

The Vanishing Middle Class: Prejudice and Power in a Dual Economy

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A Tale of Two Janitors

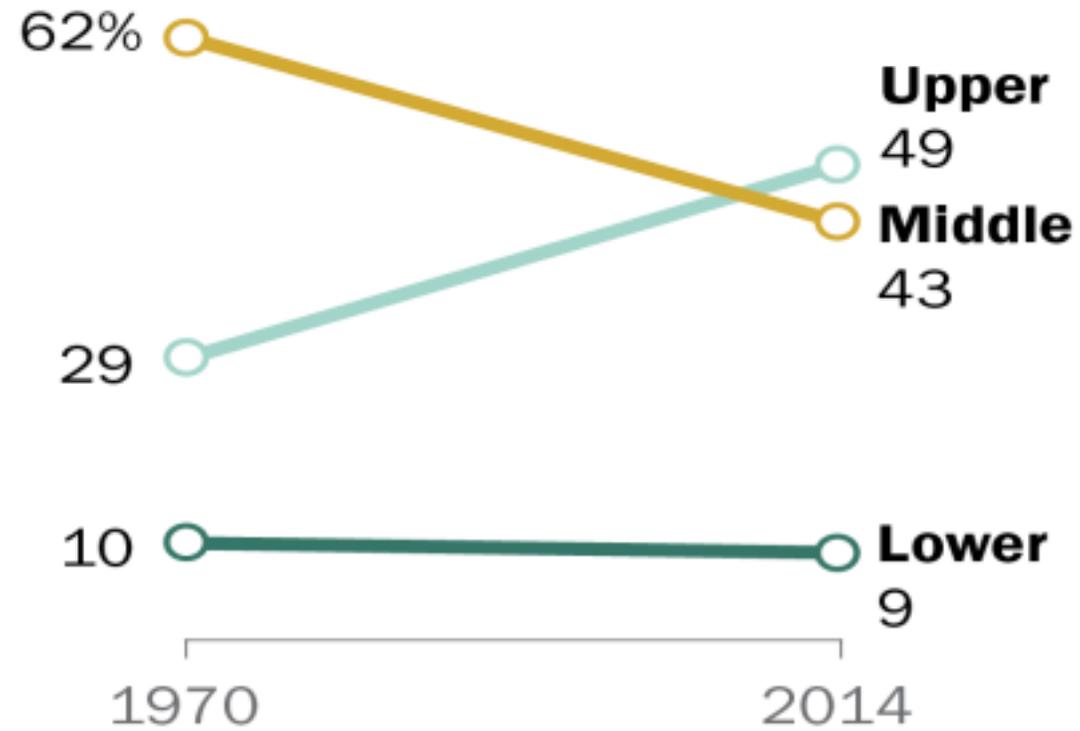
- Ms. Evans worked for Kodak in the early 1980s
 - Paid vacations, tuition support for college classes
 - Promoted to a professional-track job when she graduated in 1987
- Ms. Ramos works at Apple today
 - Employed by a sub-contractor to Apple
 - No vacations, no paths to promotion

Finance and Core Activities

- Finance pressured companies to specialize on core activities
 - Employment of other workers reduced
 - Replaced by sub-contractors
- Changed low-wage workers into employees of independent contractors
 - No equity consideration among varied workers
 - No benefits, no raises, no promotions

Figure 1

Percent of Aggregate US Income



A Dual Economy

- W. Arthur Lewis, *Manchester School*, 1954
- Developing economies often have two sectors
 - “Capitalist” and “Subsistence farming”
- Transition is by going to the city
 - For a higher expected wage
 - Slums show difficulties in finding a good job
- Capitalists want to keep farmers’ incomes low
 - Low farm incomes let urban wages stay low

