Under Feudalism, there was a landowning aristocracy and the peasant or serf class. Today, society has boiled down to capitalists and workers.

As society develops, there are transformations even within classes. The working class today is being transformed by the electronic technology that is creating a section of the working class that is permanently unemployed. In many parts of the world there is still a

peasantry – small, subsistence farmers who work a tiny plot of land. The peasantry is being tracted off the land, forced into cities and is becoming part of the modern working class.

This then, is how we see classes. The economic definitions of classes reveal the inner essence of the economic system. We call it capitalism because the capitalist class – as a class – owns the corporations, companies, banks, farms and all the other things that produce and distribute what we need to live. The capitalist class is the ruling class. It is a tiny minority of the population, but it controls virtually all the economic and political levers of society.

The capitalist class is the most organized, educated, strategic and powerful class in history. It is well financed. The capitalists are completely organized. They have their own communications systems. They own all the factories, the plants, and all the businesses. They control all of the newspapers. They control all of the media. They control the federal government, the state government, and the local government. They control the military. They control the police. And this class is on the attack.

The capitalists use their wealth and their economic leverage to influence politicians. In the way this political system works, politicians need money to get elected, stay in office and to be re-elected. Most of that money comes from the capitalist class. This is true for almost all governments, from little towns where the local car dealer supports the mayor and town council, to city, county, state and federal governments, where the business interests of the politicians become even more open and obvious.

Capitalist influence extends to all three branches of government: the executive, legislative and judicial branches. Capitalists make substantial donations to politicians in the legislature and to those elected to offices of the executive branch. Capitalists hire most of the lobbyists. They ensure that the elected officials fill appointed positions with members of their own class, particularly former business people or their ardent supporters. For example, look at the last three Presidents. President Bush appointed Hank Paulson – the Chief Executive Officer (CEO) of Goldman Sachs, a huge investment bank – as the Treasury Secretary.

President Obama appointed Bob McDonald – former CEO of Proctor and Gamble – as Secretary of the Department of Veterans Affairs, the second largest department in the Executive Branch after the Department of Defense. President Trump has appointed Rex Tillerson – the past CEO of ExxonMobil – as Secretary of State. He has also appointed a number of military General Officers to positions, including as Secretary of Defense, calling into serious question the concept of civilian control of the military. In the judiciary, capitalists support

appointments and elections of judges who are “friendly” to business. Additionally, capitalists and their corporations have enough money and lawyers to control the court system to their own advantage. The point is that the government is a capitalist government and its purpose is to protect the overall interests of the capitalist class and ensure control of the working class.

The interests of the workers do not lie in copying or outdoing what the capitalists are doing. We can't. We don't have the financial and political resources they do. The interests of the working class lie in creating a democratic society where the interests of the working class – as a whole – are the primary purpose of society and the government. We have people: about 80 percent of society. We need organizations of the class that recognize the interests of the working class as a class. The class must become aware of itself as a class and fight for its overall interests, which is not yet the case. We begin this process by understanding what classes are, what class we are in, what our class interests are, and what we can do to realize those interests.

Why Are We Poor?

Bruce E. Parry, Ph.D.

A Speech to the 1st National Survival Summit/
Up and Out of Poverty Now!
on July 22, 1989 in Philadelphia, PA

As was said last night, we are here to talk about truth. There are some 100,000 people in the United States who call themselves economists. There are very few of my colleagues, I am sorry to say, who speak very much about truth. I want to get down to a little bit about truth today. I am not a root doctor but I do want to get down to the roots. I have a very heavy responsibility here this morning, because I am also striving to be as dangerous as Wendell Paris says I am.

Economics is called the dismal science. I agree with Mayor Goode: everything I see says that things are going to get worse. But I am here today to bring a very positive message. I am not here just to show how bad the economy is and how bad it's going to get. I also want to talk about what we all know we have to do about it, about preparedness and the opportunities the economy presents for the first time in history to really solve some of these problems.

Many people have said this Survival Summit is an historic meeting. I do not think we will determine that this is an historic meeting. But I do believe that history's judgment will be that this meeting is historic and I want to show why.

Vernon Bellecourt covered the first 500 years of U.S. history yesterday. You will pardon me if I deal with more recent history of the last 40 years or so. I want to talk about “Why we are poor.” I think that is a question that has to be answered and addressed.

There are only two things that any society has to do. No single individual has to do these things. Anybody can stand aside from them, but the society must do them. One is that society must propagate itself. It must have kids. It must raise those kids to continue the society. The second thing a society must do is to feed, clothe, and house its population and provide the basic services necessary for survival.

Now that second thing is, at base, economics and brings us to economics as the basis of what society is doing. In order to provide food, clothing and housing and the other basic services, of course, the society must produce those things. Therefore, when we analyze what is going on in this society — the social decay and degeneration on the one hand and this summit on the other — we have to go back and work with the basic elements of society. We have to look at how we produce what we have.

Today, production is done with electronic technology. Computers, robots and all the other kinds of technology — biogenetic engineering, all the modern chemical breakthroughs, plastic metals — all those things wouldn’t exist without and are based on electronics. We are producing with a fundamentally new technology. We have to look at the effect that change has on our lives. How do the tools that we use, the implementation of computers and robots affect us? That is what I am going to speak about.

The question before us is, “Why are we poor?” Now, my colleagues might go into a one-hour speech on the political, economic, and sociological ramifications of poverty and those factors complicating why we are poor.

The fact is, we are poor because we don’t have any money. The question then is, “How come we don’t have any money?” That is a very simple thing to explain. We don’t have any money because we don’t have any jobs. So, we have to look at why we are not being allowed to work and what the ramifications of that are.

Please excuse me if I go back and look at a little bit of history. I don’t believe that we can understand what is going on now without going back over the last several decades. At least a few of us in this room lived through them.

In the 1950s and the 1960s the economy was expanding. I want to be very clear about what I mean by expanding. I think this is crucial. In the 1950s and 1960s, capital, that is business — and not just specific businesses, but the entire system of business — was moving outward. I am referring to the U.S. economy, but I want everybody to be

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clear. Everything I am saying is also true of Western Europe and Japan. I am talking about the world economy, but I am concentrating on the U.S. economy.

In the 1950s and the 1960s the entire banking system lent money to Latin American, African and Asian countries for them to build roads, telephone systems, ports and other needed infrastructure. Right behind those loans came companies looking for profit, setting up plants and using those roads, telephone systems, ports and other things. They hired workers, paid them a few cents an hour or a few dollars a day. These businesses took the wealth from those workers and took the wealth from those countries and brought it back to the United States. The United States investment was primarily in Latin America. Europe went primarily into Africa and Asia. Of course, there was a lot of overlap. I do not want to simplify this process.

This expansion — continually moving outward, going into new areas, building plants, hiring workers, and exploiting them for peanuts — created an entirely integrated world economy. I use “integrated” to mean economically integrated, and not socially integrated.

It is impossible today to make the simplest commodity in one country. A nail cannot be made today without the cooperation of hundreds of thousands or millions of workers all over the world. Nails are made in steel mills. The coking coal for steel mills may come from West Virginia. The ore may come from Latin America. The technology may come from Japan. The machinery that they use may come from Europe. The workers come from Latin America, Mexico, the United States, Europe, Africa, Asia and every place else. All of this is tied together with telephone systems and computer systems that are run by satellites. Satellites are controlled by ground stations all over the globe. So, it is impossible to make the simplest thing in the world without the cooperation of workers all over the world. In that sense this economy is a fully integrated world economy that is no longer separable into little, national pieces.

The companies that moved into Latin America and other parts of the neo-colonial world made great profits. They brought these large profits back to the United States. These companies were awash in profits. There was a lot of money.

They were able to take a little bit of those profits and buy some social peace in the United States with high wages and rising fringe benefits. Highly paid workers and companies had enough money to pay some taxes. So we saw the government with a lot of money. There was never a solution to poverty, but the government was able to throw a lot of money at it. In the 1950s and 1960s, the government put money into public housing and was able to increase public assistance payments. It was able to throw money into education and to start to deal with

The standard of living rose during the expansion of the '50s and '60s. It is falling during the contraction of the '70s and '80s — and into the '90s.

