FROM:

LEICHT/FITZGERALD. 2007. POST-INDUSTRIAL PEASANTS: THE ILLUSION OF MIDDLE-CLASS PROSPERITY. WORTH PUBLISHERS.

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The Middle-Class Patient in the Economic Doctor's Office

I'm a forty-five-year-old man . . . I should be independent enough to pay my own rent. I feel so grateful to my dad, who literally saved me from becoming homeless . . .

—Steven Fields, a former systems administrator for Electronic Data Systems in Dallas[1]

America prides itself on the development of a solid middle class; indeed, the American Dream is almost synonymous with middle-class life. But what does it mean to say that someone is middle class? What are the characteristics of a member of the middle class?

In this chapter, we offer a definition of the middle class that focuses on the socioeconomic status of individuals. We also explain why we must examine economic trends and conditions, financial institutions, corporate practices, and public policy to understand the plight of the middle class. We will introduce prototypical families whose stories will reappear in subsequent chapters, putting faces to the larger economic and political story being told. We then provide a brief introduction to agrarian, feudal, and sharecropping economies and the systems of control that marked the lives of workers within these systems. This discussion provides the backdrop for the central analogy of the book: members of the American middle class are becoming post-industrial peasants.

Defining the Middle Class

Most Americans identify themselves as members of the middle class, sometimes qualifying the designation by adding "upper middle" or "lower middle." Nationally representative survey data from the General Social Survey show that "at no time between 1972 and 1994 did more than 10 percent of the American population classify themselves as *either* lower class or upper class."[2] But is it true that the overwhelming majority of Americans are middle class?

That is difficult to answer because the term "middle class" means different things to different people. For some, you are middle-class if you make more than minimum wage but less than Bill Gates, if you are an office manager rather than a cashier at McDonald's, or if you have graduated from college rather than dropped out of high school. There is also academic and popular disagreement on how to best identify the middle class. Most classification systems rely on three criteria—income and wealth, occupational prestige, and educational level—that sociologists label *socioeconomic status* (SES). In this book, we primarily identify the middle class based on SES characteristics, although we consider cultural factors as well. In general when we speak of the middle class we are referring to those Americans who earn incomes approximately between $35,000 and $75,000 annually;[3] who work as upper- and lower-level managers, professionals, and small business owners; who graduated from or at least attended a four-year college; and whose primary source of wealth is home ownership.

Another sociological approach to identifying classes focuses on culture, examining consumption patterns—i.e., how people spend their money and what they buy—and the beliefs people hold. Thorstein Veblen's *A Theory of the Leisure Class* and Pierre Bourdieu's *Distinction* represent important works in this tradition. From this perspective the American middle class might be those families owning a house in the suburbs, driving an SUV, and believing in the importance of a college education.

Karl Marx (1818–1883), the father of modern class conflict theory, had surprisingly little to say about class. His major contribution to class theory is the claim that *analytically* there are two classes—the owners of the means of production and the non-owners—while *descriptively* there are many classes—for example, lumpenproletariat, petite bourgeoisie, intelligentsia, capitalists, and workers. Max Weber (1864–1920) shared Marx's focus on the importance of ownership and non-ownership, but also claimed that it is important to differentiate the types of productive assets possessed by owners, and the types of labor performed by workers forced to sell their labor. These differences play a key role in determining the market activity of these groups, activity that in turn affects the opportunities and lifestyles of the groups.

More recently neo-Weberians, such as sociologist Anthony Giddens (b. 1938), focus on how economic systems, institutions, individuals, and the state form a nexus of market capacities and life chances. Aage B. Sørensen describes the unearned portion of this nexus—the part that does not result from individual effort—as "rent."[4] Rents accrue to people based on who they know (but not *what* they know), where they live, or because of their social background (SES or race, for example).[5] Charles Tilly perceptively describes how economic systems produce durable inequalities by allowing dominant groups to hoard opportunities for more income and prestige.[6] To understand the realities of the middle class, we must examine the configuration of these forces, looking at economic trends and conditions, financial institutions, corporate practices, and public policy.

