CHUCK COLLINS

99 TO 1

HOW WEALTH INEQUALITY IS WRECKING THE WORLD AND WHAT WE CAN DO ABOUT IT

Foreword by Barbara Ehrenreich

An Excerpt From

99 to 1: How Wealth Inequality Is Wrecking The World and What We Can Do About It

by Chuck Collins

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Foreword

BARBARA EHRENREICH

Several years ago, on the eve of the 2008 Great Recession, I had an argument with Chuck Collins about inequality. He had just launched a project called the Working Group on Extreme Inequality, with the goal of educating the public about the huge gaps in wealth and income that separate Americans—a goal that I heartily shared. But my cynical question was, who cares? As Brookings Institution economist Carol Graham had stated that year, "The only people who are bothered by inequality are rich liberals."

In my argument with Chuck, I cited "Joe the Plumber," who opposed Obama's proposal to raise taxes on those earning more than $250,000 a year because he firmly expected to pass that benchmark himself—once he had established his own plumbing business, that is. This is the great American delusion, I argued: that through hard work, cunning, positive thinking, or prayer, anyone can become a multimillionaire almost overnight. For most people, then, inequality is not a problem—just a goad to greater achievement.

Well, Chuck was right. In the years since our conversation, the grossly top-heavy American financial system crashed, revealing that inequality is a dangerously destabilizing force. The rich had invested heavily in a variety of shaky credit schemes, which the poor and the middle class were desperate—or deluded—enough to fall for. In the last few years, with the economy in a grinding recession, we learned just how costly extreme inequality is, as measured by unemployment, foreclosures, and rising poverty rates.

But Chuck Collins explains all this far better than I could—lucidly, compellingly, and, when necessary, graphically. As an activist who has worked with both ends of the economic spectrum—low-income people struggling to get by and millionaires concerned about the future of our country—he is one of our premier experts on inequality. And after you read this book, you'll be another one.

Preface

Extreme inequalities of wealth are undermining much of what we hold dear.

Our society is in the throes of an inequality death spiral as disparities of wealth and power compound and worsen. This polarization is wrenching communities apart, undermining democratic institutions, making us sick and unhappy, and destabilizing our economy.

For twenty years, I've been part of efforts to educate the wider public about the dangers of these extreme income and wealth inequalities. It has been a discouraging time. Frequently I've been told, "Inequality is not the right way to talk about the economy" and "Americans don't really care about inequality." Sometimes I wondered if these naysayers were right.

In the last year, however, the conversation about economic inequality has dramatically changed. The Occupy Wall Street movement contributed to a huge shift in the conversation with the "We are the 99 percent" movement. But other threads have also emerged from around the planet, such as street protests and rebellions across the Arab world and Europe.

This book brings together, in one place, a vivid picture of the state of U.S. and global inequality. More important, it offers paths forward in how we will reverse these inequalities.

The first part of the book answers two questions: Who are the 1 percent and the 99 percent? How do the 1 percent and Wall Street wield power? The middle chapters of this book examine how these inequalities emerged and why they matter. The final chapters examine the movements to build an economy for the 100 percent. They offer policy ideas and a vision to move us toward a new, healthy, and sustainable economy.

Some commentators have rejected the simplicity of the 99 to 1 framework, rightly pointing out that it glosses over the divisions and diversity within both segments. Obviously, 99 to 1 is part demographic and part symbolic. But it is a meaningful and powerful lens to understand this moment in history, as this book will explain.

Some are offended by the focus on the 1 percent and its implied framework of "class war." (We surveyed hundreds of people to enlist ideas for what to title this book. One funny suggestion was "Eating the Rich: Recipes for Ending the Class War.")

My own perspective is that we need everyone—the whole 100 percent—to be engaged in changing our imbalanced society. We need every potential ally we can find. I grew up in the 1 percent, so I don't hate them—they're my family and childhood friends. I know they are not monolithic. And I'm inspired by the large percentage of the 1 percent who believe the economy should work for everyone and are willing to work for change. In chapter 8, I discuss the important role of the 1 percent in working for an economy for the 100 percent.