**Average Weekly Earnings
of Employed Workers (in 1977 Dollars)**



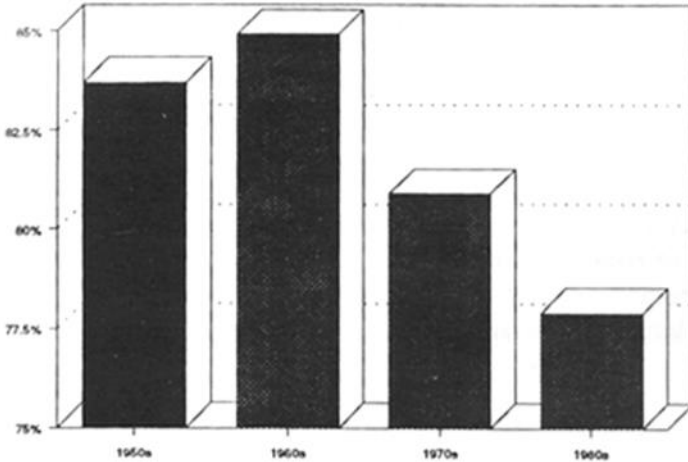
problems of poverty and education. There was a rising standard of living throughout the decades of the 1950s and 1960s. I am not saying they solved any problems. I am saying they were throwing money at the problems and the country was awash in money.

Something happened. About 1970 they ran out of geography. Every non-socialist country in the world had capitalist production with wage labor and exploitation. There were not any new areas to go into and seize their wealth. Thus began the contraction of the world economy.

I explained what I meant about expansion; I want to take a minute to explain what I mean by contraction. This is not a contraction back into the United States or a geographic retrenchment. It's like a squeezing. The capitalists cannot find any new workers in new, untapped regions to exploit in order to maintain or maximize their profits. The capitalists must therefore exploit the workers they have more. The capitalists must squeeze more wealth out of the workers in order to maximize profits. We have seen this contraction squeezing more wealth out of the workers of the world for the last two decades. It is in that sense the economy began and is now continuing its contraction for nearly two decades.

Notice that since there is no new geography on the globe, this process is not a reversible process. One of the biggest myths that we have in this country — I'd say the majority of the country believes it is

Capacity Utilization



The economic glut can be seen from the fact that the percent of manufacturing capacity actually used to produce has fallen over the past 20 years.

that, “The economy goes up and the economy goes down. Maybe it is down right now, but a little bit down the road it’s going to come back up.” I repeat, the process of contraction is not reversible and is going to continue. It may not continue smoothly but the general direction is going to be down.

The expansion that took place in the 1950s and 1960s did not take place according to any plan. There was not someone who said, “Oh, people here need some food. People there need an auto plant.” No, each individual company took a look and said, “I can make a profit there,” and moved its plant and exploited that market in order to make its profit.

What was the result of this process of individual companies moving into the different areas of the world? The result was that ultimately they built too many plants to sell everything they could produce at a profit.

Once again, I want to be very clear. I did not say “too many plants to produce what people need.” There are so many auto plants that can produce so many automobiles that it is not possible sell all of the cars at a profit. Everybody knows that we need a car to get to work. And that hundreds of millions of people around the world need automobiles just to do the ordinary things of life. The same is true for food and other goods that you can think of.

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The result was a worldwide glut of commodities in every single market. Take the steel industry. You have seen the contraction in the steel industry in the last ten years. You know there is a glut of steel all over the world. It is not a glut relative to need. We do need steel. But private steel mills can produce so much that they cannot sell it all at a profit. There is a glut of cars. There is a glut of food. The situation we are actually facing is that there is so much food that hundreds of millions of people are starving to death because it cannot all be sold for a profit. Even the computer industry is in glut. I remind you that the Apple computer was invented in 1977 — a mere 12 years ago. The entire computer industry has gone through the process of building too many factories and now having to shut them down.

Let's take a look at this glut situation from the point of view of the company that produced these goods. Let's use cars as an example; everybody knows what a car is. I'd like all the auto workers in this room to excuse me and not point out any mistakes I make. Let's take a look at this from the view of an auto company.

There are about 15 automobile companies making all the cars. Each one of them has 100,000 or more cars sitting on its lots that it can't sell. These companies are looking at this huge glut of commodities and each company is saying, "I don't care about these other 14 companies, I am going to sell mine. I am going to get rid of my cars so that I can keep producing." Each company is saying that.

How is a company going to outsell the competition? It's going to cut prices. It's going to sell cars of a given quality at a lower price than the other companies. And I know that no matter where you are from in this country, you have seen what I have seen: 0.0 percent financing and rebates up to \$5,000. And you know what? We still can't buy a car.

In the short run, any company can cut the prices in order to sell. But in the long run, the company must cut its cost of production to cut its prices.

There are two ways to cut the cost of production. One is to make the goods cheaper. You start replacing the steel with plastic in automobiles. Cars used to be 90 percent steel. Now they are plastic; they melt in the sun. Also, car companies are rolling the steel thinner. If you put your finger on the fender of today's cars, you have a dent. So, they have been making commodities cheaper by using cheaper materials.

There is a second way to cut the cost of production. You can cut labor costs. There are two ways that companies can cut labor costs in the production process. They are very closely and integrally related. The first is to put in robots and computers and other electronic systems

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that replace workers. In other words companies cut the work force by replacing them with electronic technology.

I had the very good fortune of living in Baltimore for 13 years. The General Motors Assembly Plant there makes all the “M” vans, for General Motors — the GMC Safari and the Chevy Astro.

When I first arrived, GM made cars and trucks in the plant. I had an opportunity to take a look at the plant. What I saw on the assembly line was this. The chassis — the undercarriage of the car — came down the line. The body would come around next to it and they would put the body on the top of the chassis. About 5 or 6 workers would gather around the car and weld the body to the undercarriage. Then the car would go down the line to be completed.

A few years ago that plant underwent a \$210 million renovation. Some 90 robots were put in place and the car line was reorganized around the computers and robots. A computerized “just in time” inventory system was implemented.

I had the opportunity to look at the production of the vans after this renovation took place. The undercarriage — the chassis — still came down the line. The body of the van was actually on a second-story line that came right above the chassis. It was lowered down on the chassis and then the two would proceed down the line a little farther. There was this large spiderlike thing hanging above. It came down over the van and clamped itself underneath. In 30 seconds it did 137 spot welds. It disengaged, picked back up, and the car went down the line. Now the question is, “Where were those workers who used to be welding the body of the car onto the chassis?” The answer is that they were out in the street because a computer had replaced them.

With workers in the street because they have been replaced by a robot, the company is free to implement the second way of cutting their labor costs. The boss can come down to the worker and say, “You say you will work for me for \$15 an hour? That man over there will work for me for \$12 an hour. That woman over there will work for me for \$10 an hour. That person over there will work for me for \$8 an hour. So I am not paying you \$15 an hour anymore.” They severely cut wages and fringe benefits. Of course, working conditions deteriorated in the plants.

Companies used both of the two ways of cutting costs — replacing workers and cutting the wages of those still employed.

There is a problem with this process. In this society if you want something to eat, you need to work for it. You must have a job to get some money so that you can then buy food. If you don’t have a job, then you can’t buy the basics of life that are being produced. Workers are the ones who buy back all these things that companies are producing. If companies start cutting workers out of jobs, putting them

Average hourly earnings, adjusted for inflation, have been falling since the 1970s. Falling wages and rising unemployment have caused increased poverty.

Average Hourly Earnings in 1977 Dollars



out into the street, and reducing their standard of living, workers no longer have the money to repurchase all the goods that have been produced.

Furthermore, although work forces have been slashed, this technology is so productive that we aren't producing less; we are producing more with fewer workers. So as soon as this process got going — throwing workers out of work, cutting their wages, implementing new electronic technology — the glut of commodities, the problem they were trying to solve, reappeared because workers can't buy back what these computers spit out of the other end of the plant. The capitalists' solution is to again implement more technology, throw more workers out of work, and reduce the wages further. And again the glut reappears.

This is what we have seen for the last 10 years in every industry: the reappearance of glut and the inability to solve it, on one hand, and the inability of workers to repurchase — to buy — the basic necessities of life, on the other. Workers aren't allowed to work because business does not need them to make their profit.