To illustrate the plight of the middle class, let's visit two families. Unlike the subjects of the cases in Chapter 1, our protagonists here are characters, constructed from aggregate trends in our data on the middle class. These families represent the current dilemmas of middle class social and economic life, but are not in any sense "sob stories." They have their own assets, liabilities, hopes, and dreams. They strive to "do the right thing," to engage their fellow travelers with honesty and compassion, and to play the economic game by the rules as they understand them. If we asked them to describe their lives to us, they would express gratitude for the opportunities they've had and the luck that has come their way. Yet something is wrong, as we will see.

David and Monica Tread Water

David (thirty-six years old) and Monica (thirty-four) have been married for ten years. They have one two-year-old child, Jennifer, and live in suburban Tampa, Florida, having recently relocated from Minneapolis, Minnesota. David's company, Telemwhat Inc., relocated to Florida after a corporate merger because its corporate managers believed that the business climate was better in Florida than in Minnesota, and because the taxes in Florida are significantly lower. David received relocation assistance from the company, and sold their two-bedroom house in Minneapolis and purchased another in Tampa without great difficulty.

Because David agreed to relocate, he got to keep his job as an office manager, which pays $38,800 a year. Monica quit her job as a secretary in Minneapolis and took a similar job in Tampa for far less pay and no fringe benefits, "starting over" as the subordinate member of a small secretarial staff.

David has put in long hours in the hopes of getting ahead at Telemwhat. His job is considered steady by early twenty-first century standards. He's received one raise, a 3 percent hike three years ago, in the five years he has worked for Telemwhat, and has received several cash bonuses when the company's quarterly profit numbers have looked good. He has purchased shares in the company's stock options plan with these bonuses, but the vesting period on employee shares is five years and the stock price fluctuates wildly. David says he "tries not to think about" which direction his shares are going or what they're worth.

David works about sixty hours a week, and Monica forty. Because of their busy schedules, Jennifer spends about forty hours each week in daycare, which costs the family $800 each month. Even with the flexible benefits package Telemwhat provides, David and Monica's daycare expenses eat up most of what Monica earns, less a few hundred dollars. Because they work at opposite ends of the city, David and Monica have purchased a second car (with no money down) that they make payments on each month, in addition to the minivan that they have two years left to pay off.

In addition to car payments, daycare, and mortgage payments, David and Monica have a substantial amount, over $10,000, of credit card debt. Each month they make minimum payments on their cards, which have interest rates of around thirteen percent, but these payments barely pay the interest. The mortgage on their house, purchased with a 5 percent down payment from the sale of their Minneapolis home, is large, and their payments stretch for a long time into the future before David and Monica will accumulate substantial home equity.

After making these monthly payments, David and Monica don't have much money left to do anything else. This void is filled by further credit card spending. The real estate taxes on their house are lower than they were in Minneapolis, but David wonders where his tax money goes. The ambulance, fire, and police service for his neighborhood is spotty; the highways are overcrowded, there seems to be no rhyme or reason to the development patterns of the city; almost no one he talks to sends their children to the public schools that his tax money pays for, and he pays a private company each month to pick up their trash and dispose of it. David dreams of retirement but can't foresee any way to finance it. Both David and Monica would like to go back to school so they can find better jobs, but they cannot afford to risk their steady incomes and there is barely any time in their daily schedules for anything beyond work and the immediate needs of the family.

Bill and Sheryl Need a Snorkel

Bill and Sheryl, both forty-five years old, have been married for twenty years. They are the proud parents of two children, Dillon (twenty) and Clara (fifteen), one in college and another college-bound. Bill has worked most of his life as a computer software engineer, and Sheryl is a social worker for the county they live in near Cleveland, Ohio. They have a nice four-bedroom house in the suburbs. They have paid off two cars that look a little shabby and have a lot of miles, but Bill manages to keep them running with the help of local mechanics. Bill and Sheryl are active in their local Catholic parish and enjoy having roots in their community. By most middle-class standards, Bill and Sheryl seem to have it made.

However, Bill and Sheryl's economic life is a shambles. Bill was laid off from the large engineering firm he worked for ten years ago—his job was eliminated in a leveraged buyout of corporate management by a takeover specialist—and since then he has not found steady employment, in spite of his considerable skills. He works on different consulting jobs around the area and maintains some semblance of an income this way, but his string of temporary positions provides no fringe benefits and the hours of work are not steady enough to provide a full-time wage approaching the $55,000 a year he used to earn. Worse, Bill gets the impression that the consulting business is reserved for young, eager workers with relatively new and portable skills. His ten years of work experience with his former engineering firm seem to be more a liability than an asset.

