Class War Without Mercy

Vast wealth for those at the top, unemployment and poverty for the rest of society

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One can never have too much money. In the U.S., the top one percent of the population rakes in almost a quarter of the national income and enjoys 40 percent of the wealth. That class sees this as a problem. It is not enough.

For ordinary workers, the recession brought only economic hardship. But for corporate America, it meant one thing: opportunity. This is the chance to permanently mold the economy into something approximating the Third World model: vast wealth and privilege for those at the top, and unemployment, falling wages, and inadequate or nonexistent social services for the rest of society.

The recession ended two years ago, yet more than nine percent of the population remains without work. If one takes into account discouraged workers and part-time workers wanting a full-time position, nearly one sixth of the workforce is underutilized. For people of African descent, the situation is even more dire, with unemployment approaching a rate twice as high. Yet, a jobs program has never been on lawmakers' agenda.

Instead, the trend has been to slash benefits at a time of heightened need, while simultaneously calling for more tax cuts for the wealthy. Deficits run up by the George W. Bush Administration and President Barack Obama have handed the right wing a cudgel to impose their will and discipline workers. President Obama needed no votes from Congress had he been willing to simply let the Bush tax cuts expire. By insisting on an unwinnable partial continuation of the tax cuts, Obama ensured that the entire package would remain in effect. At a time when the recession has caused a plunge in tax revenue, starving the government of funds when they are most needed is exacting a toll on the well being of the population, and opening the door for slashing benefits. According to the Congressional Budget Office, continuation of the Bush tax cuts through the year 2020 will contribute $3.3 trillion toward the national debt. This is money that would be better utilized in providing much needed social services and launching a real jobs program, assuming of course, the political will to do so – which has been noticeably lacking.

Add in the fact that the Bush Administration's wars in Iraq and Afghanistan were mostly run on borrowed funds to the tune of $1.2 trillion. Take into consideration associated costs, and the total price tag on the Iraq and Afghan wars rises to at least $3.2 trillion, according to the Costs of War project. Those wars are still underway, chewing up resources, and for good measure President Obama has added a third war, in Libya. There is no end in sight for military adventurism, and the defense budget remains sacrosanct. For all the talk of budget cuts, this department remains immune. Indeed, the House of Representatives recently voted to boost the already bloated defense budget by an additional $17 billion.

What we get instead of a responsible and progressive tax policy or trimming of the defense budget is the steady drumbeat of debt panic, with loud demands to cut social services, shrink pensions and pay, and, oddly enough, provide additional tax reductions for the well-to-do. This debt panic has become the driving argument for a ferocious assault on workers. Class war is being waged, and sensing victory, the owning class is taking no prisoners.

Current policies already in place ensure that workers are being bypassed in the economic recovery. Over the course of the two year recovery, worker salaries remain essentially unchanged, showing in fact a slight decline. Meanwhile, median compensation for CEOs ballooned 27 percent in 2010 alone, rising to a cool $9 million. Before-tax corporate profits fared even better, growing by nearly 37 percent in 2010 and maintaining their pace with an additional nine percent growth in the first quarter of 2011. Indeed, so one-sided has the recovery been that corporate profits account for 92 percent of the growth in national income since the beginning of the recovery.

These are booming times for corporations. To a large extent, this comes at the expense of their workforces. When workers are laid off, those remaining on the job must shoulder the extra burden. After shedding millions of jobs during the recession, the corporate world remains loath to hire full-time workers during the recovery. Half of newly created jobs are in temporary help agencies, and many of the newly created full-time positions lack benefits. Over 90 percent of the growth in output has been due to rising productivity. Workers still fortunate enough to have a job are being driven to work harder, put in longer hours, and to take on more duties without any corresponding gain in pay. In plain terms, the exploitation of labor is increasing.

Workers are understandably fearful. With the unemployment rate so high, and with so many of the unemployed finding it difficult or impossible to find another job, no one wants to rock the boat. Circumstances dictate that workers feel they have to put up without whatever outrage management chooses to impose. The current climate of fear has all but eliminated union action. To be sure, this is a continuation of a long-standing trend. Work stoppages involving more than one thousand workers averaged 269 per year during the 1970s. Under the Reaganite onslaught of the eighties, the average fell to 69 per year, and then down to 34 per year in the nineties. But even those sorry figures have been outdone in the last three years. In 2009, there were just five major work stoppages, the lowest total by far since records began to be kept in 1947. Last year there were only eleven, and the pace so far in 2011 promises to fall short of even that figure. The recession has produced a dream come true for the corporate world, with a workforce that has essentially become de-unionized.