Every couple of days I log on and read the profiles and pictures that people post at one of the "We are the 99 percent" websites. One thing I know for certain: the underlying conditions that gave rise to the 99 percent movement—joblessness, economic insecurity, bloated CEO pay, unpayable student loan obligations, grinding poverty, and collapsing middle-class livelihoods—are not going away soon.

At the same time, a segment of the top 1 percent and a few thousand transnational corporations have a tight grip on our media and political process and have been blocking change. They have been materially enriched from decades of extreme inequality.

The pressure will keep building until change occurs.

I am optimistic that we have a very good chance of not only reversing the worst of these inequalities but also organizing an economy for the 100 percent that responds to the global ecological and economic challenges that we face together.

Each of us has a role to play. We need all hands on deck. My intention for this book is to contribute to this movement.

Chuck Collins

Boston, Massachusetts
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INTRODUCTION

We Are the 99 Percent

They will put up with poverty, servitude, and barbarism, but they will not endure aristocracy.

—Alexis de Tocqueville (1805–1859)

Photo © John Quigley.

In the fall of 2011, a website emerged urging people to share a photograph and story of their experience being in the 99 percent. One young woman wrote,

> I used to dream about becoming the first woman president. Now I dream about getting a job with health insurance.[1]

A twenty-seven-year-old veteran of the Iraq War described how he enlisted to protect the American people but discovered he "ended up making profits for politically connected contractors."

> I returned to a country whose economy had been devastated by bankers with the same connections and the same lack of ethics. . . . This is the second time I've fought for my country and the first time I've known my enemy. I am the 99 percent.[2]

One handwritten sign simply says:

> I am twenty. I can't afford college. There aren't many jobs I qualify for, and the rest "just aren't hiring." Tell me, what exactly am I living for? I am the 99 percent.

On another website, organized to give voice to members of the 1 percent who support the 99 percent, an investment advisor named Carl Schweser wrote,

> I made millions studying the math of mortgages and bonds and helping bankers pass the Chartered Financial Analyst Exam.
>
> It isn't fair that I have retired in comfort after a career working with financial instruments while people who worked as nurses, teachers, soldiers, and so on are worried about paying for their future, their health care, and their children's educations.
>
> They are the backbone of this country that allowed me to succeed.
>
> I am willing to pay more taxes so that everyone can look forward to a secure future like I do.
>
> I am the 1%.

> I stand with the 99%.
> (Which equals 100% of America.)
> Tax me.[3]

These are the stories that are propelling a new conversation in the United States and the world. And so are these statistics:

- The 1 percent has 35.6 percent of all private wealth, more than the bottom 95 percent combined. The 1 percent has 42.4 percent of all financial wealth, more than the bottom 97 percent combined.[4]
- The 400 wealthiest individuals on the Forbes 400 list have more wealth than the bottom 150 million Americans.[5]
- In 2010, 25 of the 100 largest U.S. companies paid their CEO more than they paid in U.S. taxes. This is largely because corporations in the global 1 percent use offshore tax havens to dodge their U.S. taxes.[6]
- In 2010, the 1 percent earned 21 percent of all income.[7]
- Between 1983 and 2009, over 40 percent of all wealth gains flowed to the 1 percent and 82 percent of wealth gains went to the top 5 percent. The bottom 60 percent lost wealth over this same period.
- The world's 1 percent, almost entirely millionaires and billionaires, owns $42.7 trillion, more than the bottom 3 billion residents of Earth.
- While the middle-class standard of living implodes, sales of luxury items such as $10,000 wristwatches and Lamborghini sports cars are skyrocketing.
- Between 2001 and 2010, the United States borrowed over $1 trillion to give wealthy taxpayers with incomes over $250,000 substantial tax breaks, including the 2001 Bush-era tax cuts.[8]

Most Americans have tolerated these growing inequalities for decades—in large part because they believed that everyone had a chance to climb the ladder to success. The economic crisis of 2008 and the eloquent cries of the "We are the 99 percent" movement have shattered this illusion of an opportunity society.