This begins the stages of development of unemployment. [The first is] from unemployment to public assistance benefits, if there are any today. Benefits are being cut off. Everybody in this room knows that particularly a male or a woman without children cannot get public

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assistance. The next step is to sell your car, sell your house. Pretty soon you're homeless. Unemployment is the beginning of the process of generating homelessness. Ten years ago there were homeless people. Everybody knows that. But nobody was talking about it. Now it is front page international news. That is how far this process has gone.

From [1983 to 1988] the United States lost 9.7 million manufacturing jobs. That is how far this process has gone. This process, as I said before, it is going faster and faster, deeper and deeper. It is not reversible. It is going to continue.

Government, of course, has not been sitting by watching this occur. Government helps business by further attacking the workers. I don't need to go into the examples. We remember PATCO; we remember the union-busting atmosphere that established. That allowed them to cut wages to further push down our standards of living.

On the cuts in social programs: Reagan might have been elected into office by business in order to carry a program of cuts out, but they all started before him. The capitalists just put him in there thinking he could effectively do it. And he did it. He cut social programs of every type from public housing to public assistance, education, and health care.

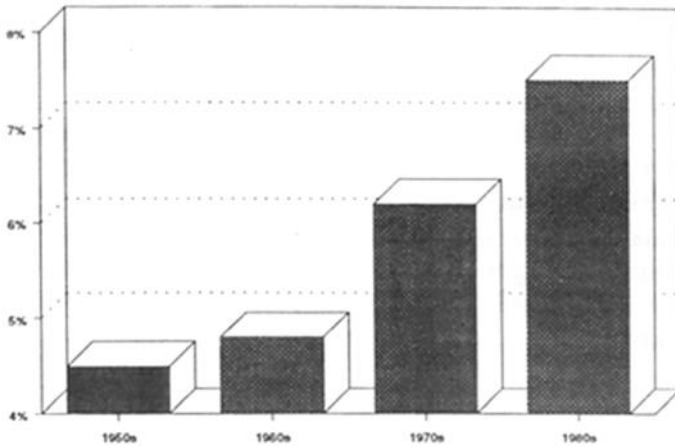
It is like the foundation of a house. If the foundation of a house crumbles, the house crumbles. Wages and the standard of living in the United States are that house. They have crumbled. Social programs — the foundation — are taken away and that forces down the standard of living of the workers. Workers who work for less maximize the profit of the businesses. This process is going very deep. The government also hands money to the capitalists and the businesses. The government is going trillions of dollars into debt to keep this glut of commodities actually moving — to keep these commodities selling.

The military budget is \$300 billion a year plus an entire slush fund of hundreds of billions of dollars. This is the single biggest public pool of money that is available. People yesterday were talking about priorities. Here is a priority that needs to be changed. Cut the military and use that money to build homes and provide food and the other basics!

It is very important that I announce that it is now official. As a result of this process that I have been describing, it is official. What everybody in this room has known for years and years, the United States government has finally discovered. This process has gone so far that the rich are getting richer and the poor are getting poorer. I don't know what took the government so long, but I am very pleased that this is now official U.S. government data.

But what does that mean, "The rich are getting richer and the poor are getting poorer?" The economy is polarizing this society into

Average Unemployment



Capitalism is hiring a smaller portion of the working class: average unemployment rates have been rising. Unemployment is the first step toward homelessness.

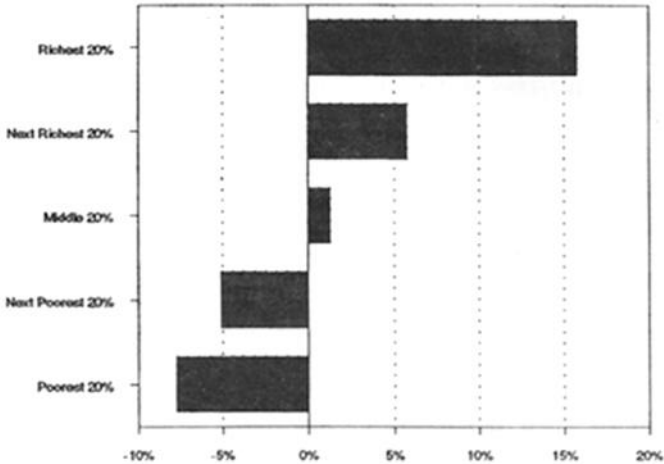
two classes. It is making those who own businesses and those who manage those businesses for them much richer. It is making the majority of the country, the working class, poorer and poorer. It is splitting society apart. On the one side is the capitalist class, and on the other side is the working class.

The working class takes in all workers, whether they are working or not, and all the homeless, and welfare rights recipients.

We should not be naive. There is a section of workers with very stable, high-paying jobs who have never done better than they are doing today, but the majority of people are getting poorer, and this is splitting the society in two.

Let's take a look at these two classes. Where do they stand politically? What are their relative political strengths and weaknesses? We should look at these two groupings. The capitalist class is the most organized, educated, strategic and powerful class in history. It is well financed. The capitalists are completely organized. They have their own communications systems. They own all the factories, the plants, and all the businesses. They control all of the newspapers. They control all of the media. They control the federal government, the state

Changes in Income



The rich are getting richer and the poor are getting poorer. The economy is dividing society into two classes.

government, and the local government. They control the military. They control the police. And this class is on the attack.

On the other side we have the working class. The working class is led today by more than 60 million people in poverty. Those are 60 million who day to day, week to week, from month to month, are dependent on the government — in some way, shape, or form — for the necessities of life. They are dependent on government for survival whether it be for food, whether it be for a place to lay their heads, whether it be for medical care or social security. One out of every four (and this is a minimum, a very conservative count — the number is much higher) — one out of every four Americans is in poverty and dependent for help to make it through. This is the leading section of this working class that is being created.

I was in Vietnam. In Vietnam there was some poor guy walking through the jungle in front of everybody else and he is called the point man. Behind him is point squad. Behind them is point platoon and then the rest is the main body of the organization.

We should look at these 60 million people, the working class, as an army. Sixty million people is bigger than any army ever fielded in the history of humanity, in any war, in any country.

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And the point people are the homeless people who are in direct combat for a place to lay their head. Behind them stand those who are struggling to feed their children off of public assistance and to keep their families together. Behind them are the unemployed looking for jobs. Behind them are the underemployed who are working and still cannot feed their families. This grouping, the 60 million, is leading the entire working class.

Lets take a look at this army, at this class. How does it stack up against the highly organized and powerful capitalist class? Well, the working class does not even know it is a class. It is completely divided. The capitalists have half of the working class pointing at the other half of the class and saying, "They are the problem." That half of the class is pointing back at the first half saying, "They are the problem." Some of them are pointing at Japan and saying, "They are the problem." Some of them are pointing at Latin America saying, "They are the problem." And so on, blaming everything else. But most of all, they have us pointing at ourselves and saying, "I am the problem." We had better start pointing the finger at where the real problem is.

Not only does this class not know it is a class, but it also does not know it is in a war. And it doesn't know who its enemy is. Can you imagine an army going into battle and the generals of that army are on the other side? Because that is the condition that our working class is in. For the most part, the people who are leading the class are on the other side.

If that is the condition our class is in, it sounds very, very uneven. The most powerful class in the world versus a class that doesn't even know it is a class or in a war. However, I did leave out one factor. It may sound a little uneven now, but that factor is this: history.

History is a very, very powerful force. I am not afraid because I know that we are living in Rome. Social decay precedes every reorganization of society. A society that can no longer provide the basics of life to its population is one that must change. The social decay that comes with it is the death throes of that society.

This system is used up. Electronics has passed this system by. We can produce enough food: it is my understanding is that the state of California by itself can produce enough food to feed the entire world. Yet hundreds of millions of people in this world go to bed hungry every night. That isn't a problem of production. This technology means the end of want in any sense of the word. The only thing that is keeping us from producing using this technology is that we cannot produce with this technology and assure profits to the owners of these companies.

The only way that you can produce with computers is to provide the goods that are produced to those people who need them. This is because when computers put people out of work, people don't have

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money to buy back those goods. Then you have to provide them with the food and the basic necessities of life that will give us all a decent life. That, of course, puts before us the challenge of changing this society into one where everyone has the food, the clothing, the housing, the education, the culture —all of the components that make for a wonderful life for all of us. They are all within our grasp for the first time in history. Electronics could allow us to work a few hours a day and produce everything we need for the 5 billion people on this planet. But in order to do that a system that allows our children to die in the gutters has to go.