But despite enforced speedup, benefit cuts, and downward pressures on wages, U.S. firms continue to export jobs abroad. Why pay a U.S. worker a piddling $8 an hour, when you can get someone in Indonesia, for instance, to do the same job at 50 cents an hour? In the decade leading up through 2009, U.S. multinational corporations slashed 2.9 million domestic jobs. At the same time, they added 2.4 million employees abroad. This figure represents direct hires only, and does not take into account subcontracting to foreign films, which is typically the means used for moving one’s manufacturing to sweatshops.

So what does one make of all this? If you listen to the pundits and politicians, the urgent need now is to end the “privileges” of government workers. Smash government employee unions, reduce or ditch pensions altogether, cut salaries and lay off workers. Tough economic times call for shared sacrifice. To hear them tell it, the American people are clamoring for an end to decent benefits for all workers. All must share the pain. President

Obama fired a shot across the bow of Federal employees by freezing their pay for two years – in effect, implementing a pay cut. And he was recently quoted as saying, “In the public sector, what is true is that some of the pension plans that have been in place and the health benefits that are in place are so out of proportion with what’s happening in the private sector that a lot of taxpayers start feeling resentful…What this means is, is that all of us are going to have to make some adjustments.” All, that is, except the wealthy, who can continue to party on.

The right-wing philosophy is profoundly anti-government. In their eyes, the only proper function of government is to serve the wealthy and devise new ways of allowing the well-to-do to further enrich themselves. Unceasing efforts are made to convince the rest of us that all other governmental functions are essentially illegitimate and should be reduced or abolished. The only other pressing task of the moment is how to provide additional tax cuts for corporations, even though two thirds of corporations now pay zero Federal income taxes, and most Fortune 500 companies pay a lower percentage of earnings in Federal taxes than do ordinary workers.

We are told that excessive taxation is all that stands in the way of job creation. Unleash the power of the market by reducing the corporate tax rate, goes the refrain. Yet corporations are already sitting atop a pile of $1.9 trillion in cash reserves, which they are holding onto as a hedge against economic insecurity. Adding another trillion or so to that stack is not going to encourage a manufacturing plant to ramp up production when consumers are being hammered so hard that there are not enough buyers for the goods that are already on the market. The job creation premise, of course, is a smokescreen to get public buy in for funneling yet more money into the pockets of the wealthy. It is dismaying to hear President Obama parroting that mythology, as in a comment he made in late June that “it makes perfect sense” to look at “other tax breaks for business investment that could make a big difference in terms of creating more jobs right now.”

One of the more prominent plans being bandied about is for a corporate repatriation tax holiday. U.S. multinational corporations pay zero Federal income taxes on money earned abroad until – and if – the money is brought into the U.S. Many firms establish sham headquarters in places such as Bermuda, and monies are siphoned through foreign subsidiaries, all in order to circumvent tax laws. Cisco Systems, for example, reduced its taxes by $7 billion by booking about half of its earnings at a small subsidiary office in Switzerland.

Corporate lobbyists are winning considerable support among senators and congressmen for the tax holiday proposal. Instead of paying a maximum rate of 35 percent, the tax holiday would allow firms to transfer these funds into the U.S. at a top rate of just over five percent. This plan, we are told, could bring in $1 trillion and foster investment and job creation. The only problem is that this proposal has been tried before, when a two year corporate repatriation tax holiday was granted in 2004 for the same ostensible goal. On that occasion, U.S. multinationals took advantage of the opportunity to transfer $400 billion into the U.S., and used that money to pay down debts, provide dividends to shareholders, and give bonuses to managers; in short, everything except creating jobs. A repeat performance is unlikely to produce a different result. Indeed, passage of such a plan would signal businesses that if only they would move more of their production abroad, they could expect to enjoy periodic tax holidays and pay much less in taxes than they would by keeping plants running in the U.S.

