Debt, Underemployment, and Capitalism

Systemic contradictions of capitalism have only intensified in the neoliberal era. Structural unemployment, a phenomenon directly related to capitalist modes of production, has continued unabated, creating a massive and ever-growing "reserve army of labor" that has been disenfranchised on an unprecedented scale.

Working classes, en masse, have been corralled into legalized systems of education debt with false promises of "middle-class" lifestyles, only to be tossed into a job market that can no longer keep up with the system's inherent deficits and inability to provide a living wage to the masses. Massive inequality and unprecedented wealth accumulation and concentration have paralleled uncontrollable costs of living and widespread housing insecurity for the working-class majority.

The twentieth-century liberal experiment has failed, bringing down with it the delusional hopes of constructing a manageable and benevolent form of capitalism. The ripple effects of capitalism's structural failures, intensified by modern forms of government-facilitated debt slavery, job markets that can no longer keep pace with wage demands, and interrelated housing insecurity and displacement, have pushed us into a twenty-first-century serfdom. We are left wondering how long this balancing act can last.

Capitalism and Underemployment

Unemployment is not a natural occurrence within society. It is a purely capitalist problem that arises from artificial economic arrangements, most notably the advent of wage labor, which forces people to serve as commodities. This is an important point that is often missed, especially in regards to modern assessments of the labor market and popular reports that focus on the fiction of an unemployment rate. In the United States, since the 1950s, the official unemployment rate has fluctuated between 4.4 percent and 10 percent.[1] Full employment in a capitalist system is neither possible (without government intervention) nor desirable to capitalists or those who benefit from the system. Rather, substantial and perpetual unemployment is both a byproduct of the system's relational mechanisms and a necessity that serves a systemic purpose in regards to profitability and wage reduction (or stagnation). The never-ending search for profit by those who have access to capital, and the means to reproduce it, places those who must sell their labor power to survive in a perpetual state of insecurity. Other than the fundamental extraction of profit through the labor process (surplus value), the most basic method in regenerating profit comes from replacing variable capital (living labor) with fixed capital (machines), a relationship that Marx referred to as the "organic composition of capital."[2] While the process of creating surplus labor value consists of paying wages that equal a fraction of the value created, the process of increasing productive capacities through the implementation of machinery leaves living labor in an even more precarious situation. This process leads to the creation of what Marx referred to as the "Industrial Reserve Army" (the unemployed)—a phenomenon that becomes both a byproduct and a leveraging tool within the capitalist system.

Attempts to circumvent capitalism's tendency to create and maintain high amounts of unemployment and underemployment have been carried out by industrialized capitalist societies utilizing Keynesian economic programs. By calling on a high degree of governmental involvement in the economic system vis-à-vis taxation and supplementation, John Maynard Keynes believed that structural problems like "involuntary unemployment” could be remedied.[3] When coupled with the post-World War II economic boom in the United States, Keynesian techniques appeared to make positive steps towards remedying structural unemployment. Between 1948 and 1970, the official unemployment rate in the United States was relatively low by historic measures, typically fluctuating between 3 and 5 percent, and falling below 3 percent on a few occasions during the 1950s.[4] The marginal tax rate during this time—also a byproduct of Keynesian thought—was a major factor in the economic success experienced by much of the U.S. population, including the white working class in its ascent to “middle class” status, and also helped create historically low unemployment rates. From 1948 to 1963, the top marginal tax rate remained at 91 percent, with the exception of 1952 and 1953 when it was raised to 92 percent.[5] In 1964, this top rate was lowered to 77 percent, and from 1965 into the 1970s, it was set at 70 percent.[6]

The Keynesian experiment came to an end in the 1980s, when neoliberalism took form as a class project. Coupled with the phenomenon of globalization, which fused formerly industrialized labor markets (unionized with living wages) in the global core with formerly colonized labor markets in the global periphery, underemployment has become an epidemic with disastrous effects. Marx warned of such developments when writing, “The need of a constantly expanding market for its products chases the bourgeoisie over the entire surface of the globe. … It must nestle everywhere, settle everywhere, and establish connections everywhere.”[7] The global consequence of this constant pursuit of profit is not only the establishment of new markets of consumers and laborers, but also the proliferation of imperialism. For the former industrialized working classes, such as in the United States, it means an intensification of capitalist mechanisms that create unemployment and underemployment. Because of this, the replacement of manufacturing jobs by low-wage service sector jobs has become a distinguishing characteristic of American capitalism since the 1980s. Government involvement in this system has become a necessity, not for the purpose of obstructing it (as many right-wing critics claim), but for the purpose of supplementing it and propping it up via infusions of money and for maintaining the minimum of social welfare programs. The former can be seen in the increased importance of the Federal Reserve and monetarism (including the practice of quantitative easing), while the latter can be seen in the working class's increased reliance on things like food stamps—a direct result of the disappearance of living wages.