We must therefore begin to recognize that we are a class. The role of everyone in this room and the role of this Summit is to begin this process of tying this 60 million person army into what it is: the baddest fighting force this world has ever seen!

Do I believe this is an historic meeting? Yes I do, because I believe that in this room stand the people who can weld this class into that fighting force and carry out what it has to carry out. That's what this meeting is about. That's what we have to do.

Thank you very much.

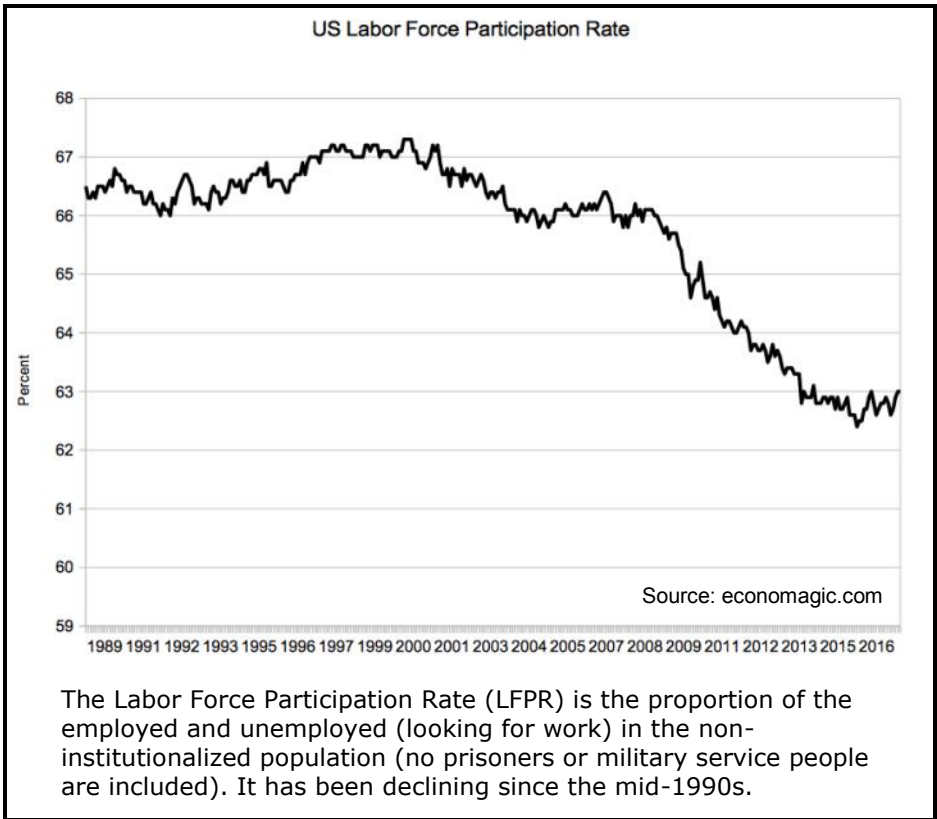
We Are the Poor!

A Sequel to ‘Why Are We Poor?’

Bruce E. Parry, Ph.D.
December 2017

In *Why Are We Poor?* we discussed the army of 60 million, led by the homeless, the dispossessed, the working poor and the destitute. I said that that army was being led by generals from the other side and that the class did not even know it was in a war. The class is still divided and does not yet have the understanding that it is a class, but the situation has changed somewhat. At that time, people knew something was wrong, but didn't know what to do about it. Today – as reflected in the 2016 Presidential election – people not only know something is wrong, they are actively voting for change. They are looking for leaders that will confront the problems they face: declining standards of living, joblessness, debt and economic crisis. The leaders they seek must emerge from the ranks of the army itself: from the poor and dispossessed.

We **are** the poor! We are the 99 percent, the working class, the employed and unemployed, the poor and working people, the “Precariat,” *the working class*. We are the disadvantaged, the dispossessed, the disenfranchised. The working and the non-working. We are the exploited and oppressed. We are the disabled, the 20 million without health insurance, the 43 million in poverty, the tens of millions looking for work. We are every color and every gender and of every orientation. We are the ones being pushed out of an economic and



political system based not on meeting the needs of its people, but on profit. We have history. We **are** the future!

A lot has changed since I gave the ‘Why Are We Poor?’ speech in September of 1989. And yet, I stand by everything in it. Capitalism is still contracting. The two classes are still at war: the capitalists (the owners of all the businesses) and the working class. The rich are getting even richer and the poor are getting even poorer. Electronic technology has progressed so far that the electronic revolution is more advanced now than ever with the Internet replacing even older electronic technology. History is important. And history is on our side. We need to remember that as we take a look at what has unfolded over the last three decades.

We need to remember why we study economics. Society has to do just two fundamental things. First, it must reproduce. That is, it must have and raise children. Second, it must produce and distribute the basic necessities of life to its population. That is, it must provide food, clothing, shelter and basic care. This second function is an



The US Employment-Population Ratio shows the actual percentage of people who are working. It declines during economic downturns. The dramatic decline shown was during the 2007-2009 crisis. Note that while the ratio recovers a bit, since 2000 it has never recovered to where it was before.

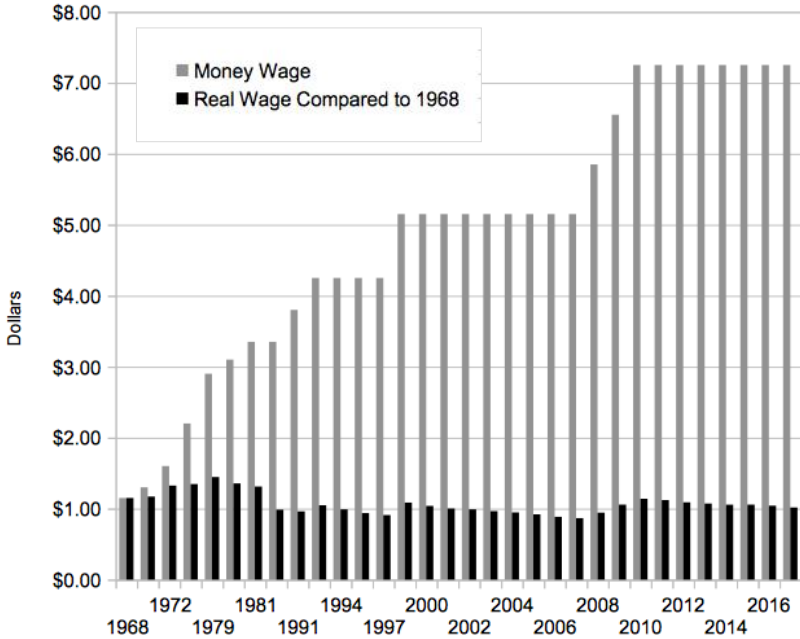
economic function and is what drives virtually everything else. If the system can't feed the people, the society will not survive. So we learn about the economy and how the economy affects what is happening in our lives. That is what this pamphlet is about.

The electronics revolution continues

The electronics revolution has continued and accelerated. It has become clear that electronic technology is labor-replacing. Many books and articles have been written about this and it is now common knowledge.¹ Most of these books and articles concentrate on how society can deal with the job loss. But a capitalist economy cannot deal with technology that causes unemployment. Under capitalism, everything depends on having a job. Income is based on having a job. Health care is based on having a job. Paying for food, housing, education, and entertainment is based on having an income and that is based on having a job. Capitalism cannot and will not provide any of these things to people without a job. Those of us without a job don't face a capitalist employer. We immediately face the government in order to get money, food,

The Minimum Wage Over the Years

Money Value versus Real Value in 1968 Dollars



Source: poverty.ucdavis.edu

The US federal minimum wage has risen from \$1.15 in 1968 to \$7.25. It hasn't been raised since 2010. Today – after adjusting for inflation – that \$7.25 is only worth \$1.02 – 13¢ **less** – than in 1968.

clothing, housing, health care, education, transportation and everything we need to live. Our poverty immediately becomes a political question. The social programs that exist for those without work are like fingers in the leaky dike: they keep back the deluge, but don't solve the problems of the jobless. In many cases, even the low-paying jobs we do have don't solve our problems!