The recession sharply reduced tax revenues for state governments across the land, but with 29 Republican governors leading the way, the shortfalls have provided an opening for an all out assault on workers at the state level, and cuts in social services have been introduced in nearly all states.

In New Jersey, for example, governor Chris Christie eliminated funding for family planning, cut medical assistance for home care and nursing homes, wiped out funding for Rutgers University legal programs that assisted the poor, and sliced 40 percent from funding for civil legal services for the needy. No money was given for the Urban Enterprise Zone program, which had been designed to encourage economic development in poor neighborhoods. Also dropped were after school programs, while changes to eligibility rules are expected to cause over 50,000 poor people to lose access to health care coverage.

Such cuts were deemed necessary due to inadequate state revenue, yet at the same time, Christie granted corporations $180 million in tax breaks.

The New Jersey Supreme Court overturned Christie's education cuts of $1 billion last year, ordering the state to spend half that amount on its poorest schools in the current fiscal year. Christie considers this only a momentary setback, however. Unremittingly hostile to the concept of public education, Christie envisions the complete privatization of education in his state, and to help spur efforts in that direction, he appointed Christopher Cerf, former president of Edison Schools Incorporated, as acting Commissioner of Education. Replacing public education with a voucher system has long been on the Right's agenda. The well-to-do send their children to private schools, and resent having to pay taxes to support public education. With their narcissistic rejection of the concept of the public good, they see only their own personal interest. In their eyes, the beauties of the voucher system are manifold. Poor families would not be able to afford any amount over the voucher amount, with the result that their children would be condemned to attend the most poorly funded schools. The "riffraff," in other words, would be kept out of sight. The well-to-do, however, would see the fees they currently pay to private schools reduced by the voucher amount. And perhaps best of all in the free market mindset, would be the evisceration of schoolteacher unions and the opportunity for private companies to run schools, where quality of education would run a distant second to the drive for profit.

To take another example, Ohio Governor John Kasich has played a particularly prominent role in the attack on workers. Even before he took office, he announced that he would kill the nascent program to bring much needed train service linking Cincinnati, Columbus and Cleveland, the largest population base lacking such service. That train service was to eventually lead to high speed rail, but proved unpopular with the new governor because it would be publicly owned.

Despite persistent demonstrations in opposition, Kasich easily pushed through passage of a bill that eliminated collective bargaining rights for state workers. Determined efforts by the labor movement gathered 1.3 million signatures for a ballot initiative to repeal the law, and the outcome of that battle remains to be seen. Although poll results are initially encouraging, vast sums of advertising money are sure to be devoted to convincing voters to reject the ballot measure.

In his first press conference following electoral victory, Kasich promised to implement a four percent tax cut. Then upon taking office, he proclaimed that social services would need to be reduced because there was not money enough in state coffers. In the recently passed state budget, Kasich made good on his pledge to implement the tax reduction. Support for local governments shrinks in the budget by $630 million, which will surely result in an adverse effect on local social services. Five prisons are to be privatized, and plans are afoot to privatize the Ohio Turnpike, with a sharp increase in user fees expected. Counties are being granted the ability to sell local government-owned buildings, and then lease them back from the new owners, as a sort of gift to wealthy interests. Also included in the budget is a plan to assist small businesses, which is expected to reduce state revenue by $100 million every two years. The estate tax is scheduled to be completely eliminated beginning in 2013, reducing revenue for local governments by $250 million a year. And in another gift to corporate interests, the Kasich budget prohibits cities from attempting to regulate the use of trans fats in restaurant meals.

Make no mistake. There is worse to come. The Republican-controlled House of Representatives will continue to push President Obama to the right. And the outcome of the 2012 election is by no means certain. It is noted that many workers, worried over unemployment and the decline in living standards, are expressing a determination to vote a straight Republican ticket, under the illusion that a Republican victory will benefit working people. Corporations are ramping up to flood the next campaign season with political advertising, and in a culture where most people rely on television for their view of the world, such advertising does have an effect.

Corporate lobbyists are besieging Washington in droves, all pushing the same proposals. And right wing think tanks are operating in overdrive, churning out policy recommendations that receive serious attention on Capitol Hill to an alarming degree. These efforts largely determine the limits of discourse and the issues that are felt to merit attention. As a result, workers' concerns are left out in the cold, with only the corporate agenda on the table.