Sheryl's job as a social worker for the county at least provides benefits, including health insurance, making Bill and Sheryl relatively fortunate compared to the 40 percent of U.S. workers who have no employer-provided healthcare coverage. However, her state government has declared war on the poor, and the federal government's welfare reform provisions and state and local budget cuts make it harder to do her job. She hasn't received a pay raise in five years and there are signs that her entire unit might be eliminated as the county strives to consolidate its services and do more with less. Still, when Sheryl compares their lives to those of her clients, she thinks they are pretty lucky; "At least we're not sleeping under bridges," she tells the kids.

Bill and Sheryl have been cannibalizing their economic assets to keep their middle-class lifestyle afloat. Bill cashed in his retirement plan from his former employer to provide cash to live on while he was looking for work. They started charging more on their credit cards, including groceries when the local supermarket started taking credit cards, and they now owe $15,000. They took out a second mortgage on their house when their son started college, and they've had a "home equity" line of credit for the past ten years. Between the home equity line of credit and their son's tuition bills at Ohio State, Bill and Sheryl have no equity in their house to call their own, even though they've lived there for fifteen years.

Our Diagnosis

The people in these stories are just folks like us. Yet David, Monica, Bill, and Sheryl are part of a much larger group in the United

States: the declining middle class. The combination of job losses, sketchy and unstable opportunities, consumer perceptions, corporate restructuring, and easy credit have produced an American middle class that is an economic disaster. Bills are paid and appearances maintained by squandering savings and cannibalizing the future to maintain the present. The American economy moves toward a globalized, knowledge-intensive future, while the American people live in a cultural and consumption fantasyland built on the norms, values, and advice of a prior era. Old cultural ideologies die hard, especially when society is bombarded with media and political messages that suggest things are getting better and that you really can own the car or home of your dreams for no money down.

David, Monica, Bill, and Sheryl are trapped in a cycle of work, layoffs, debt, payments, and taxes that will never end. Regardless of the amount they earn at any one moment—and at times their earnings look pretty good—the instability of their job prospects contrasts sharply with their steadily mounting bills, diminished futures, rising debts, and middle-class dreams.

Multiply these stories by several million and you discover a large segment of the U.S. economy, the portion that stimulates aggregate demand and whose rising productivity once stimulated economic growth, that is so desperate just to pay their bills and keep their heads above water that they will work long, nonstandard hours with poor pay, no fringe benefits, and no prospects for advancement. The reasons for this predicament involve globalization and the ability to move productive investment to different parts of the world electronically; the spread of neoliberal economic ideologies that promote free trade, low trade barriers, and reduced government regulations; the inability of the U.S. social safety net to provide insurance against the insecurities produced by the changing labor market and organization of work; national tax and spending policies that favor investors and those that are already well off at the expense of wage earners; and declining protections provided by a labor movement that has seen its ranks decline from 32 percent of the nonagricultural workforce in the 1960s to less than 9 percent today.[7] These circumstances remind us of *agrarian* economies.

Our Feudal Past

Agrarian economies, you say? Subsistence farmers? Homesteaders? *Little House on the Prairie*? John Wayne in *Paint Your Wagon*? No. Most of our American ancestors worked in an *agricultural* economy, not an agrarian economy (though there were some similarities between the two for some particularly unfortunate people). Instead, we're thinking of the agrarian

Box 2.1
Agrarian Economies

In an *agrarian economy*, which relies on fully developed agriculture with plows, draft animals, and fertilizers, most workers are peasants or other dependent cultivators who are politically and economically dependent on landowners.

In *feudalism* or *feudal economy*, the system of economic life that prevailed in the West from the end of the Roman Empire until the development of modern capitalism, landlords cultivated land with peasant labor. In feudal economies, a *fief* was a grant of land in return for military service or mutual protection. *Vassals* were groups of landlords tied together through personal ties or oaths of loyalty. The landlord's land that was dedicated exclusively to his use rather than granted to vassals was his *demesne* (pronounced "de-main").

Freeholding generally refers to the independent cultivation of land by farmers who claim ownership to the land they cultivate.

Indentured servitude is a type of slave labor in which laborers work without pay under contract for a specified period of time in exchange for food, accommodation, or free passage to a new country.