The type of government involvement that became common in the 1980s was nothing like its Keynesian predecessor. Rather than seeking public programs and fiscal policies that created jobs, neoliberal intervention seeks to supplement profit accumulation for those at the top of the socio-economic ladder. This is carried out with mantras like "getting government off our backs," lowering taxes for so-called "job creators," and even blatantly allowing for massive profits to be justified under a promise of such money "trickling down" to the masses. As neoliberalism represents an intensification of capitalism, not only through the dismantling of Keynesian-style interventions but also through a 180-degree reversal in using government to supplement the capitalists rather than the workers, the neoliberal era has brought on a uniquely precarious existence for the working class in the United States. Thomas Palley explains:

Before 1980, economic policy was designed to achieve full employment, and the economy was characterized by a system in which wages grew with productivity. This configuration created a virtuous circle of growth. Rising wages meant robust aggregate demand, which contributed to full employment. Full employment in turn provided an incentive to invest, which raised productivity, thereby supporting higher wages.

After 1980, with the advent of the neoliberal growth model, the commitment to full employment was abandoned as inflationary, with the result that the link between productivity growth and wages was severed. In place of wage growth as the engine of demand growth, the new model substituted borrowing and asset price inflation. Adherents of the neoliberal orthodoxy made controlling inflation their primary policy concern, and set about attacking unions, the minimum wage, and other worker protections.[8]

The culmination of the disastrous neoliberal measures that began in the 1980s was realized with what has been labeled the Great Recession of 2008, whose effects are only starting to be fully understood nearly seven years later. Some alarming statistics should be emphasized: Between 2008 and 2014, the U.S. labor market lost a total of 1.4 million full-time jobs; more than 20 percent of workers who were laid off as a result of the Great Recession still have not found a new job; when considering those workers who have given up looking for employment, the unemployment rate is closer to 12 percent; of all “prime-age workers” (ages 25 to 54) in the United States, 23.3 percent were “not employed” as of November of 2014.[9]

A January 2014 study conducted by Heidi Shierholz of the Economic Policy Institute, entitled, “Is There Really a Shortage of Skilled Workers?” countered a popular argument presented by the mainstream analysis, which claimed there was a shortage of qualified workers to fill so-called “skilled” positions.[10] Fred Goldstein, writing on Shierholz’ research, said,

The study found that no matter what the skill level of workers, their unemployment rate went up by 150 percent to 190 percent from 2007 to 2013. The unemployment rate for workers with less than high school education was 10.3 percent in 2007 and 15.9 percent in 2013. For high school graduates, the unemployment rate was 5.4 percent in 2007 and 9.6 percent in

2013. For workers with some college, the unemployment figures jumped dramatically from 4.0 percent in 2007 to 7.3 percent in 2013; for college graduates, it went up from 2.4 percent to 4.5 percent and for those with advanced degrees, it went from 1.7 percent to 3.2 percent, that is, almost double.[11]

This highlights perhaps the most alarming effect of the recession, which has been a mass replacement of living-wage jobs with low-wage jobs in the service sector. In sectors that experienced severe job losses during the Great Recession, workers were earning 23 percent less in 2014. In manufacturing and construction, the average salary fell from $61,637 in 2008 to $41,171 in 2014. The jobs that have been added during the "recovery" (2009-2014) have been largely low wage, confirmed by the fact that $93 billion in "lower wage income" has been created during this time period.[12]

Toward Twenty-First-Century Serfdom: Debt, Student Loans, and Rising Costs of Living

The net result of prolonged and skyrocketing unemployment and underemployment and the increasing stagnation of wages is the mounting epidemic of debt. Debt, in the form of medical bills, housing costs, and ballooning mortgage payments, has contributed to people having to file for bankruptcy as well as finding themselves homeless.[13] This new-age form of debt has effectively divided the United States into an income-bound set of castes, the "Haves" and "Have Nots." The awakening to this unequal balance of wealth and debt set the stage for the Occupy Movement uprisings, which spread globally and advocated on behalf of the 99 percent, the workers who collectively hold much less economic wealth than the richest 1 percent. In real terms, according to the IRS, those who belong to the lower 99 percent of U.S. income distribution are those with a household adjusted gross income of less than $343,927. This valuation not only illustrates how wealthy the 1 percent must be, but it also speaks to the fact that there is still much socio-economic stratification within the 99 percent, including differences in the likelihood of financial hardship and debt.[14] While the outsourcing of jobs has greatly contributed to unemployment, those who are lucky enough to still have a job are finding themselves working long hours or having to work multiple jobs to make ends meet. Despite the noted rise in hours worked, which should logically translate into higher annual incomes, Americans are finding themselves falling into debt at unprecedented rates.[15]

