

USA: Austerity Is Not Colorblind

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THERE ARE MANY myths about austerity. It will solve deficits and debts. It will lead to economic growth. It will bring business confidence. It is a way to cut spending by government, as a family does with a household budget that doesn't balance.

None of this is true. The U.S. government can print more money when needed, as the Federal Reserve is doing, when necessary to lower interest rates to prop up hiring and investments by businesses. Much more importantly, however, the key to stimulate growth is government spending, to "make up for" reduced consumer demand (caused by lower working class wages, higher unemployment and household debts) that's depressing the economy.

These policies can cause serious inflation once the economy turns around. But that's far from the case now. In addition, of course, a state must control its own currency (e.g. Greece and Eurozone countries don't) and its credit must be sound — and in fact, other countries see the U.S. dollar as safer than other currencies.

Austerity as a Dangerous Idea

"Austerity," explains Mark Blyth, professor of International Political Economy at Brown University, in his new book *Austerity. The History of a Dangerous Idea* (Oxford University Press, 2013), "is a form of voluntary deflation in which the economy adjusts through the reduction of wages, prices, and public spending to restore competitiveness, which is (supposedly) best achieved by cutting the state's budget, debts and deficits."

As Blyth explains, it is impossible to cut your way to growth. The result of this "dangerous" policy during a recession and stagnation is vividly on display across Europe in the Eurozone (18% unemployment) and Britain (which has suffered a double-dip recession). Output of goods and services (Gross Domestic Product) declines, as does tax revenue, actually increasing government deficits and debts.

Even studies by the International Monetary Fund show that under current conditions, the impact of reduced government spending leads to greater falls in income than normal.

Instead of increasing "business confidence" and competitiveness, austerity has led to stagnation. For immigrants and ethnic minorities such as the Romani people (derogatively referred to as Gypsies who speak their own languages), the result is to face public anger and attacks by neo-fascist groups.

In the United States, the Tea Party-led Republican conservative movement has supported austerity to cut government programs that help the poor, disabled, elderly and women's health.

The impact is worse for African Americans, who suffer racial discrimination and profiling — something working-class whites haven't experienced.

The real debate is not about austerity economics. It is about reactionary politics. Dick Cheney said it best as the Bush administration put two wars on its credit card, "Reagan proved deficits don't matter," so long as it advanced their anti-worker, pro-big business policies. Austerity is a weapon to get rid of the "welfare state."

Inequality Widens with Discrimination

Austerity, as an ideological tool, is also not colorblind. There are winners and losers, and extreme losers. Inequalities among racial/ethnic groups significantly widen with austerity. The redistribution of wealth accelerates from the bottom to the top.

African Americans work for government at a higher percentage than whites, and Blacks hold fewer higher-paying skilled jobs. The Bureau of Labor Statistics shows that each month where Black unemployment is around 13%, white unemployment is 6%.

The working class is poorer in real dollars as the super wealthy have become quantitatively richer. Nothing of this magnitude has happened since the 1920s.

Forbes magazine prints an annual chart of all billionaires in the world. In 2013 the United States had 425 billionaires (34% of the world's total) with California having the largest number — 100 — a number that has grown during the Great Recession.

In the 1920s it was easy to see the racial aspects of inequality, which were written into laws and regulations in the Jim Crow South and "restrictive covenants" and practices in the North. Double-digit permanent unemployment for African Americans was a given and understood because of "natural" inferiority. Most U.S. institutions were not legally integrated, including the military, until after World War II.

The Founding Fathers codified these racial divisions in the Constitution. They did not recognize Africans as citizens in the new country. Slaves as property were counted for electoral purposes as three-fifths of a person. Native peoples were slaughtered, rounded up and put into reservations. Even when birth gave a person automatic citizenship (Fourteenth Amendment), Chinese were excluded in California and Japanese Americans were put in internment camps during World War II.

The white rulers reaped vast new wealth. White workers thought it benefitted them and supported discrimination.

Racism and racial and ethnic barriers still exist in less official forms. Austerity exacerbates these social relationships.

Hostility is directed toward Obama by many whites simply because he is African American. The vote of African Americans (at historic levels) and other people of color and a minority of whites is why Obama won. But many white people still see African Americans through racial eyes, even if they accept prominent Blacks in positions of authority and influence.