Seven Messages of This Book

More and more people are paying attention to the extreme inequalities of wealth that have emerged in our midst, and they are asking: How did it get this way? How did rules get changed? Who is this 1 percent? Are they all bad? Why do so many laws passed by Congress benefit the 1 percent instead of the 99 percent? And, most important: Can we reverse it? Is there hope for the 99 percent?

You don't have to read the whole book to get a quick response. I have seven intentions for this book, points that I hope you as reader will take away.

Inequality Matters to You. Think about what you care deeply about: kids, health, education, the environment, culture, housing, and the amount of free time you have. In every area that you care about, the extreme wealth inequalities of the last several decades have damaged and undermined these conditions.

We Are Living in an Inequality Death Spiral. These growing inequalities of wealth, power, and opportunity interact in a frighteningly dynamic way to contribute to a downward spiral of worsening social, ecological, and economic conditions. Compounding inequalities are like a black hole, sucking the life energy out of our communities, and destroying our health, livelihoods, well-being, and happiness. We really have no choice but to throw our energies into stopping these forces.

99 to 1 Is a Powerful Lens for Understanding This Historical Moment. The 99 to 1 framework is a powerful way to understand what is happening in our society and economy. It is a way for people to situate their experience and understand the dramatic shifts that have occurred in our lifetimes. It also has significant political implications for elections. Some candidates will run as "advocates for the 99 percent" and challenge their opponents as "serving only the 1 percent." We should embrace the 99 to 1 framework and work with it.

Some People Are Responsible for Excessive Inequality. A simple explanation of how inequality has grown is that a small segment of the top 1 percent—with an organized base in Wall Street's financial institutions—has worked over many decades to rig the rules of the economy to favor the 1 percent at the expense of the 99 percent. The rules have been tilted in favor of those who own large amounts of assets at the expense of wage earners. These rules include government actions and policies related to taxation, global trade, regulation, and public spending. These rule changes have led to massive imbalances of wealth and power that jeopardize peace and prosperity across the globe.

The 1 Percent Is Not Monolithic. Not everyone in the top 1 percent is to blame for rigging the rules. Nor is everyone in the bottom 99 percent without responsibility for the growth of inequality. Within the 1 percent are people who have devoted their lives to building a healthy economy that works for everyone. The focus of our concern and organizing should be the "rule riggers" within the 1 percent—those who use their power and wealth to influence the game so that they and their corporations get more power and wealth. This is good news, because the rule riggers, though powerful, don't hold all the cards. And there are huge numbers of allies in the 1 percent who are part of the movements for a more fair and equitable world.

Corporations and Business Are Not Monolithic. Just as individuals in the 1 percent are diverse actors, the 1 percent of corporations are also not unified. There are several thousand transnational corporations—the Wall Street inequality machine—that are the drivers of rule changes. But they are the minority. There are millions of other built-to-last corporations and Main Street businesses that strengthen our communities and have a stake in an economy that works for the 100 percent. We must defend ourselves from the bad actors—the built-to-loot companies whose business model is focused on shifting costs onto society, shedding jobs, and extracting wealth from our communities and the healthy economy.

These Inequalities Are Reversible. Here's the good news: we can reverse the inequality death spiral. We can change the conditions that are worsening inequality. Indeed, we did this once before, in the last century after the first Gilded Age. The seeds of a new social movement to reverse these wealth inequalities are sprouting across the planet.

This book is the story of what has happened and how we can build an economy that works for everyone.

1 Coming Apart at the Middle

An imbalance between rich and poor is the oldest and most fatal ailment of all republics.
—Plutarch (c. 46–120 CE)

For more than three decades, the United States has undertaken a dangerous social experiment: How much inequality can a democratic self-governing society handle? How far can we stretch the gap between the super-rich 1 percent and everyone else before something snaps?

We have pulled apart. Over a relatively short period of time, since the election of Ronald Reagan in 1980, a massive share of global income and wealth has funneled upward into the bank accounts of the richest 1 percent—and, within that group, the richest one-tenth of 1 percent.