Unemployment is part and parcel of capitalism. But, electronic technology is creating permanent unemployment. In 2008 there were over 1 billion people in the world without jobs. People will not be employed if they do not create profits and today robots and computers are doing the jobs faster more cheaply.

This process is irreversible. A business under capitalism must continually invest in new technology to successfully compete with its

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competitors. Today, that new technology is electronics. It's the Internet, cloud computing, robotics, bio-technology, and other technologies based on the micro-chip and integrated circuits in computers. The process is simple. A business produces goods or services for sale. It competes with the other businesses in the industry. At some point one of the businesses, or a new business, buys and uses the very latest technology, cutting costs and increasing its profits. Then, all the rest of the businesses have to implement that technology or a technology even more advanced. If they don't, they are in danger of going out of business altogether. On a national level, businesses in every industry have to follow the economic rule of competition. When the technology that they implement is labor-replacing, the effect is increased unemployment on both the national and international level.

There is no plan or system of organization to implement new technology or to manage employment. Each business is on its own and does what is in the best interests of its owners. And their best interest is for the company to make the maximum profit it can. If this means laying off workers and replacing them with electronics, that's what they do.

This process is going faster and faster today as technology advances more and more. One set of researchers has projected that 47 percent – just under half – of the 702 occupations they investigated are subject to be replaced by computerized technology within one or two decades.² That's in less time than since 'Why Are We Poor?' came out.

Overthrow of socialist countries

In the original essay, we talked about the end of the geographical expansion of capitalism. Capitalism had reached every part of the non-socialist world by 1977. That process has progressed even more. Capitalism overthrew socialism and expected that the expansion of capitalism into Russia and Eastern Europe would create new profit opportunities. And it did: for the few billionaires called the "Russian oligarchs" that benefited. Basically, the expansion of capitalism by overthrowing European socialism was short-lived. The main effect was to take away the political and socialist checks on the U.S. internationally.

The situation with China is different. There, the socialist system was adapted to include a private market that was a source of modern technology. The same is true for Vietnam. The market represented by China is huge. It has led to a major economic advance in the last 40 years. The development of market socialism in these countries has been a new development.

But we should not be fooled. China has installed and is installing more robots than any other country in the world, including the US. And even with the low wages in China compared to the US, robots pay for themselves in just 1.3 years: that is, in about 15 months.³ Robots don't need food, clothing, housing, health care or breaks and vacations. This is an astounding development. And, of course, China has the same Internet, cloud computing, communications, transportation and retail sales technology as the US. So, the same labor-replacing technology that is taking jobs in the US, is taking jobs in China.

I should say that there are a few things slowing down this job-replacement process. First, low wages mean that using technology may not be as profitable – cost effective – as it is in higher-wage countries like the US, Europe and Japan. This would mean that installing the latest technology is put off or simply not done, because having a sweatshop is cheaper than using robots. We see the growth of sweatshops at the same time we see robotic factories. Second, the technological revolution has come to agriculture with a vengeance, in both the developed countries like the US, but particularly in the less developed countries. Millions of agricultural workers have been tracted off the land in China, Latin America, Africa and elsewhere. They are flooding into the cities. They are looking for work. These millions of new workers pull down wages and increase the workforce. Third, under socialism, all the factories and plants were owned by the people through the government. Now, under capitalism, they are referred to as “State Owned Enterprises” (SOEs). As they are converted from state-owned production to capitalist, private production, they increase private employment by capitalism. Of course, they are then subject to the same labor-replacing laws of competition that every other capitalist enterprise is subject to.

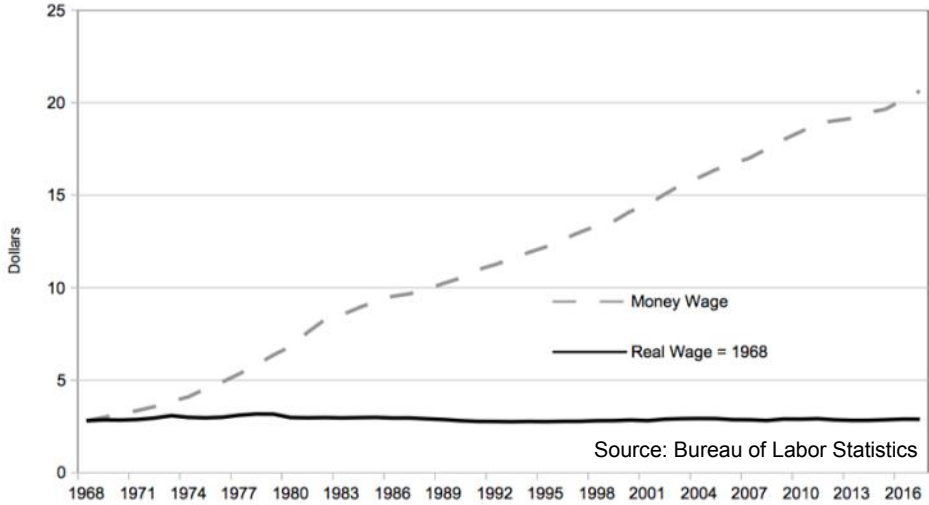
The result is that capitalism is now in virtually every country of the world, with only two or three small exceptions. Capital is lowering wages, worsening work conditions, dismantling any social safety net, implementing severe austerity measures. This shows everyone what capitalism is really about. In every case the crisis is shifted onto the backs of poor and working people.

Attack on the working class intensifies

Capital seeks the maximum profit. How does it increase profit in a world where the technology is replacing workers, who are the source of that profit? There are several ways. The first is to use the latest technology, as discussed above. The second is to make things more cheaply substituting plastic for steel in cars, as I pointed out they were

Manufacturing Wages Since 1968

Money Wages vs. Real Wages



While U.S. wages have risen from \$2.81 to \$20.63 since 1968, when inflation is taken into account, the real wage in 2017 is only \$2.89 – 8¢ more – in 1968 dollars.

doing 25 years ago. (They still are.) The third is to have the politicians cut their taxes so that money can go to profits. I will return to this below. The fourth is to reduce wages to the absolute minimum. Wages in the US have been falling for years. The real minimum wage – the minimum wage adjusted for inflation, is currently 13¢ **less** than it was in 1968! Real hourly wages of manufacturing workers – again adjusted for inflation – have also been flat: they are just 8¢ higher today than in 1968.

This the result of a number of things capital has done. First, they busted the unions. Unionization in the private sector is just 6.6 percent: the lowest it’s been since the 1930s before unions were made legal. The overall rate, which includes public workers is just over 10 percent, also an historic low.

Second, they removed and continue to remove the social safety net. In 1996, President Clinton signed a bill ending “welfare as we know it” and creating “workfare.” Since then programs that aid the poor, the unemployed, the disabled and others needing assistance have been slashed. That’s at the federal level. At the state level, attacks on assistance have been even worse. Funding for mental health centers and

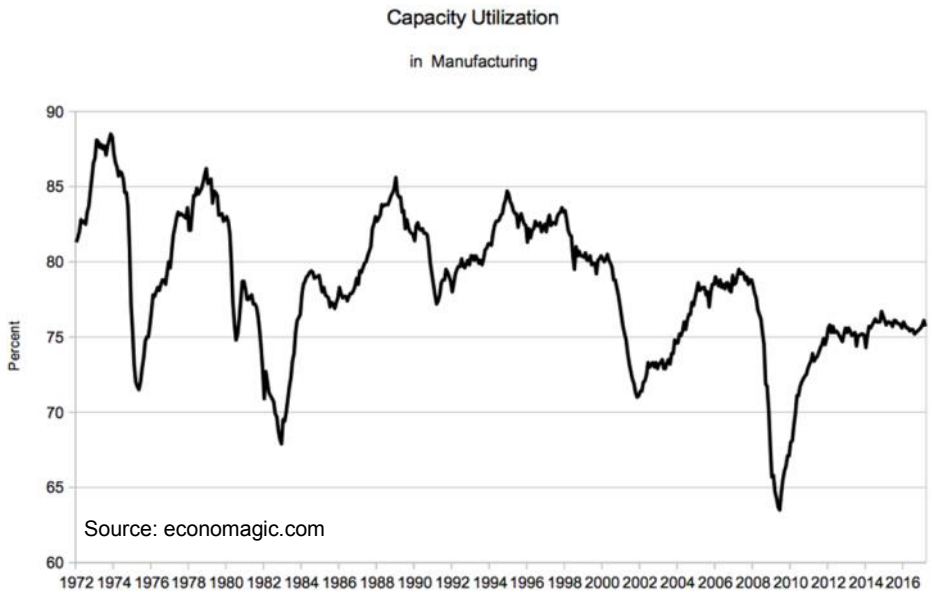
community health clinics have been especially targeted for reduction and elimination. Grants for food, homeless shelters and other services provided “by the community” have also been slashed so the “community” in many cases can no longer provide them. Funding for cultural programs, like the arts, have also been cut to the bone. In short, like cowards, the capitalist governments go after those with the least political power and clout and the most to lose.