All of this has helped to give rise to what can only be referred to as a *twenty-first-century serfdom*. An example of the indebted economy is the fact that mergers, monopolies, and concentrations of influence have created the present reality of workers finding themselves employed by, and simultaneously indebted to, the same corporate entities. The "pay" that is earned is immediately shuffled back to these corporations in the form of student loan payments, mortgage payments, cable payments, health insurance premiums, and so on. The feasibility of paying off these employer/debt-holding entities in a timely matter, or at all, is difficult or nearly impossible, especially when considering that they are the very ones who set and keep wages low and transfer the profit from workers' increased productivity to the pockets of CEOs, investors, shareholders, bankers, and so on.

Debt is a Byproduct of Capitalism

Within this current era of unchecked capitalism, where citizens must take to the streets in protest to persuade the government to intervene and create policies that will support a living wage or protect workers' rights, debt and inequality are the most recognizable and predictable byproducts. The process of financialization, which began in the 1970s, depends on widespread loosening of banking regulations, environmental laws, and labor laws. Inequality is inherent in capitalism due to its concentrating of wealth in the hands of the few, in the form of monopolies and by the exploitation and maximizing of profits at the expense of, or through the labor of, the masses—the twenty-first-century serfs. Neoliberal capitalism has allowed for unprecedented concentrations of not only wealth, but power, creating a landscape where the wealthy are modern representations of feudal lords. As in feudal societies, it is the pauper (serf) who pays the biggest percentage of taxes (or dues for land usage in the case of serfs), and this is even true under Democrat-led administrations in the United States. Just consider the fact that corporate taxes decreased from 25 percent during the Bush Administration to 12 percent under Obama, while workers' tax rates remained the same or increased.[16]

The Student-Loan Debt Crisis

The biggest driver for debt in the past twenty-five years has been the rising cost of tuition and student-loan debt. This debt crisis may eventually represent the proverbial "final straw that breaks the camel's back," as there do not seem to be any plans for immediate relief. Instead, politicians spend election seasons making false promises and arguments in favor of student debt relief, but do not offer any concrete measures to bring this into fruition. Further, those outside of socialist and progressive movements remain ignorant of, or will not be honest about, the fact that capitalism is structured to produce exploitation, concentrated wealth and profitability, and debt. Capitalism's constant pursuit of profit has led to the transformation of higher education into a no-holds-barred profit-seeking venture. This process can be summed up as follows: Colleges and universities are using decades of cutbacks in state and federal funding for higher education to justify massive increases in tuition, the proliferation of adjunct professor positions, and budget cuts to educational and other services upon which students depend. A 2008 study published by the Center on Budget and Policy Priorities made headlines when it shared that on average states are spending $1,805, or 20 percent, less per student than before the recession; some states, such as Alabama, Louisiana, Pennsylvania, and South Carolina, which are for the most part states where there is a Republican stronghold, have slashed their higher education funding by more than 35 percent since 2008, and they are topped by Arizona with a decrease of 47 percent.[17] Back in 1988, in the not so long ago past, public colleges and universities received 3.2 times as much revenue from state and local governments as they did from students.[18] This simply means that the student did not carry the bulk of the burden to finance higher education, which was instead paid for by public dollars, collectively sharing these costs.

As wages go down, the cost of tuition continues to climb, leaving behind an educated populace that is saddled with debt. Tuition jumped 28 percent between the 2008-2009 and the 2013-2014 school years, while real median income fell by approximately 8 percent over this period. To understand the bigger picture, consider that since 1973 average inflation-adjusted college tuition cost has more than tripled—an increase of 270 percent—but median household income has barely changed and is up by only 5 percent;[19] this represents the core of the crisis. What are graduates to do? How are they to survive and afford their most basic needs while working low-paying jobs and still being forced to pay back a student loan that they cannot even write off in bankruptcy, like the corporations and banks do with their debts?

There is no greater evidence of the burden of student-loan debt than the accounting of loans that have fallen into delinquency. The Federal Reserve Bank of New York released a 2015 report that shared that delinquent student loans (those whose payments are 90 days or more past due) increased to 11.5 percent of the $1.9 trillion (yes trillion!) in education loans.