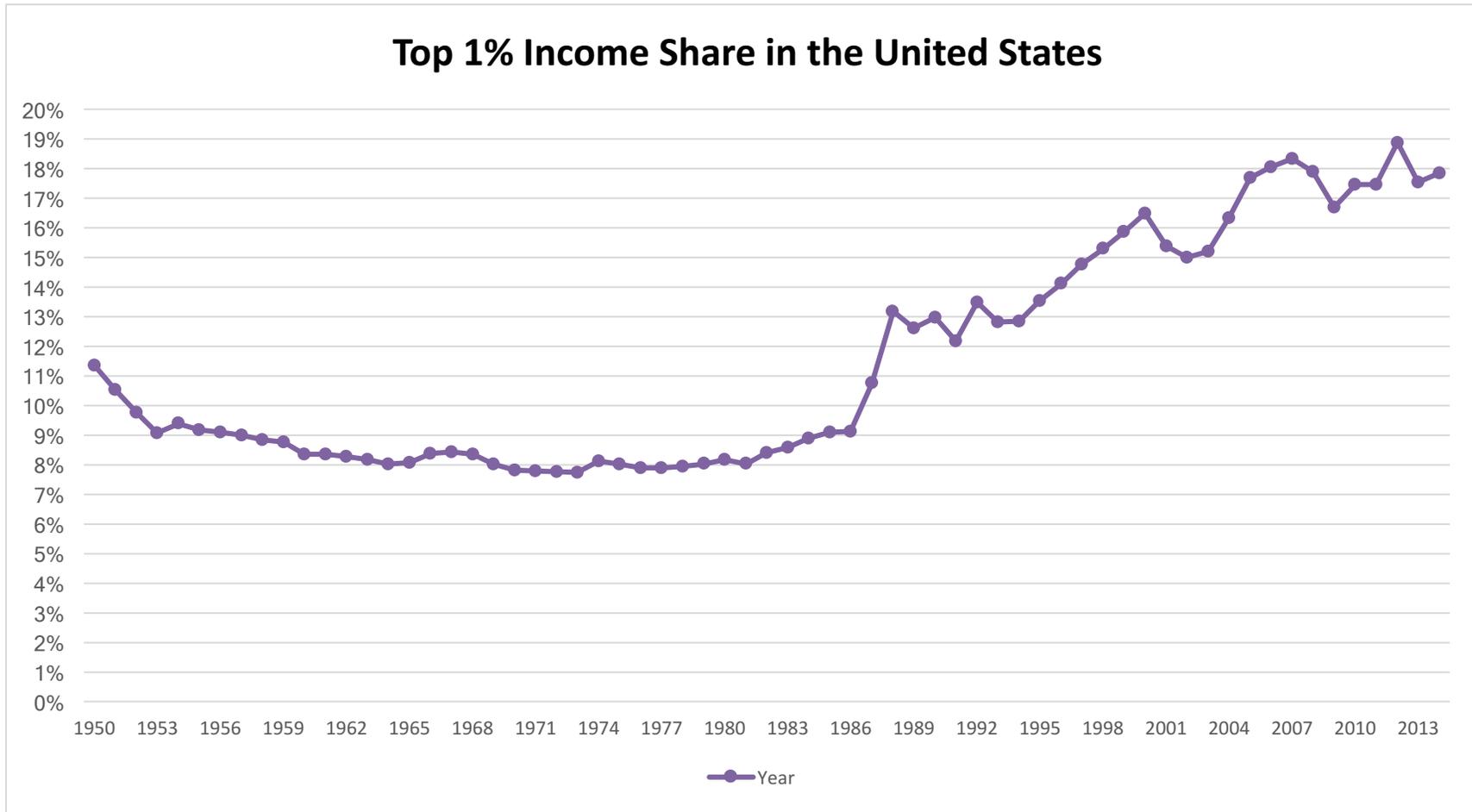
Lewis for the US Today

- FTE sector: Finance, Technology, Electronics
 - 20% of the US labor force (from Fig. 1)
 - Earnings in this sector took off in the 1980s
- Low-wage sector: most workers
 - 80% of the US labor force
- Transition by education
 - College education needed to join the FTE sector
 - Necessary but not sufficient,

FTE Politics

- FTE sector makes policy for itself
 - Ignores needs of the Low-wage sector
- Top 1% (“Plutocrats”) dominates politics
 - They want low taxes, limited government
- Top 1% of the top 1% supports individuals
 - Republican candidates for President
 - Conservative state governors
- The very rich have no contact with the Low-wage sector
 - They want low taxes, no social welfare programs