The removal of the social safety net means there is no floor under income levels. Incomes have been allowed to fall to poverty levels for a growing proportion of the population. Of course, the official statistics on poverty severely underestimate the number of poor. For example, they do not count the homeless. The income levels that the government uses to classify people as poor are terribly low. And the poor tend to be undercounted in surveys anyway. For example, undocumented workers in poverty may not want to be “surveyed.” Even so, over 40 million people are “officially” poor in the US. One in five children are in poverty.⁴

Internationally, poverty is even greater. In 2008, over a billion people on the planet – about one in seven – were unemployed. Two billion lived on \$2 a day or less and 880 million lived on less than \$1 a day.⁵ Capitalism shifts poverty off itself and onto the backs of poor and working people everywhere.

As part of the intensification of the attack on the working class is that the capitalists justify the cuts in the social safety net and social and welfare programs by saying that there is not enough money to fund these things. They point to pensions the workers earned and the cost of providing these services. But the real reason that there is not money is that the capitalists themselves – through their political representatives – have continually cut the taxes on corporations and on the wealthy. In the 1950s, when profits were high and capitalism was expanding, there was a 90 percent tax bracket, meaning that if you earned, say \$1 million dollars a year (that was a whole lot back then), \$900,000 had to go to the government. Corporations at that time paid over half the income tax. The tax system was based on being progressive: the more you made, not only the more you paid, but the greater was the proportion of your earnings that you owed in taxes.

Today, the press and the economists make this sound like it was a ridiculously high tax rate, but they’re lying. It is the dismantling of that tax system, the leveling of tax rates between the rich and the poor, the shrinking of the proportion of taxes paid by those who have money, that has led to the situation we are in. The people with money literally buy the politicians who make the laws on tax policy. Warren Buffet, the well-known billionaire financier from Nebraska, has said that his secretary pays a higher proportion of her income in taxes than he does.



U.S. Capacity Utilization – how much of our plant and equipment in manufacturing we actually use – falls dramatically during downturns. However, since 1990 it has never returned to its previous level.

This is the reason we don't have money for pensions, for social programs, for the social safety net, etc. Since the money is not available, federal, state and local governments also have to go further in debt to pay for what they have. More on debt below.

Another aspect of the restriction on government spending is privatization. The capitalists are selling off virtually every public service that they can so they can make a profit off of it. Some places have privatized water. Chicago sold its parking meters to a private company. Cleanup and repair crews everywhere are being "outsourced," which is a fancy word for privatized. This means that what was a public service, and what was public property, is being made into a for-profit business and someone's private property. This may cut the expense of the government entity, but it increases the costs to those using the services: generally poor and working people.

Of particular note in this regard is the privatization of education and of health care. Public education used to be free and publicly owned. Today, school systems are moving more and more to

privately owned and operated schools. Cost of transportation, books, and school fees have continuously risen. At the college level, tuition and associated expenses ranging from books and fees to room and board have put college out of reach for many people at precisely the time when a college education is required to find work.

The same is true for health care. There used to be plenty of public health care. Today, everything is privatized. In 1964, health care cost just \$197 per person per year. Given wages at that time, that represented about 78 hours of labor per year. In short, by the middle of January the average worker had earned enough to pay for their health care for the year. By 2004, the cost of health care had risen to \$6,200 and represented 390 hours of work to pay for it. The worker now has to work until March just to pay for health care. This rise in prices is due to the private interests of health insurers, pharmaceutical companies, hospitals and other private institutions in the health care industry.

It doesn't have to be this way. As an example, the VA health care system – a single payer system for veterans – is by far the cheapest and most effective health care system in the country.⁶ There is no economic reason that we couldn't have health care like that for virtually every man, woman and child in the country. But it isn't going to happen under capitalism.

Abundance in production creates a glut

The irony is that electronic technology is more productive than ever. The increase in poverty stands in stark contrast to the fact that business creates more and more goods and services for society: an abundance. But capitalism does not deal well with abundance. Capitalism is based on scarcity. The productivity of modern technology is therefore creating a glut of commodities. There are too many commodities to sell them all at a profit.

This leads to a number of results. First, it means that profitability of capital falls. When the profitability of businesses falls, they take measures to increase it again. This often means laying off workers and making those still working work harder and longer for lower wages. We wind up with the crazy result that there are a billion unemployed, while those with jobs are over-worked and under-paid. Capitalism cannot set up a system where we share work equitably among us. It is either feast or famine. For many, it is mostly famine.

Second, when profitability falls, businesses use less of their manufacturing capacity. Every industry is facing a glut of commodities. The capacity utilization rate measures how much manufacturing capacity is used and unused. The lower it is, the more unused manufacturing capital there is. That is a measure of the productive ability of business. The more productive they are, the more likely that

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they can't sell all their commodities, so they shut down some of their facilities and this shows up as a lower capacity utilization rate. Capacity utilization falls dramatically during downturns. But the key is this: it hasn't returned to its previous level in years. The economy is in glut.

That means that it doesn't make any sense to invest more in most industries. So capital looks around for the most profitable alternatives: speculation. Speculative alternatives are usually found in one of several economic sectors. One is the financial sector. They speculate on stocks and bonds and make very complicated financial investments in "derivatives." Higher-paying opportunities are usually higher risk, so on the one hand derivatives and junk bonds pay more, but on the other hand, the possibility of going bust is higher. We saw that with the housing and financial crisis of 2007.

Capitalists also speculate on currency. Different countries around the world have different currency and these currencies vary in value with respect to each other. Today, a Euro may be worth \$1.38. Later today or tomorrow, it may be worth \$1.30. There are dozens of currencies traded. Capitalists like George Soros speculate on which ways these prices are going to move and bet trillions of dollars every day on them. This destabilizes the currency system and can also lead to crisis, which it did in the Asian currency crisis of the late 1990's.

Capitalists also speculate on new technology. They bet that some technology companies – even ones that have never made a profit – are going to be worth billions of dollars. This creates a "bubble." A bubble is merely a situation where more money flows into an industry than the industry is worth. Eventually, the value of the money invested falls to its real value. This is the bubble bursting and billions of dollars are lost. This is what happened with the "dot com" bubble in the early 2000's that triggered a recession in that period.

Capital can speculate on anything. There is a lot of speculation in real estate. There is speculation in commodities and crops. The list goes on. But what all his speculation has in common is that it potentially could be invested in producing what poor and working people need (food, clothing, shelter and the other basics of life) rather than profits for the capitalists. Again, that's not going to happen under capitalism.

The debt crisis

Another result of the commodity glut is that in an effort to circulate commodities, capital makes credit available to everyone. Credit means debt. It means that we can purchase today what we will pay for, piece by piece, over the coming years. Capital uses debt to circulate the commodities it could not otherwise sell. There are three

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major types of debt: personal debt of workers, corporate debt, and government debt. US Government debt stands at about \$19 trillion, or more than \$61,000 per citizen (yes, that includes kids). That is more than the entire production of everything we make and sell in the US in one year.

Corporate debt is a mixed bag. It stands at about \$6 trillion. Corporations borrow to conduct business. That is, they borrow to buy inputs to production, to pay workers, and to keep production flowing. On the other hand, many corporations today are borrowing to finance speculation. For example, they buy back their own stock to prop up their profitability.