This has been not just a U.S. trend but a global tendency, as the wealthiest 1 percent of the planet's citizens delinked from the rest of humanity in terms of wealth, opportunity, life expectancy, and quality of life.

The New Grand Canyon: Extreme Inequality

There has always been economic inequality in the world and within the United States, even during what is called the "shared prosperity" decades after World War II, 1947 to 1977. But since the late 1970s, we've entered into a period of extreme inequality, a dizzying reordering of society.

This radical upward redistribution of wealth was not a weather event but a human-created disaster. Segments of the organized 1 percent lobbied politicians and pressed for changes in the rules in the political area, rules governing such areas as trade, taxes, workers, and corporations. *In a nutshell: (1) the rules of the economy have been changed to benefit asset owners at the expense of wage earners, and (2) these rule changes have benefited global corporations at the expense of local businesses.* There has been a triumph of capital and a betrayal of work.

The story of the last three decades is that working hard and earning wages didn't move you ahead. "Real income"—excluding inflation—has remained stagnant or fallen since the late 1970s. Meanwhile, income from wealth (such as investments, property, and stocks) has taken off on a rocket launcher. Today, the dirty secret about how to get very wealthy in this economy is to start with wealth.

Most Americans are aware, on some level, that the rich have gotten steadily richer. We've seen the reports about mansions being torn down to build new mega-mansions. Or the CEOs who are paid more in one day than their average employees earn in a year. We've watched the middle-class dream collapse for ourselves or loved ones around us. We've intuitively sensed a shift in the culture toward individualism and the celebration of excessive wealth while also witnessing an erosion of the community institutions that we all depend on, such as schools, libraries, public transportation, and parks.

The Inequality Chat Room

Meanwhile, the public conversation over inequality has slowly progressed since 1980. In the late 1980s, the main debate was over whether inequality existed at all. Pundits and scholars squabbled over the data. Kevin Phillips, a former speechwriter for President Richard Nixon, wrote a book called *The Politics of Rich and Poor* that decried the first stage of income inequality in the 1980s.[1] Others countered that his facts were wrong or disputed his methodology.[2]

By 2000, however, there was a strong consensus about the facts of income inequality. Speeches by conservatives Alan Greenspan and President George W. Bush decried the troubling trends in income disparity.[3]

The public disagreement shifted to a dispute over what caused these inequalities and whether they mattered at all. Most agreed that poverty—inadequate income, lack of resources, and social exclusion—is a problem. But does it matter how wealthy the wealthy are? Does the concentration of wealth matter to the larger society?

This is where the debate has remained stalled for many years. Some analysts argue that inequality doesn't matter as long as there is mobility, opportunity, and poverty alleviation. And some believe inequality is good because it motivates people at the bottom of the economic ladder to work harder.

Most of us have been too busy to monitor the changing trends in the economy. Some of us have been on a financial treadmill, working harder and running faster to stay in the same place. Or we've lost ground, watching our dreams of future economic stability slip away. The real inequality story has crept up on most of us while we weren't looking.

A Tolerance for Inequality

Now we're waking up. Attitude polls indicate that people are much more alarmed about wealth inequality and the destruction it has wreaked upon our economic lives.

The United States has historically had a very high tolerance for inequality compared to the rest of the world. For decades, the majority attitude toward stories of excessive wealth was "So what?"[4]

Prior to 2008, polls reflected that a majority of Americans, while troubled by growing inequality, believed that income inequality was a result of varying degrees of individual merit. In other words, people's economic status was a reflection of deservedness—hard work, intelligence, and effort. Most people were not troubled by the fact that a small sliver of people was becoming fantastically wealthy—as long as that wealth was fairly attained and that others had the same opportunity in terms of social mobility.