Plutocrats: Top of the FTE Sector



The Low-wage Sector



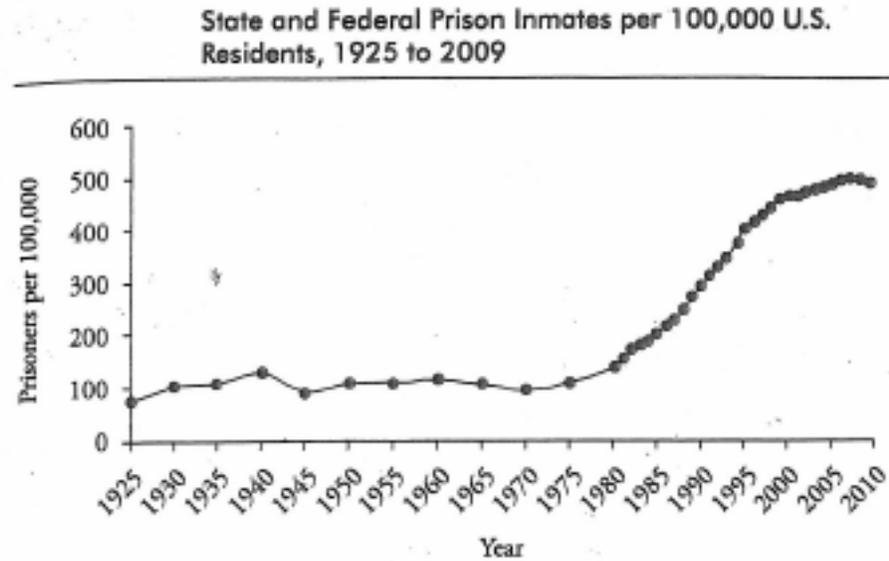
Racial Prejudice

- Used to “sell” limited government services
 - Keeping blacks down
 - Although blacks are only one-fifth of low-wage sector
- A long, long American practice
 - Nixon: the Southern Strategy
 - Reagan: announcing his candidacy in Philadelphia, MS
 - Trump: Making America “Great” Again
 - Hailed as the “New Nixon”

Mass Incarceration

- Prison inmates started to grow rapidly in 1970s
 - US now has 5% of world population, 25% of prisoners
- One in three black males now goes to prison during his lifetime (Bonczar, 2003)
 - Derived from life tables; Still valid today
- This destroys black communities
 - Felons cannot vote in some states, access government programs, lack job training, etc.
 - Every low-wage black family knows someone in jail

Prison inmates per 100,000 residents



Source: Authors' compilation based on Bureau of Justice Statistics, *National Prisoner Statistics* (various years).

Mass Incarceration and Education

- Interaction with public education
 - If black men go to prison, there is no need to educate them
 - And if boys are not educated, they grow up to be imprisoned
- Black children are 6 times more likely to have an imprisoned father than white children
 - They are more likely to develop learning disabilities, misbehave and drop out of school

Ehrlichman on Nixon, 1994

- “The Nixon campaign in 1968, and the Nixon White House after that, had two enemies: the antiwar left and black people. ... We knew we couldn’t make it illegal to be either against the war or black, but by getting the public to associate the hippies with marijuana and blacks with heroin, and then criminalizing both heavily, we could disrupt those communities. We could arrest their leaders, raid their homes, break up their meetings, and vilify them night after night on the evening news. Did we know we were lying about the drugs? Of course we did.”

Dysfunctional Politics

- The rich determine public policy
 - They want taxes and wages low
 - Ultimate aim of some super-rich is anarchy
- This fits the model of a Dual Economy
 - Policy is made by the higher (FTE) sector
 - Costs are borne by the low-wage sector
- Blacks and Latinos largely in low-wage sector
 - FTE sector uses racism, fear of immigrants and misogyny to oppress the low wage sector

Government in a Dual Economy

- Dual systems of justice
 - Mass incarceration high and stable
- Dual systems of education
 - Urban public education abandoned
- Dual support for housing and transportation
 - Central cities decay; urban transport neglected
- Dual treatments of debt
 - Low-wage mortgage and education debts grow