Urban Poverty and Affluence

Globalization and Underemployment
What is Globalization?

- The term “globalization” has no one definition.
- People typically use the term to describe:
  - The integration of the economy on a global scale;
  - The rise of global forms of governance such as the UN and the WTO; and/or
  - The flow of information, technology and culture across the world.
Economic Restructuring and Class Polarization

- We know that the wealth gap has grown wider in the last thirty years.
- Goldsmith and Blakely tell us that political and economic restructuring has generated class asymmetries that favor business owners and managers over workers and consumers.
- The advantages owners and managers have gained in recent decades has weakened the bargaining power of workers and consumers.
Mechanisms of Economic Inequalities

Why do owners and managers have more power nowadays?

The answer has to do with globalization, restructuring, and federal policies that favor them.
The Demise of the New Deal Coalition

- Working people across the US supported the policies of the New Deal from the 1940s to the 1960s.
- Southern whites abandoned the New Deal coalition in the 1960s, in large measure because of the passage of civil rights legislation in the mid-1960s.
- Some blue-collar whites in the northern US also left the coalition after 1968 because civil rights legislation threatened to integrate schools and neighborhoods.
Race and Class and the End of the New Deal

- The rich took advantage of the backlash against civil rights by blue-collar whites to gain the upper hand with respect to the economy.
- They were able to take advantage of the demise of the New Deal coalition to impose economic policies that favored them over all workers, regardless of race.
De-unionization: 1970s

- The height of union power in the US was 1935-1947.
- Strikes were one of the main chips unions had to bargain with.
- But, some southern Democrats joined pro-business Republicans to pass legislation that weakened labor rights because they wanted to prevent integrated unions from the north from enforcing civil rights claims in the south.
- For example, Taft-Hartley made it harder to organize workers and harder for workers to strike.
Deindustrialization

- Deindustrialization = the reduction of manufacturing industries due to:
  - Technology
  - Ability to move companies overseas (due to better transportation, communication, global banking, etc.)
  - Increased global competition
Globalization: When did it start?

- According to most experts, the period of globalization began in the late 1960s or early 1970s.
- What exactly is new and different about the current period of global economic integration?
Globalization – What’s Different about it Now?

- Labor markets, financial markets, and production have been global for centuries,
- But the strategy of moving capital from one place to another across the globe in order to make profit (and increase competition among workers) makes the current period unique.
Global Economics

- National economies have become less important.
  - Corporations were once rooted in particular nation-states.
  - Most manufacturing and sales occurred within the advanced industrialized nations of the U.S., Japan and Europe, while resources and raw materials were extracted from more peripheral developing nations.
  - Now production and consumption happen across the globe.
Global Politics

- National governments have lost power.
  - Corporations have gained autonomy from national governments, which used to have the power to regulate them.
  - De-regulation began in the 1980s and continues today.
- New “meta-organizations” such as the World Bank, IMF and WTO, and regional trade agreements such as NAFTA and the European Union supersede national-level organization.
Post-Industrial Cities

- Post-Industrial Period (1960s to the present)
  - Shift from manufacturing to service;
  - Capital Flight and Economic Decentralization
    - Sunbelt expansion;
    - Elimination of manufacturing base
  - Withdrawal of federal support from cities.
Competition & Niche Cities

- Globalization has intensified competition among cities, which must now compete with each other to attract financial, insurance and banking industries, and to promote themselves as tourism, commercial and convention destinations.

- (We’ll talk more about that in a future class)
The View from U.S. Cities

- F.I.R.E. became the new industry for many US cities, especially NYC.
- In other words, most cities shifted from manufacturing to service sector economies.
  - Some service sector jobs are very well paid
  - But others are the opposite.
Restructuring

- In addition to moving operations overseas, companies & governments make themselves “leaner” and more profitable through outsourcing and privatization.
- Services once provided “in-house” are now provided by contractors.
- Those contractors do not necessarily work full-time and receive benefits.
The Changing Nature of Work

- In recent decades, work opportunities and the wage structure has changed in urban areas across the U.S.