In the feudal or medieval social system, *corporate groups* or *estates* were groups of people, such as landowners, priests, merchants, and peasants, that shared the same position. Membership in a corporate group determined one's social rights and obligations.

Proletarianization, a term first proposed by the German social philosopher Karl Marx, describes the conversion of the multitude of personal arrangements that tied landlords, vassals, and serfs together into a system of employer/employee relationships in which workers are paid in wages.

economies of the Middle Ages, the social order romanticized in the Robin Hood legends and stories of King Arthur and the Knights of the Round Table. Our focus is far from these fanciful tales. Agrarian societies of the Middle Ages produced a distinctive set of relationships between the economically dominant classes and those that worked for them.

Most agrarian societies were built on two economic and political classes—a class of landlords that controlled the rights and access to vast tracts of land, and a class of peasants who worked the land in exchange for protection and control over small plots used to support their families. Other distinctive economic and political positions, such as priests, merchants, and craftsmen, took part in these societies, but the exchanges between landlords and peasants drove the economy, feeding the masses in good times, providing soldiers in wartime, and distributing rations in bad times.

Because agrarian economies were land-rich and money-poor, the exchange between landlords and peasants involved land and labor services. Landlords granted tracts of land to peasants, as individuals, families, or villages, in exchange for a substantial portion of the crop the peasants raised and labor services including harvesting and thrashing the landlord's grain, tending to his livestock, maintaining his manor house, and serving as conscript in his militia.

Under slightly better circumstances, the peasant was a freeholder who paid taxes in the form of crop shares to local elites. This situation provided some leverage for the peasant against potential abuses, but the basic economics of the exchange was not affected and land (or more) could be confiscated from peasants who refused to pay.

The agrarian system provided a measure of security in an uncertain world. The peasant received some protection from roving bands of thieves and marauding invaders, limited communal insurance in the event of crop failures and famine (frequent occurrences), and access to land to feed himself and his family. The landlord received the proceeds from his vast tracts of land without having to work it himself, assurance that his property would be maintained, and access to surplus grain taxes, which he could use as barter for luxury goods produced in towns by craftsmen or brought from distant lands by merchants. He was also assured a regular army of conscripts to defend his property against intruders and to use in brokered alliances with other landlords.

While the peasant life has been idealized in theater and art, theirs was a hard lot:

> On certain days, the tenant brings the lord's steward perhaps a few small silver coins or, more often, sheaves of corn harvested on his fields, chickens from his farmyard, cakes of wax from his beehives. . . . At other times, he works on the arable or the meadows of the demesne. Or we find him carting casks of wine or sacks of corn on behalf of the master to distant residences. His is the labour which repairs the walls or moats of the castle. If the master has guests the peasant strips his own bed to provide the necessary extra bedclothes. When the hunting season comes around, he feeds the pack. If war breaks out he does duty as a foot-soldier or orderly, under the leadership of the reeve of the village. . . . Of all the new "exactions" imposed on tenants, the most characteristic were monopolies of many different kinds . . . Sometimes [the landlord] reserved for himself the right to sell wine or beer at certain times of year. Sometimes he claimed the sole right to provide, in return for payment, the services of bull or boar for stud purposes. . . . More often he forced the peasants to grind their corn at his mill, to bake their bread in his oven, to make their wine in his wine press.[8]

As Gerhard Lenski describes the political philosophy of the feudal system, "The great majority of the political elite sought to use the energies of the peasant to the full, while depriving them of all but the basic necessities of life. The only real disagreement concerned the problem of how this might best be done. . . ."[9]

Rebellions against the system were easily crushed, even though peasants vastly outnumbered landlords, because low population densities made it difficult to communicate across vast distances and landlords could easily come together to protect their rights and privileges.

The landlord's control depended on his ability to control access to land and the rights that came with it. The landlord's massive tracts of land couldn't be sold: there was no money, thus nothing to trade the land for. Clearly the system depended on a large, steady supply of laborers; the more laborers, the better. Any force that interfered with access to this labor force threatened the very existence of the system.

In almost all agrarian societies, there were such forces. Famines, plagues, wars, and anything that reduced the size of the peasant population increased the bargaining power of the peasants that were left.[10] Opportunities in growing towns and rumors of better arrangements could induce peasants to leave rural landed estates and seek their fortunes elsewhere. Landlords tried to prevent such an exodus by imposing serfdom and indentured servitude.