Finally there is personal debt. Total personal debt is over \$18 trillion; that's more than \$56,000 per person (again, including men, women and kids: everybody). Mortgage debt is about \$14.5 trillion. Student debt is about \$1.5 trillion, and credit card debt is over \$1 trillion.⁷ That means that each of us has to pay thousands of dollars every month just to live. After all, we need a place to live. And we need the food, clothing and other necessities we buy with credit cards. Education is crucial just to compete for the declining number of jobs. We need health care, or have to pay out of pocket (read: by credit card) when a health issue comes up. We spend huge amounts each month just to pay off the debt that the system imposes on us. Workers are in debt to keep our lives going. Today, we can't get these things without going into debt. The monthly payments are sapping our resources and lowering our standard of living. Personal debt is not just an individual choice. Every time you walk into Target, Lowe's, K-Mart or any other store, they ask whether you have their credit card. And they give you a discount if you get it. This is how they sell commodities they have on their shelves.

The total debt in the US (not counting the rest of the world!) is more than \$68.7 trillion. That is a phenomenal number, equal to almost four years worth of total US production. That is why the banks are so rich and getting richer. It is also why there is debt crisis that was a trigger for the 2007-2009 downturn and that still looms like a sword over our heads.

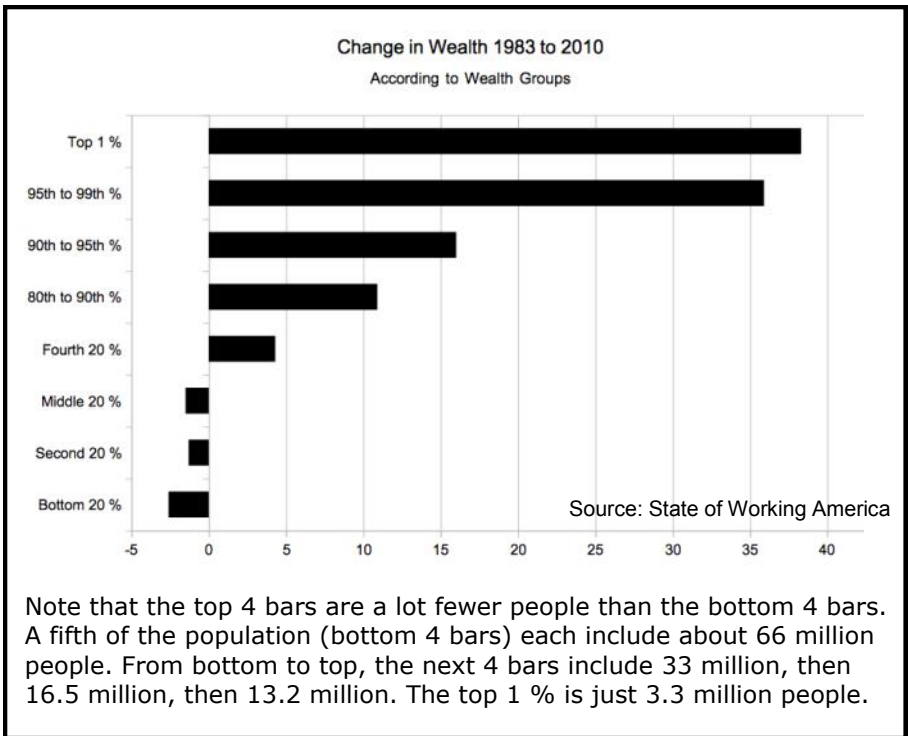
The debt crisis is not going to go away. Paying off the debt is not a solution. The solution is building a society that is built on people having what they need to survive and prosper, not on debt. Debt is the sign that we do not have what we need to survive and prosper. It is a sign of weakness of capitalism as a whole, a system that cannot provide the basics of life without going trillions of dollars into debt. At the same time, debt is a huge source of profits for the banks. Debt is therefore a class question, another aspect of the conflict between capital, which profits from debt, and the working class, which is crippled by its burden.



Polarization of wealth and poverty

Today it is well known that the rich are getting richer and the poor are getting poorer. The crisis capitalism finds itself in forces business to attack workers on the economic front, pushing them toward poverty. They also attack on the social and political fronts, and that adds to their ability to push us down economically. What's left of the middle class is seeing their standard of living decline. They are being driven into the ranks of the working class proper.

At the same time, electronic technology is making some people fantastically rich. The capitalists reach for more and more wealth and do everything they can to get it. They are making huge profits and seeing their income rise, while the rest of us are seeing our income fall.



One study found that the eight (8!) richest men in the world (they are all men and could all fit on one 9-passenger van, not that they would) control as much wealth as the bottom 50 percent of humanity.⁸ Fifty percent is about 3.6 billion people. That is the level of economic polarization today.

The pendulum doesn't swing anymore

The crisis that capitalism finds itself in is not reversible. We continually hear that the economy is like a pendulum: it gets in trouble and goes through crises, but then it swings back to prosperity. Wait a while, and things will “return to normal.” Well, this is the new “normal.” The economic pendulum doesn't swing anymore. There are no new areas to reach into for capitalism to exploit new workers. Technology is eliminating jobs. The crisis has reached such proportions already that millions of people are resisting, demonstrating, and voting for change. The reaction of capital is to increase police powers and the “security” forces, to increase the intensity of exploitation of poor and working people, to impose austerity measures on those who cannot repay debts, to cut off and privatize even more services that workers need.

Let's be blunt. The economic function of society is provide food, clothing, shelter and the basic necessities for its population. An economic system that cannot do that can and must go out of existence. Today, capitalism is providing necessities to a shrinking proportion of the population. And this is going to continue. As I have emphasized, it is not reversible. Capitalism has reached its limits, but it isn't going to go away by itself. I want to be clear: there is no “final collapse;” there is no permanent economic downturn. There is just capitalism providing sustenance to a smaller and smaller group of people.

This is the economic basis of the political shift of the ruling class to the right, to more conservative, exploitative measures. To more social control by force. Thus, the politics – like the economy – are not a pendulum that will swing one way and then the other. The move toward conservatism will continue. The danger of a fascist future is becoming more real.

9/11 and the creation of fear

The capitalists have long ago mastered the art of using every galvanizing event in their interest. September 11, 2001 was the epitome of such events. Capital used it to set up the Department of Homeland Security (DHS). DHS has been one of the bases for limiting civil and human rights, extending search and seizure, attacking immigrants, and instilling fear in the population. Of course, the capitalist class controls the entire government at the federal, state and local level, and officials at every level have participated in these social and political attacks on the population.

An important aspect of capitalism in crisis is that it intensifies each of the three ways capitalism kills: by poverty, by war and by destroying the environment. We have already investigated the ways

Table 1: Wikipedia Listing of US Military operations

“Extraterritorial and major domestic deployments”

1990–1999[edit]	2003: Georgia and Djibouti
1990: Liberia	2004: Haiti
1990: Saudi Arabia	2004: War on Terror: in Georgia, Djibouti, Kenya, Ethiopia, Yemen, and Eritrea.
1991: Iraq and Kuwait: Gulf War	2004–present: War in North-West Pakistan
1991–1996: Iraq	2005–2006: Pakistan
1991: Iraq	2006: Lebanon
1991: Zaire	2007 - The Mogadishu Encounter
1992: Sierra Leone	2007: Somalia
1992–1996: Bosnia and Herzegovina	2008: South Ossetia, Georgia
1992: Kuwait	2010–present: al-Qaeda insurgency in Yemen
1992–2003: Iraq: Iraqi no-fly zones	2010–2011: Operation New Dawn, This coincides with the reduction of American troops [in Iraq] to 50,000.
1992–1995: Somalia	2011: 2011 military intervention in Libya
1993–1995: Bosnia	2011: Osama Bin Laden is killed by U.S. military forces in Pakistan
1993: Macedonia	2011–present: Uganda
1994: Bosnia	2012: Jordan
1994–1995: Haiti	2012: Turkey
1994: Macedonia	2012: Chad
1995: Bosnia	2013: Mali
1996: Liberia	2013: Somalia
1996: Central African Republic	2013: 2013 Korean crisis
1996: Kuwait	2013: Navy SEALs conducted a raid in Somalia
1996: Bosnia	2014–present: Uganda
1997: Albania	2014–present: American intervention in Iraq
1997: Congo and Gabon	2014: 2014 American rescue mission in Syria
1997: Sierra Leone	2014–present: American-led intervention in Syria
1997: Cambodia	2014–present: Intervention against the Islamic State of Iraq and the Levant:
1998: Iraq	2014: 2014 Yemen
1998: Guinea-Bissau	2015: U.S. sends ships to the Strait of Hormuz
1998–1999: Kenya and Tanzania	2015–present: American military intervention in Cameroon
1998: Afghanistan and Sudan	2017: 2017 Shayrat missile strike
1998: Liberia	
1999–2001: East Timor	
1999: Serbia	
2000: Sierra Leone	
2000: Nigeria	
2000: Yemen	
2000: East Timor	
2001: On April 1, 2001	
2001–2014: War in Afghanistan	
2002: Yemen	
2002: Philippines	
2002: Côte d'Ivoire	
2003–2011: War in Iraq	
2003: Liberia	