There is not much variation in the policies that corporate lobbyists and right-wing think tanks advocate. The same set of prescriptions is on offer wherever one looks. Therefore, it suffices to consider a single example, the Cato Institute, as typical of the nature of proposals for downsizing the Federal government.

Unemployment insurance, argues Cato, distorts the economy and is in need of reform. At a time when millions of Americans are unable to find work, Cato wants to replace unemployment insurance with a system of personal savings. As Cato sees it, unemployment insurance causes unemployment, because all those people collecting paltry payments that are inadequate to cover their expenses are enjoying the experience, and choose not to look for work. The jobs are out there, if only one bothers to apply. That is so remarkably wrong-headed as to defy comprehension. Workers should simply save their money to cover potential periods of unemployment, Cato recommends. Never mind that many workers earn barely enough to pay their bills, and that young workers who lose their jobs will not have had much time to save. Another alternative Cato suggests is to move the entire operation down to the state level, which would allow states to "be free to move to a more market-oriented system," and "repeal any laws that obstruct insurance firms from offering private UI policies." Here we come to the crux of Cato's complaint. Under the current system, private corporations cannot get a share of the action. What is the good of unemployment insurance if no corporation can directly profit by it?

Not surprisingly, the Department of Labor draws the ire of Cato. Employment and training services should be eliminated, because they "don't fill any critical need that private markets don't already fill." Congress "should downsize the Department of Labor's regulatory activities." Cato then goes on to complain that "the Occupational Safety and Health Administration, the Wage and Hour Division, and other agencies impose a thick web of rules on America's employers. The main issue is not the Federal budget costs of these agencies, but the damage to the economy caused by unneeded regulations such as the Federal minimum wage." From the standpoint of corporate America, it is time to get rid of pesky regulations that help protect workers from unsafe conditions, and to remove any limitation on how far businesses can drive down wages. These "unneeded regulations" stand in the way of corporations being able to boost their earnings.

To peruse Cato's philosophy regarding unions is a jaw-dropping experience. It is difficult to believe that even corporate managers could take this literally, so keenly aware are they of their class interests, and how at variance those are with the class interests of working people. Perhaps Cato's position papers are intended to convince those working people who are not class conscious to act against their own interests. "Major Federal interventions in favor of unionism," such as the National Labor Relations Act of 1935, Cato reasons, "were premised on the false idea that business management and labor are natural enemies. In fact, both management and labor are employed by consumers to produce goods and services, and so it makes no sense to assume a sharp divide between these groups." One has to have considerable nerve to make such an outlandish claim during these tough economic times. And the goal of business is to produce profit; any goods produced are only the means of doing so.

"It is important for policymakers to reexamine labor union laws and repeal those laws that are harmful to economic growth and inconsistent with a free society," Cato helpfully suggests. Already legislators are responding to such proposals, and efforts are underway in a number of states to prohibit unions from collecting dues through payroll deduction. Workers would be instead required to write a check to the union each month. The intent is obvious. By making it more difficult for unions to collect dues, their operations would be crippled. State employee collective bargaining rights are under siege in several states. Corporations are not content with their already lopsided advantages. They are seeking total victory, in which workers are left without any means of defending their rights.

Cato wants to see the repeal of every law favorable to labor. High on its wish list is to eliminate the prohibition on union-free contracts. "A rule that requires a worker to remain union-free would be merely part of the job description," Cato explains, "and the worker is free to accept or reject the job offer." How free would one be, in this free market dream world, when the inevitable result would be that nearly every employer would make a contract to remain union free a condition of employment. The worker would have a free choice: he could either sign such a contract or go hungry.

Among the "important reforms" Cato urges Congress to pass are the elimination of exclusive representation, in other words, authorizing open shops; passage of a national right-to-work law; allowing firms to permanently hire scab replacement workers; and allowing companies to refuse to continue to employ union representatives. Cato would also like to see a bill permitting company unions, since, as it puts it, "the current ban on cooperation…makes no economic sense."