Serfdom took an already exploitative situation and rendered it permanent. Serfs were peasants indentured to a landlord's lands. In principle, serfs could "buy" their freedom by paying huge sums of crop shares years into the future, but in practice, such individual emancipation almost never occurred. The feudal contract that bound serfs to the landlord's property often extended to his heirs, and usually to their heirs as well. The appearance of fixed time commitments was an illusion. In virtually no agrarian society on record were serfs emancipated because their feudal contracts with landlords ended;[11] instead, emancipation resulted when new elites rose up against landed elites to compete for the loyalty of the potential workforce that emancipated serfs represented.[12]

The material relationships among lords, vassals, peasants, and serfs were part of an extensive cultural system that identified social worth with inherited privilege. Historians debate the effectiveness of landlords' psychological attempts to assert ideological control over average peasants,[13] but evidence suggests that whatever else produced social peace in feudal societies, happiness and acceptance of dominant ideologies were not at the top of the list.[14]

Feudal elites and others with significant stakes in the inequalities of the system developed political and social ideologies that organized segments of the population into corporate groups. These groups—landlords, priests, vassals, merchants, peasants, and serfs—consisted of people in different structural positions in the feudal system. One's position in the system of dominance and subordination was determined by one's location in these groups, and these groups were ranked on evaluations of their members' social worthiness or unworthiness. Landlords and priests were on top, vassals and merchants made up the middle ranks, and "commoners" were at the bottom. One's opportunities, choices, marriage partners, family ties, and potential for advancement were defined and circumscribed by group membership.

Along with the obvious and serious social inequalities of this system came elaborate ideologies on the virtues and divine favor of landlords and priests, who were "destined" to administer and control the system. On the other side were ideologies and cultural beliefs about the obvious unworthiness and inferiority of peasants and serfs. Attempts to change the functioning of the system outside the bounds of the existing corporate structure were viewed as assaults on the natural order of human life as conveyed and sanctioned by God.

However, feudal ideology did not completely sanction anything elites decided to do with their inferiors. Each group was subject to a strong set of moral norms defining acceptable and unacceptable behavior. Feudal lords provided protection to their subjects, and organized serfs and peasants to defend their domains against invaders. Attempts to extract uncustomary extra taxes or labor services met with resistance from peasants and serfs who didn't demand the overthrow of the feudal system so much as the return of "good landlords," "just Tzars" and "traditional taxes."[15] Priests were expected to confer legitimacy on the feudal regime and kept feudal lords in line when temptations arose to abuse and overwork peasants and serfs. In most feudal societies, the church was also a landlord with its own sets of peasants and serfs who worked lands and were taxed to support the religious hierarchy. Sanctioned political inequality legitimated the feudal system and the lords and vassals who dominated it.

The transition away from feudalism involved a series of economic changes and one big political change.[16] The economic changes did not come all at once, and were not uniformly beneficial to all members of the elite or detrimental to all commoners. The move toward a capitalist global economy from global empires urged trade in the direction of exchange, away from the traditional system of conquest and tribute that had characterized feudal empire building. The incorporation of outside areas and hinterlands into the global economic system, which took well into the twentieth century, linked even the most remote parts of the world into a system of market transactions tied across continents. The proletarianization of the workforce moved almost all work relationships between employers and workers toward wage exchanges, away from traditional, reciprocal forms of obligation. Finally, people from different corporate groups could privately own, develop, and exploit land as they saw fit. All these economic changes were fueled by the combined push of urban entrepreneurs and others with an interest in maximizing economic opportunities and separating political power from traditional concepts of fealty and landed proprietorship.

These changes coincided with the development of Enlightenment political philosophies in the fourteenth and fifteenth centuries. Enlightenment political philosophy, identified with Descartes, Montaigne, Locke, and Hume, advanced causes of human reason, freedom, and rationalism. Most Enlightenment thinkers were skeptical of traditional justifications of authority, especially those that tied the traditional social order to divine sanction. To Enlightenment thinkers, all truth claims were subject to evaluation by reason, and free inquiry and open intellectual development allowed people to reach their stations in life to which they were best suited. Enlightenment philosophy was often tied to the struggles of Protestantism and merchants against the Catholic Church and traditional nobles and landlords. Enlightenment philosophy inspired developments in France and Britain that hastened the decline of feudalism by providing an emerging urban merchant class with a political ideology to buttress the development of contemporary capitalism and urban labor markets.