Source: Wikipedia

capitalism imposes poverty. But the capitalists have also been continually at war since 1989. One could say it began with the first Gulf War, but it actually started long before that. Nevertheless, the US has been continually at war since then. A listing in Wikipedia shows a timeline of US military operations.⁹ The Table shows them from 1990 to the present. How many of these were you aware of? This continual war has killed millions of people all over the globe. It is part and parcel of creating of fear. As with the economic and political aspects of the crisis, this is not going to get better (there isn't going to be less war). In fact, the level of hostility will increase with the increasing crisis of capitalism. I do not want to simplify: nothing goes in a straight line. Things will get worse and then ease somewhat, but the basic direction is toward increased and more violent military engagements.

The same goes for the attack on the environment, which is also an attack on poor and working people. They bear the brunt of the environmental crisis. Business does everything it can to avoid paying its bills, to avoid incurring costs. This is especially true with respect to air, land and sea which individual capitalists don't own. Thus, capitalism is poisoning us through toxic waste dumps, poisoning the water supplies (for example, through fracking), and by poisoning the air by using fossil fuels. It is poisoning and dangerously warming the seas. It is causing the temperature to rise so that the pole caps are melting, raising the ocean level and swamping the homes of those living at sea level. The rich can move and keep themselves safe from the calamities. The rest of us are left to deal with the consequences of their actions.

The army of the working class is learning

More and more society continues to break into two hostile camps. On the one side are those who own their own stuff: our cars, our furniture, perhaps a house, the food we eat and the clothing on our backs. That is *personal* property. What we don't own is a factory, a plant, a huge company, a bank. That is what we call *private* property. We are the working class. On the other side stands the capitalist class. As I said, the capitalist class is the most organized, educated, strategic and powerful class in history. It is well financed. The capitalists are completely organized. They have their own communications systems. They own all the factories, the plants, and all the businesses. They control all of the newspapers. They control all of the media. They control the federal government, the state government, and the local government. They control the military. They control the police. And this class is on the attack.

I referred to the working class as an army – a huge army! We said the point people are the homeless people who are in direct combat for a

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place to lay their head. Behind them stand those who are struggling to feed their children off of public assistance and to keep their families together. Behind them are the unemployed looking for jobs. Behind them are the underemployed who are working and still cannot feed their families. This grouping, 60 million strong, is leading the entire working class.

We talked about the fact that the working class does not know it is a class. It is completely divided. And it does not know it's in a war. And many of the leaders of the working class – the generals of the army, if you will, are on the other side.

The situation today has advanced. The real difference between 1989 when I gave the 'Why Are We Poor?' speech, and today lies in the developing political restlessness of the working class around the world. People are standing up. They are demanding real change. They are not sure exactly how that change can come about, but they know that "business as usual" is killing them and that we need "business that's not usual." We need government and business run by and for the people themselves.

The 2016 election cycle brought forth candidate Bernie Sanders. No matter what you may think of Sanders, the upsurge that he led taught us three things that are crucial to the working class army. First, he put a positive spin the word "socialism" and made it acceptable to discuss it. Socialism is for the people. It ends the system of profit and runs society on the basis of need. Second, he pointed the finger right at the class enemy: the one percent, the corporate elite, the rich and powerful and the system they represent. He showed that in the class war that is under way, **they** are the cause of the problems besetting society. Third, he "outed" both the Democratic and Republican Parties as tools of that corporate elite, of the ruling class. He showed that the ruling class is controlling us by keeping us confined to the two parties that are both bought and paid for by the ruling class. And the business class has shown time and again that they will not easily give up what they bought and paid for.

The upsurge remains. People are dissatisfied and continue to search for answers. The army is looking for true generals; the class is looking for true leaders. The key is to unite the bottom, the poor and working people who are the disadvantaged, the dispossessed, the disenfranchised. We need these generals, these leaders to step forward from among the poor and working people, for an army fighting to defend the interests of the working class must be led by the working class. The responsibility and the opportunity are ours.

But the capitalist class is on the attack. That is what the complete ramping up of the police, the courts and the military apparatus means. That is why they are building walls and investing in

private, national and international security. That is what the propaganda war against the poor, women, people of color, gay and transgender, and the political left mean. All of this points to the fact that the ruling class knows they're preparing for a much bigger fight than they have on their hands now. And they're moving quickly to cut off the possibility for a fair fight before it even starts.

There is a lot of talk about neoliberalism. Neoliberalism is the ideology of the capitalist class on the attack. There is no serious opposition to neoliberalism within the capitalist class. There is no “gentler, softer” capitalism. Opposition to the capitalist class and the system of capitalism must come from the working class: the only force large enough and organized enough to resist capital.

The possibilities today are more than ever

Capitalism is destroying the planet and its people, but it does not have to be this way. With the electronic technology that is destabilizing capitalism, we can build a world of abundance and plenty. We can care for everyone. The glut we have under capitalism becomes the creation of plenty in a cooperative society led by the working class. Without profit, we can produce as much as possible and distribute it to those in need. We do not need the crushing burden of inequality: social, political or economic. We do not need the crushing burdens of poverty, of war, of a poisoned environment. We do not need the crushing burden of debt. We can build a society that nurtures its people, defends what is right, and looks to a peaceful, sustainable future. We can build a society where art and culture emerge from the people, not from crass commercialism. We can build a society where people are safe in knowing they will be economically secure.

We **are** the poor. And the poor have nothing to lose but their poverty! Society stands at the tipping point. The ability to feed us, to clothe us, to house us, to care for each and every one of us, to educate us and to provide us with work, with recreation, with safety and stability is all around us. It is there. It is only this system that keeps us in poverty. Today we understand that we have an obligation to our class – to our political army – to stand shoulder to shoulder and say, “The time has come! **Our** time is now!”

Endnotes

1. See, for example, *The Second Machine Age*, by Erik Brynjolfsson and Andre McAfee (New York: W.W. Norton & Co., 2014; and *The Fourth Industrial Revolution*, by Klaus Schwab (Geneva: World Economic Forum, 2016).
2. “The Future of Employment: How Susceptible Are Jobs to Computerisation?” Carl Benedikt Frey and Michael A. Osborne, 2013: http://www.oxfordmartin.ox.ac.uk/downloads/academic/The_Future_of_Employment.pdf.
3. “Automation sweeps China’s factory floors,” *Shanghai Daily*, Kelvin Chan, September 26, 2015.
4. See, for example, <http://poverty.ucdavis.edu/faq/what-current-poverty-rate-united-states>.
5. Cited in *Capitalism: Competition, Conflict, Crises*, by Anwar Shaikh (Oxford: Oxford University Press, 2016), p. 491.
6. *Best Care Anywhere*, by Phillip Longman (Sausalito, CA: PoliPointPress, 2007, pp. xxii-xxiii).
7. For information on debt and a very interesting website, see *The US Debt Clock* at <http://www.usdebtclock.org>.
8. *Just 8 men own the same wealth as half the world*, Oxfam International. 2017. <https://www.oxfam.org/en/pressroom/pressreleases/2017-01-16/just-8-men-own-same-wealth-half-world>.
9. See Wikipedia at https://en.wikipedia.org/wiki/Timeline_of_United_States_military_operations#Extraterritorial_and_major_domestic_deployments.