But since 2008, public attitudes have shifted. The middle-class standard of living has imploded, with once stable families now experiencing economic insecurity. And intergenerational mobility in the United States—the promise that the circumstances of one's children will likely be better than one's own—is now lower than in other industrialized countries. A greater percentage of the public now believes that the lopsided distribution of wealth is a problem. More people view great fortunes as the result of the wealthy 1 percent rigging the rules of the game in their favor.[5]

Even with growing unease over inequality, the issue has remained sequestered from public debate. The policy debates in Washington, D.C., appear disconnected from the real concerns of ordinary Americans. For example, the U.S. Congress appears preoccupied with matters such as the national debt and debt ceiling, rather than deep unemployment, home foreclosures, corporate tax dodging, and the collapse of the middle class.

Most of us have felt powerless to change these growing inequality dynamics and the reckless and shortsighted actions of the powerful. This is, in part, because most of the corporate media that dominates our airwaves didn't think inequality was a topic worthy of much public scrutiny or discussion.

Until recently. Thanks to protesters occupying Wall Street and the "99 percent" movement across the world, the conversation began to shift. And even as protests morph into new forms, a fundamental change in attitudes is under way.

Media analysis during the summer and fall of 2011 found that media attention shifted away from a focus on debt to a focus on unemployment, inequality, and Wall Street.[6] By October 2011, two-thirds of the public believed wealth should be more evenly distributed and that Congress should reverse tax cuts for corporations and increase income taxes on millionaires.[7]

These feelings about inequality are unlikely to change in coming years. People's deep anger has been given credence. The eloquent personal statements appearing at places such as the We Are the 99 Percent website give expression to the suffering, pain, insecurity, and anger that have been invisible for far too long. There is no going back.

The simple demand that *we should have an economy that works for everyone, not just the richest 1 percent*, is powerful, resonant, and inspiring.

The current political system, dominated by the concerns of the top 1 percent and captured by a small segment of global corporations, is incapable of responding to demands for greater shared prosperity. And so the pressure will continue to build for real change.

The 99 Percent Movement

At the Occupy Wall Street protests, an early hand-lettered protest sign stated, WE ARE THE 99 PERCENT. Soon a website emerged, with individuals writing their "we are the 99 percent" stories.[8]

One military veteran wrote that she had friends die for this country and is grateful not to have student loans. But her fiancé will have over $75,000 in loans.

> I am a licensed practical nurse with no job prospects. I haven't been employed in over a year. . . . I couldn't get a job as a waitress as I was overqualified. I am the 99%.[9]

Another young woman writes that she is unable to save for her February wedding because she's working in a restaurant busing tables for $8 an hour to help her father pay off $23,000 in student loans and medical bills.

> I want to start a family someday, but the future looks dim.
> I'm not even 20 years old yet and I already feel like debt will consume my whole life. I am the 99%.

"We are the 99 percent" has become the rallying cry for a new way of looking at the economy. Through the lens of 99 versus 1, we can ask questions such as: Will this policy help the bottom 99 percent? Is this politician a servant of the 1 percent? Which side are you on?

The First Gilded Age: 1890–1929

The history of inequality in the last hundred years reveals that our nation previously lived through a period of extreme inequality and reversed those trends, thanks in part to people coming together to press for change. Understanding this history will help us roll back the current chapter of inequality we are living through.

The last time U.S. society experienced such extreme levels of inequality was during the long Gilded Age from 1890 to 1928. In the aftermath of the industrial revolution, wealth inequalities became glaring and stark.

The great robber baron fortunes, those of Rockefeller, Carnegie, and Vanderbilt, exercised tremendous economic, political, and cultural power. And a handful of giant corporations—what a century ago were called "concentrations" and "trusts"—dominated the political system with their short-term interests.

Scholars estimate that around 1929, the wealthiest 1 percent owned as much as 44 percent of all private wealth, compared to about 36.5 percent today.[10] Equally alarming was the rate of corporate consolidation and the formation of monopolies, especially in railroads, banking, and heavy industry such as steel production. Between 1897 and 1904, some 4,227 firms consolidated into 257 companies.[11]

Historian James Huston observed that "in a wave of pools, trusts, and then mergers, large business enterprise took over the core production of the American economy. The change induced a panic mentality among commentators who feared that now the distribution of wealth was becoming permanently warped and unsuitable for republican institutions."[12]