Enlightenment philosophy also inspired the founding fathers of the United States and was the intellectual undercurrent for the American Revolution, the Declaration of Independence, and the Constitution. But this did not make the United States a bastion of Enlightenment practice. Freedom and equality developed slowly, and America had its own form of feudalism in the nineteenth-century tenant sharecropping system.

Feudalism in a Contemporary Context: Tenant Farming in the Deep South

In the United States, the experience closest to medieval feudalism was nineteenth- and early twentieth-century tenant farming in the former Confederate states after the Civil War. The Civil War left the states of the Deep South in an economic shambles. Plantation owners survived as landed elites, but had lost the African slaves who performed the labor that maintained their economic position. The currency of the Confederacy, never worth much, was completely devalued. There was almost no banking system to speak of. The remnants of the plantation system included a mass of agricultural laborers with no access to land and a set of plantation owners with no workers and no money to pay them.

Box 2.2

Basic Concepts of the Farm Tenancy System in the American South

In the South, the *farm tenancy system* was an economy of landlords, merchants, and tenant farmers who exchanged dry goods and food for access to land and crops through sharecropping arrangements. This term also usually refers to the legal system that enforced the economic and social superiority of landlords and merchants to farm tenants.

In this system, *crop liens* were legal claims by landlords against current or future crops grown by tenant farmers. Landowners could file liens to seek repayment for bills accrued during the crop season for tenants' clothing and subsistence. Crop liens were often legally enforceable between landlords so that tenants could not move from one landlord to another unless their debts were paid.

Debt peonage in a sharecropping system was the state of perpetual servitude that resulted from debts accumulated during the crop season that could not be paid off by the tenant's share of the crop at the harvest. Unpaid debts usually required the tenant to remain with their landlord for additional crop seasons, perpetuating the cycle of debt that kept tenants tied to the land.

The practical solution to these problems was a system of tenant farming or *sharecropping*, providing many with access to labor and crops. For most rural laborers, both emancipated blacks and poor whites, it was the only practical way to gain access to food. Yet the transactions involved were extremely exploitative and not greatly different from those of medieval feudalism.[17]

In sharecropping, a landlord exchanged farm implements such as machinery, seed, and fertilizer to a group of tenants so the tenants could sustain themselves during the growing season. In return, the landlord received a percentage of the crop, due as payment to the landlord or merchant at the harvest. Both parties benefited from this arrangement:

1. Landlords didn't have any money to pay wages, so they advanced foodstuffs and dry goods in lieu of these, gaining laborers to work their land.
2. Tenant farmers generally owned no land and most were very poor and often illiterate. Gaining access to subsistence goods in exchange for growing a crop was thus a valuable arrangement.
3. The tenancy system dealt with the practical problem of the lag between the time of the harvest and the winter, when living expenses were incurred (similar to the cash flow problems many of us face in contemporary economic life).

4. In theory, at harvest a percentage of the crop would be handed over and the transaction—the exchange of labor for foodstuffs and dry goods—would be complete. The landlord would have farm produce, usually cotton, to sell; the laborer would have his family provided for. Not a bad arrangement.

But, like many things in life that look good on the surface, the devil was in the details. The foodstuffs and dry goods advanced to the tenant farmer were credited against his portion of the harvest rather than the landlord's. In effect, the tenant farmer was buying subsistence on credit with his portion of the crop as payment. This system was open to abuse. Since the landlord was providing the subsistence goods to the tenant as an exchange, the tenant usually had no idea what the actual cost of the goods was in cash. The landlord could charge substantial markups on these goods in an attempt to gain access to all or most of the tenant's share of the crop. The landlord could set the cash price of the tenant's cotton at the price he would receive at harvest, when there was lots of cotton on the market and prices were low, and confiscate more of the tenant's cotton to pay the debts the landlord inflated. The landlord could then hold the cotton provided by the tenant farmer and sell it at some other time of year when the cotton price was higher, pay his own expenses, and pocket the difference.