Essentially, the burden of financing the exorbitant costs of education has been passed on to the students, and the high cost with dwindling returns (where are the higher-paying jobs?) has begun to discourage would-be college-goers, a process that is equally by design. Higher education was once looked on as a means to develop a cultured, well-rounded, and informed citizenry. However, this is no longer the case, since cultivation of thinkers would only lead to questioning of the prevailing system of inequality. The Great Society programs that gained steam in the 1960s set out to make sure that students who could not otherwise attend college could do so, without the burden of having to work excessive hours to help cover the cost of education. In fact, at one time students could actually use their summer vacations to "work their way through college," something that is now impossible. In the current landscape, students are forced to take out mortgage-sized loans from financial lenders who are profit-driven corporations and who inevitably put their bottom lines before the needs and best interests of students.

This student-loan crisis has ensured that the last two generations are worse off than were their parents, ending the historical progression of improvements in the quality of life with each subsequent generation. Over a lifetime of employment and saving, someone with $53,000 in education debt can expect nearly $208,000 less wealth than a similarly educated person without debt.[20] Crippled by this debt and entering a job market with lower and stagnant wages, graduates, who were sold the falsehood of the American Dream, are unable to afford the lifestyles that their parents and grandparents once enjoyed. Dispensable income is becoming a scarcity, while more money is being spent to cover the rising costs of food, health care, transportation, clothing, and housing. With this reality the feudal lords, the wealthy 1 percent, are gaining exponential profits through this multi-dimensional exploitation of the working class.

Conclusion

The proliferation of the capitalist system through the neoliberal era has resulted in a modern form of feudal society where there is great inequality and wealth is concentrated among the few. Policy changes, and perhaps a restructuring or change in the current systems of governance, are needed, but this will largely depend on the actions of the working-class majority: the growing number of impoverished, overworked, unemployed, or underemployed *serfs* whose labor and bodies are being exploited and who have been left wholly disenfranchised.

Despite the need for mass action, it has yet to materialize. Despite dire circumstances, there remains a great reluctance to challenge the status quo of inequality. This stems from the fact that far too many are still hopelessly reliant on the illusion of the American Dream, believe in the falsehood of rugged individualism, or merely fear the prospects of instability and the unknown. The motivation for revolutionary change exists throughout, yet many fundamental questions remain unanswered. Some may not have an answer until steps are taken. For instance, if the current system of government—which has become no more than a “dollarocracy”[21] that does not represent or even consider the views or needs of the working-class majority—is overthrown, what would happen next? Fears of the unknown persist and are perpetuated by corporate-sponsored media, which thrives on the sensationalism of doomsday reporting, ignoring the fact that fluctuations in the stock market and other macroeconomic indicators are far removed from the daily lives of many who actually work for a living.

Despite this widespread reluctance and fear that has been peddled to the majority, action is needed. Addressing debt is an immediate concern. Action does not need to be instantly revolutionary, but may be accomplished through gradual steps and reformist means. Some steps include:

- Continue building movements around issues of debt, unemployment, and inequality—movements that are multi-racial, multi-ethnic, and multi-generational. An intersectional approach to such movements will effectively attack the divisions that have been artificially created to ensure that the status quo continues. Examples of this division are most visible throughout the impoverished states of the U.S. South, which despite having vast income inequality and being susceptible to corporate exploitation, also happen to possess high rates of historical, intra-working-class, racial animosity. Hate, fear, and ignorance cause many to vote and act against their own interest.

• Get behind efforts that are working to remove moneyed influence over the U.S. political system; some of that influence comes through the Citizens United Supreme Court ruling that has the audacity to state that corporations are people. Be ready to accept that the entire system itself may need to be dismantled.

• Demand that the federal government gives us a New Deal that can address the problems of unemployment and the crumbling infrastructure. Bridges and highways need to be repaired, and high-speed rail needs to be laid out.

• Join and support unions, which are under assault, because they are the only stakeholder who truly bargains and fights for the working-class majority. Expanding the number of active unions will only benefit the workforce—those who are union and non-union alike.

For short-term and immediate relief of student-loan debt, which has become a critical issue:

• Shift direct-lending administration to the federal government and regulate and reduce interest rates on loans. Work toward de-profitizing higher education, making higher education a civic value.

• Reduce the military budget and replenish the diminished funding to schools, colleges, and universities that once helped to keep tuition costs down or made possible free tuition to public schools.

• Allow for student-loan debt to be included in bankruptcy claims, allowing for full or partial forgiveness of the debt to those who are without the means to pay.

The brief period of Keynesian consensus that ruled from the 1940s to the 1970s is over. The neoliberal imperative that has ruled since is currently subjecting an ever-larger share of the population to brutal austerity measures. Skyrocketing levels of debt and structural unemployment are the most visible manifestations of how far neoliberalism has penetrated into the structures of American society. However, in the years ahead, it will prove increasingly difficult to disguise the full nature of the crisis, and new opportunities to advance programs of systemic change can and will present themselves. If the left does not find a way to rise to the occasion, then it is unclear which track the country will take as it makes its way toward collapse.

Footnotes

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