Austerity Exacerbates Racism

What happens when progress in race relations is eroded is not a return to an era of segregation and Blacks “knowing their place.” The pie will be redrawn, as it was when the neoliberal policies under president Reagan began. The slice to poor whites shrank, just as it did for African Americans. The wealth gap widened and the millionaires and billionaires became super rich.

The *New York Times* confirms this upward redistribution of wealth in a May 28 story.

“The Urban Institute study found that the racial wealth gap yawned during the recession, even as the income gap between white Americans and nonwhite Americans remained stable. As of 2010, white families, on average, earned about \$2 for every \$1 that black and Hispanic families earned, a ratio that has remained roughly constant for the last 30 years. But when it comes to wealth — as measured by assets, like cash savings, homes and retirement accounts, minus debts, like mortgages and credit card balances — white families have far outpaced black and Hispanic ones. Before the recession, non-Hispanic white families, on average, were about four times as wealthy as nonwhite families, according to the Urban Institute’s analysis of Federal Reserve data. By 2010, whites were about six times as wealthy.”

The wealth gap is even greater between workers and bosses. A Bloomberg Business Week study (May 6-12 issue) showed the incredible gap between the wages and compensation of CEOs and the average employee at their companies.

Ronald Johnson, head of JC Penney, was paid \$53.3 million versus the average employee’s compensation of \$29.7 thousand or 1795 times more. Mike Parker of Nike received \$36.3 million versus \$33.5 thousand for a typical employee or 1083 times more. Michael Duke of Walmart received \$40.2 million versus \$29.7 thousand or 633 times more; Jeffrey Immelt of General Electric \$25.8 million versus an average of \$52.5 thousand compensation for the average GE employee, or 499 times more.

Mass Resistance is Needed

The reason all this matters is that working people with the least amount of political influence are the lowest paid — African Americans and Latinos. To assume that the future demographics by themselves will change the power relationship between racial and ethnic groups is illusory. Power must be taken.

It is not surprising that whites in the South still have a hard time accepting a Black president. A majority of white Protestants and Catholics voted for a white Mormon over a Black Christian. In Mississippi, for example, only 10% of whites voted for Obama, while other white Democrats did much better.

In reality, the Obama presidency has ignored the Black community, and his presidency has been generally an economic disaster for Blacks. Obama only speaks to Black audiences to lecture them about family values and the duty of Black men. He goes out of his way not to give extra help to urban areas where most African Americans live.

His White House has refused to budge on releasing Blacks in prison for minor or trumped up charges. While Blacks are 12% of the population, they are nearly 40% of state and federal prison populations.

Not only does this lead to loss of voting rights in most states, it makes it nearly impossible to get hired once released. The private Prison Industrial Complex is growing across the country. Yet Obama, who has the power of the pardon or commutation for federal prisoners, refuses to help.

Obama knows, and cynically and disgracefully abuses, the fact that African Americans out of Black Pride and nationalist solidarity will not confront him directly.

Fundamental change “by any means necessary” should be the slogan of a revitalized protest movement. The reversals in states like North Carolina and Michigan on voting and civil rights shows how quickly social gains can be undermined and taken away.

At the same time, a byproduct of the contradictory reality of the Obama presidency and African-American complacency is that the far right is going too far. A civil disobedience “Moral Mondays” movement in North Carolina is growing, uniting both Blacks and whites, because it has no other option except defeat.

The protests are being led by the head of the North Carolina NAACP [1]. The movement is nonpartisan, independent and appeals to basic support for justice, fairness and equality. The central African-American leader of the campaign explains the fight is rooted in the “immorality” of the new laws and justifies the use of extralegal tactics.

If resistance in North Carolina — with the most anti-union state laws — is leading the way forward, it is a sign that a national independent, anti-racist protest movement can be forged in a period of austerity and of the first Black president.

What the ruling classes worldwide fear most, however, are links of solidarity to Europe and other countries resisting austerity in all its ugly forms.

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P.S.

* From Against the Current n° 165, July/August 2013 : <http://www.solidarity-us.org/site/node/3927>

Footnotes

[1] more information at <http://www.naacpnc.org/>