During this first Gilded Age there was a robust debate about the consequences of inequality. Social commentators, religious leaders, and industrialists such as Andrew Carnegie rang the alarm about the threat that concentrated wealth and power posed to our democracy, economy, and culture. They believed it shattered all the ideals upon which the U.S. experiment in self-governance was founded.[13]

Journalist Henry Demarest Lloyd characterized the era as "wealth against commonwealth," with the corrosive power of concentrated wealth undermining the larger common good. After the American Revolution, which eliminated the hereditary rule of monarchy, the United States was now dangerously close to becoming a plutocracy—a society ruled by its wealthy elite. Exposés of the period documented the almost complete capture of the U.S. Senate by wealthy and corporate interests.[14] At the time, a young Louis Brandeis stated, "We can have concentrated wealth in the hands of a few or we can have democracy. But we cannot have both."[15]

Being in the bottom 99 percent in 1910 undoubtedly was bleak. It must have seemed at the time that the concentrations of wealth and power were unchangeable. It would have been almost impossible to envision back then that the next generation would live in a flowering period of relative equality and shared prosperity.

The extended Gilded Age ended in 1929, in part because of the Great Depression and two world wars. But a significant factor was that popular movements and political leaders rebelled against the corrosive impact of extreme inequality. Religious leaders, urban workers, rural populists and farmers, and civic-oriented politicians were champions of fundamental rule changes and reforms.[16]

These reformers pressed for policies to reduce concentrated wealth and broaden prosperity. They advocated for rule changes such as passage of the federal income tax and estate tax in 1916 with the explicit goal of reducing income and wealth concentrations. [17] Other rule changes included legislation banning child labor, breaking up corporate monopolies (trust busting), expanding corporate regulation, and instituting social expenditures to address poverty and poor housing conditions.

These changes had the positive impact of greatly reducing wealth disparities. The share of wealth owned by the 1 percent dropped from 44 percent in 1929 to 20 percent in 1970.[18]

Growing Together: The Years of Shared Prosperity, 1947–1977

The shared prosperity in the years after World War II was the result of rule changes made between 1930 and the 1960s that focused on expansion of the middle class, not on enriching the 1 percent. Some economists called this period of relative equality the "great compression" because of the ways that U.S. society equalized out.[19]

Policy Changes That Reversed the First Gilded Age

Why did this happen? Part of the reason was the collapse of fortunes during the Great Depression. But, equally important, our society advanced a two-part pro-equality agenda that reduced wealth concentrations and promoted expansion of the middle class.

Pro-Middle-Class Agenda. The rules of the economy were organized to promote the expansion of a middle class, particularly among white households. Tax revenue was invested in expanding educational opportunity, homeownership, and infrastructure.

- *Expansion of free higher education.* Programs such as the GI Bill provided debt-free college educations to more than 11 million returning veterans between 1945 and 1955. Benefits went beyond military veterans to include additional groups via Pell Grants, other educational grants, and low-interest loans.
- *Homeownership expansion*. Government programs aimed at boosting homeownership, such as the Farmers Home Administration, Federal Housing Administration mortgage insurance, and housing loans provided through the Veterans Administration, provided low fixed-rate mortgages for terms as long as forty years. Between 1945 and 1968 the percentage of the U.S. population that became homeowners expanded from 44 percent to 63 percent. This investment put a generation of homeowners on the road to wealth building.[20]

Reducing the concentration of wealth. Emerging out of the Great Depression, a number of policies were boldly aimed at reducing the concentration of wealth and corporate power.

- *Taxing high incomes and wealth.* In 1916, Congress instituted both progressive inheritance taxes and high income taxes. Over a generation, this greatly reduced wealth disparities and also raised revenue to pay for the middle-class agenda.
- *Oversight and taxing of corporations.* Corporations were brought under considerably more public oversight after the Depression and were required to contribute tax revenue to the war effort and the building of society's infrastructure.
- *Boosting labor power in relation to Wall Street power.* Rules were changed to permit greater worker organization, which gave workers a greater voice in the economy.