Worse, the landlord could construct a pricing scheme for the dry goods he provided and the cotton turned over by the tenant so that the tenant's debts were not paid off at harvest time. At that point, the tenant was obligated to work for the landlord another year to pay off his debt. If the tenant decided to move on, one of three things would happen:

1. local law enforcement officials could track him down and return him to the landlord, requiring him to work to pay off his debts;
2. the landlord could file a lien against any crops raised by the tenant on other landlords' properties, claiming that they had rights of first claim on the labor of the indebted tenant; or
3. other landlords wouldn't hire the wandering tenant once they discovered that he owed debts to other landlords.

The combination of these outcomes made it almost impossible for the tenant to start anew.

The end result was a system of debt peonage in which tenants were tied to the landlord's land, perpetually in debt and perpetually "borrowing" subsistence goods to maintain their households in exchange for cotton crops whose value never managed to pay their bills.

The cultural and ideological underpinning of the sharecropping system was racial superiority and the "southern racial state."[18] Landlords were almost always white. Tenant farmers were not exclusively black, but whites from all economic circumstances identified with racial politics and the alleged inferiority of newly freed African Americans. The elaborate racial etiquette—deference rituals, pecking orders, and "separate" accommodations—of interactions between the races reinforced the cultural and biological superiority of whites, who were "burdened" with their role as overseers of the childlike freed Africans who were not fit to govern their own affairs. The entire criminal justice and legal system rested on the premise that white landowners were privileged elites to whom all others owed their allegiance. As we'll see, some of the racial divisiveness that helped to maintain this system returns in later political ideologies used to justify the policies of late twentieth-century elites.

Comparing Pre-Industrial Peasants to Post-Industrial Peasants

There are important parallels between agrarian systems and the contemporary situation of the American middle class. The most striking is the similarity between the system of debt peonage that emerged in agrarian systems and the system of work, wages, and debt facing the middle class in the past thirty-five years. In agrarian systems, peasants were indebted to specific landlords; in contemporary America, post-industrial peasants are indebted to an economic system. In both cases, workers are locked into arrangements that force them to struggle continuously to make a living with little hope of breaking free from their subordinate positions.

Today, the average middle class worker is mired in stagnant wages, job instability, rising prices, increased work hours, higher taxes, and bigger debts. The net result of these changes are post-industrial peasants, people in such economically precarious positions that their only option is to work harder at jobs that provide relatively low wages, no benefits, and no security (see Table 2.1).

That said, we should be clear about the limits of our analogy. No one we're aware of would trade a middle-class life in the United States for life as a serf in the Middle Ages or a tenant farmer in the nineteenth-century South. No one we're aware of would trade a life as an investor or corporate manager for a life as an agrarian feudal lord or plantation owner. To say that economic situations resemble one another doesn't make them interchangeable.

Table 2.1

A Coincidence? Feudal Peasants, Southern Sharecroppers, and Post-Industrial Peasants

System Characteristics	Feudal Peasants	Southern Sharecroppers	Post-Industrial Peasants
Social classes	Landlords and serfs	Landlords and sharecroppers	Capitalist employers and workers
Government	Landlord alliances	Planter-dominated democracy	Electoral-representative, capitalist-dominated democracy favoring the wealthy
Means of exchange	Land and labor services	Land and labor services	Money
Means of control by dominant classes	Direct coercion	Direct coercion and debt	Market discipline and credit
Type of expropriation	Direct taxation	Direct taxation	Taxation, long work hours, flat wages despite productivity gains
Terms of continued subordination	Control over land	Debt produced by crop liens	Debts from credit cards and financial manipulation

There are several notable achievements of all advanced industrial societies that, by themselves, make life for all but the most unfortunate better now than for most members of agrarian societies. Perhaps the most important of these is that modern societies have unprecedented freedom and political democracy. For all of their imperfections, modern democratic political institutions and philosophical notions of freedom and equality have brought tremendous value to the lives of many people. Even in contemporary public debates on personal rights and responsibilities, everyone assumes that each individual is entitled to the same set of rights and responsibilities and should be left to arrange their affairs as he or she sees fit. This is due to widespread Enlightenment ideologies of democracy and governing with the consent of the governed. Contemporary democratic political ideologies, along with such concepts as self-determination, personal freedom, and political equality, are powerful justifications for the outcomes of American politics. Claims that the political system is slanted in favor of those with wealth, money, and influence must provide proof that contradicts this prevailing ideology. This would not be the case under any feudal regime, in which patrimonial privileges and ideologies—ideas of the inherent superiority and inferiority of groups of people, with beliefs about the social privileges that come with political and economic domination—and inherent inequality is assumed, and private and public privilege are linked.