- We have seen:
  - An increase in low wage jobs;
  - A shift to intermittent, short-term, and part-time work.
  - Many of these are service jobs, not jobs in manufacturing.
Manufacturing vs. Service Jobs

- Traditionally, manufacturing jobs were unionized, offering various benefits.
- Traditionally, these workers could be promoted at fairly regular intervals.
- Service jobs work on two tiers
  - Some are professional, “white collar” jobs in F.I.R.E.
  - Others provide services such as food, cleaning, retail, dry cleaning, nail polishing, etc.
Globalization

- The secret of business class power!
- Capital mobility -- the ability of corporations to move from one place to another -- has enhanced its bargaining position vis a vis workers, nations, and cities.
Minimum Wage Declines

- With unions handcuffed due to new policies and the threat of downsizing, working wages declined.
- The real value of the minimum wage declined dramatically between 1968 and 2003.
- Minimizing the minimum wage put pressure on working families, so that now more than one income is needed to keep income levels above the poverty line.
Many people complain about big government.

But the precipitous decline in federal employment in the last three decades further eroded the incomes of working people.

The federal government is now smaller than it was at the start of the New Deal period.
Frayed Safety Nets

- Financial aid to and social services for working families has also been dramatically cut back.
  - We will talk about this in detail in a subsequent class.
Health Insurance Costs Rise

FIGURE 2

Employer-sponsored health insurance coverage for those under age 65, 2000-09

Percent with employer-sponsored health insurance

Debt

- Consumer debt has skyrocketed during this period.
  - Whereas many people assume that debt results from profligate spending, social scientists have shown that it results more frequently from economic shocks.
  - When jobs are lost, health crises occur, or rents increase, families use credit cards, home improvement loans and other forms of bank lending to make ends meet.
  - Bankruptcy laws were tightened recently, making it harder for indebted families to escape their debt burdens.
Meanwhile….

…the rich are getting richer…

Why?
Shifting Tax Burdens

- Tax policy shifts in the last three decades have shifted the burden of paying for government away from the rich and towards the middle- and working-classes.

- Income tax operates as a staircase, not an elevator. This means that people who make $1 million/year do not go directly to the top “floor” but instead take the “stairs,” paying tax on the first increment of taxable income at 10 percent, paying tax on the next increment at 15 percent, and so on until reaching the top rate.
Because of this, the 10 percent bracket—which the 2001 tax law carved out from within the old 15 percent bracket—reduces taxes not only for people whose incomes fall within that bracket, but for every taxpayer whose income exceeds the 10 percent bracket, as well.

In fact, taxpayers in higher brackets receive the maximum possible benefit from the 10 percent bracket.
Figure 1: High-Income Households Receive Highest Dollar Benefit from Middle-Class Tax Cuts

Average tax benefit in 2011

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<th>Annual income</th>
<th>Average tax benefit</th>
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<tr>
<td>More than $1 million</td>
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Source: Joint Committee on Taxation
The Crisis of Underemployment

- Everyone is well acquainted with the problem of unemployment. But underemployment is also a problem.
  - Underemployment is the inability to earn an adequate income through work.
  - The crisis of underemployment is now chronic in most major U.S. cities.
  - It, not unemployment, is now the prime cause of poverty in most U.S. cities.
Theory of Poverty?

- What theory of poverty might justify policies that disfavor poor people?
Why Can’t People “Just work at McDonald’s?”

- That was one of Katherine Newman’s questions.
- She is a cultural anthropologist.
- She set out to get to know McDonald’s workers by hanging out with them, interviewing them and spending time with them at work.
The Working Poor

- She found that:
  - It wasn’t necessarily that easy to get or keep a job in fast food.
  - Those who did struggled to get enough hours to pay their bills and stay sheltered.
  - Many workers worked extremely hard b/c they valued work.
  - But they still barely kept afloat.