These rule changes resulted in widely shared prosperity across all segments of U.S. society. In the thirty years after World War II, from 1947 to 1977, real income growth was seen across the economic

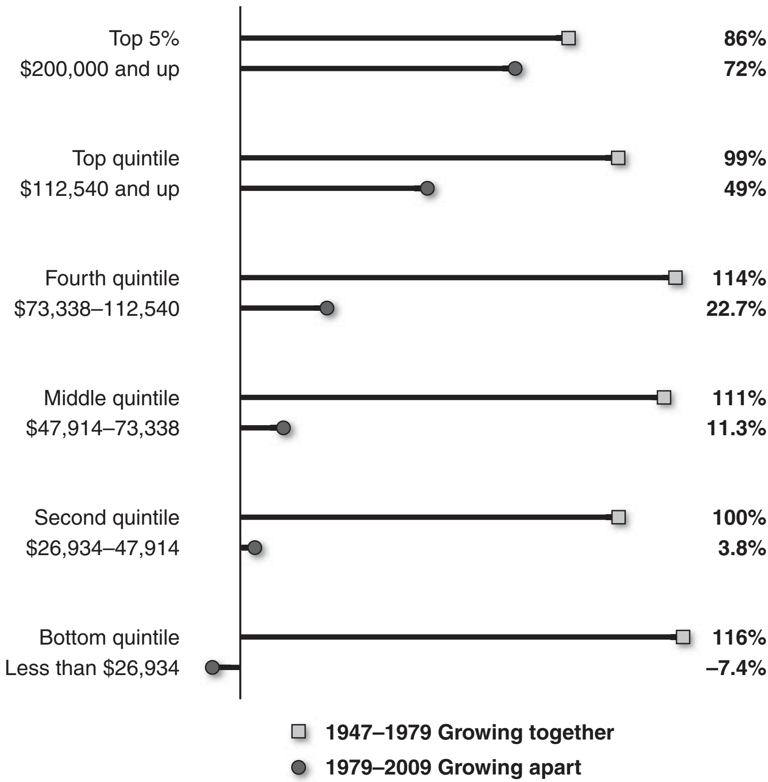

Figure 1. Growing together after World War II and pulling apart after 1979.

spectrum. The highest-income 1 percent saw their incomes rise during this period at the same rate as the rest of the society. The rising tide lifted almost all boats across the society, particularly for whites and men.

There's an important historical lesson and political point here. We have reversed extreme inequality that existed once before in U.S. history. Because these inequalities are human-made, they are not impermeable to change.

Pulling Apart: 1977 to Present

The "growing together" years after World War II were a stark contrast to the "pulling apart" period of unequal growth of income and wealth over the last thirty-five years. In coming chapters, we will explore the reasons extreme inequality has grown. But part of the story is simple: the rules governing the economy were tilted to benefit the wealthiest 1 percent at the expense of the 99 percent, and to benefit the top Wall Street corporations at the expense of Main Street businesses.

Starting in the late 1970s, as many large U.S. corporations established global assembly lines, real wages for much of the U.S. population began to stagnate. For the bottom 20 percent, real wages actually declined between 1976 and 1990.

These dismal wage trends would have been worse if not for two factors that masked their real impact. The first was the increasing number of hours worked per household, especially with more women entering the paid labor force. This meant that some households could maintain their standard of living in the face of rising health care and housing costs, even as real wages declined.[21]

The second factor was easy access to credit. Households in the bottom 80 percent borrowed heavily to fill in for declining or stagnant wages. They utilized credit cards and high-interest consumer loans, paying interest rates over 20 percent in some cases. If they owned a home, they often borrowed against the equity in their property.[22]

For millions of households, wage stagnation and falling wealth resulted in greater poverty and job insecurity. For others, debt and overwork fueled a vast illusion of middle-class affluence, as consumption expanded even as wages fell. People bought new cars and flat-screen TVs and went to Red Lobster for dinner. But this middle-class consumption was based on working more hours and borrowing, not on real wage growth. As we shall see, this sowed the seeds for the economic meltdown of 2008.

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