Cato's recommendations for the Department of Health and Human Services are no less draconian. "Medicare reduces individual freedom," the think tank proclaims. Cato resurrects that tired old saw that Medicare is a "pyramid scheme allowing each generation to take advantage of the next." Cato wonders why young people should have to be taxed to support the elderly. Never mind that the elderly have already paid into the system. Once again, the all too common right-wing sociopathic hostility toward the public good is on display. “Congress must cut Medicare spending,” Cato demands, because “the elderly are more prosperous today than ever before.” Congress should end Medicare and offer retirees a voucher to purchase health insurance. That is Cato’s solution. After all, what is the good of a program in which corporations cannot profit? One wonders, though, how many insurance companies would be willing to insure an elderly person, and if so, at what exorbitant rates they would do so.

Cato praises President Clinton’s welfare reform of 1996 for having slashed two thirds of people from the rolls. But more can be done. “The ultimate reform goal,” Cato explains, “should be to eliminate the entire system of low-income welfare for individuals who are able to work. That means eliminating not just TANF but also food stamps, subsidized housing, and other programs. Individuals unwilling to support themselves through the job market would have to rely on the support of family, church, community, or private charity.” It is the perfect Third World model, just waiting to be brought into the U.S. Maybe Cato has not noticed, but the job market has not been doing so well at employing people willing, even eager, to work. And not everyone has family they can fall back on, nor are all families doing so well financially that they can take on an added burden. One wonders how charities and churches could ever handle the task of supporting millions of people in need. There are not homeless shelters enough to accommodate them all. But never mind, because “private charity is superior to government welfare.” And there are still plenty of park benches where one can sleep, and bridges to settle under.

A special hostility is reserved for the Department of Transportation. “The Federal Transit Administration should be eliminated,” because of its support for rail. The loss of Federal transit subsidies would lead local governments to open “transit markets to private operators.” Air traffic control ought to be “removed from the Federal budget,” as its operations could be run by a private company. Amtrak, too, should be privatized. And the Federal Highway Administration should be eliminated, which would encourage state governments to “look to the private sector for help in funding and operating highways,” including electronic tolling, all at a healthy profit, naturally. Imagine life where driving on highways entails repeated charges, and where rail service as a safe, speedy, and more climate-friendly transportation alternative has been permanently killed off, and you will gain a small taste of just some of the wonders this free market dreamland can bring us.

These are not just some crackpot concepts, although they certainly give that impression. Lobbyists and think tanks sense that the moment is theirs, and they are pursuing these goals with abandon. Already many state governments are moving to implement some of these policy objectives, and House Republicans have introduced a number of bills along these lines. Indeed, House Budget Committee Chairman Paul Ryan’s budget proposal reflects the recommendations of organizations like Cato, and includes many of the same ideas. While Ryan’s proposal has no chance of passage into law unchanged, it is certain that sooner or later, some elements will find their way into law.

House Republicans are proposing that Amtrak be privatized. In effect, that would mean the sale of the northeast corridor to a private company which would operate the line, charging customers higher fees. And since the profitability of that line helps to support train service to the rest of the nation, other lines are unlikely to find buyers, resulting in their closure. China has embarked on a $1 trillion high speed rail, infrastructure and highway program, while in the U.S. that kind of money is reserved for military adventures and tax cuts.

Instead, we are offered transportation plans that are based on privatization, elimination of alternatives to the automobile, and deteriorating infrastructure. Senator Mark Kirk of Illinois has introduced a bill that typifies this approach, calling for private investment in highways and airports, and the "commercialization" of highway rest stops.

As far as things have gone, these ideas will only gain more traction with the election of a Republican president. Working people are faced with an unenviable choice in the 2012 election: vote for President Obama, who can be counted on to serve corporate interests, or vote for the Republican candidate, who can be counted on to do the same, only in a harsher manner.

In the months ahead, we are certain to see more savage cuts in pensions and social services, as well as relentless attempts to undermine Social Security. Judges in two court cases, in Colorado and Minnesota, have dismissed legal challenges by retired state workers whose pension cost of living adjustments had been cut. The decisions are widely seen as giving a green light to state legislatures to slash pensions, and already New Jersey Governor Christie has signed into law severe cuts in state worker pension and health benefits. And Christie says that he has received calls from governors in other states, asking for advice on how they can replicate his action.

With a low level of solidarity among workers, the battle is unequal. But unions, weakened as they are, continue in spirited opposition to the attacks on workers. They comprise the best weapon in our defense, and deserve our full support. The corporate world is aggressively pushing its agenda. We should be no less militant in defending our rights.

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