For all its warts, industrial capitalism (the development of market economies based on manufacturing in the wake of the industrial revolution) has increased the chances that average people can improve their lot. Some of this has to do with the basic structure of the system. The capitalist class is in constant competition for customers and against each other. This has affected in many ways the relationship between capitalists and those who work for them, especially when there are labor shortages. Factories and urbanism increased contact between groups of people, and especially members of the industrial working class. This led to unionization and myriad attempts to improve working conditions. The wide availability of money and an extensive banking system allowed capital investment, wages, and consumption to expand. Politics and economics were separated (at least in theory) so that political elites and economic elites were not the same people. Unlike the landlord in an agrarian society, a capitalist can, and often does, fail. Workers could improve their lot and "move up" into middle-class positions.

Modern societies also have access to an unfathomable surplus of opportunities and basic goods. Mass production may pollute the environment, waste natural resources, and exploit workers, but it also provides enormous amounts of basic consumer items at relatively low prices. One reason that poverty, hunger, and destitution seem so unjust to most of us is that we realize that our global economy has the resources to end such suffering. The sheer economic power that mass production market economies can bring to bear on any situation massively outranks anything an agrarian society could produce.

Modern society has also benefited greatly from the unprecedented levels of creativity and innovation unleashed by economic markets. Benefits of this creativity and innovation are distributed more broadly than people in agrarian societies could ever imagine. This creativity and innovation is expressed in ways both small (micro-lending, changing farm practices) and large (the development of new computer software, space travel).

And lest we forget, one major product of the industrial market economy was the creation of the middle class. No other set of economic arrangements has produced a middle class of the size and general prosperity of the American middle class and its European and Asian counterparts. As we stated in the introduction, the massive immigration of people into these parts of the world doesn't suggest to us that millions of people are greedy and want to make it big (which is not to say they wouldn't take those opportunities if they came up!), but that the economic contributions of "average people like me" are worth more here than they are back home. The aspirations of these migrants often are met. This, in itself, is a major achievement.

But there are also important differences between the post-industrial capitalism in the United States since the 1970s compared to industrial capitalism. These differences have complicated the plight of the middle class. Work has reorganized, with downsizing, outsourcing, temporary work, and flat organizational hierarchies, making it difficult for modern Americans to find steady jobs, establish careers, and build solid financial bases for middle class life. Increasingly the globalized economy is changing the relationships between large corporations and cities as corporations attempt to stay competitive, moving from place to place looking for the most favorable investment conditions and demanding tax and infrastructure concessions from cities and government agencies.[19] The sheer scale of the post-industrial enterprise and the dispersal of functions to different parts of the world make it difficult to determine who is responsible for job creation and community welfare.[20]

Is it really fair to liken the American middle class to peasants? After all, there are plenty of Americans who are in worse economic shape than the middle class. Across our country, hundreds of thousands of homeless men, women, and children live on the streets and in shelters. In 2003, over 35 million Americans lived below the official poverty line.[21] Families of migrant farm workers struggle to eke out a living, and women, primarily recent immigrants, work in sweatshop conditions in our cities. Fourth- and fifth-generation farmers are forced to take second jobs at Wal-Mart to avoid their inevitable slide into bankruptcy. Millions of children grow up in families locked in a vicious cycle of poverty, dead-end minimum wage jobs, and despair.[22] With so many Americans facing these stark realities, why focus on the middle class?

Our focus is driven by two observations. First, by focusing on the lower class, observers implicitly assume that the economic prosperity that we read about in papers and hear on the news must be benefiting everyone else. Second, many observers assume that Americans who are struggling do so because they do not have the skills, motivation, and education to compete in a post-industrial economy. The college-educated professional is held up as the "poster child" of the new economy, and the middle class is said to be profiting from these economic shifts. But what if the very people who are thought to be gaining unprecedented wealth, freedom, and mobility are actually saddled with debt and locked into a system of work that provides little stability, few benefits, and no rewards? In this context, the idea of the post-industrial peasant starts to make sense.

Apart from the use of money and the sophistication of the exchanges involved, the economic position of the U.S. middle class looks much like that of the feudal peasant of the Middle Ages and the Southern sharecropper. While the specific means of control (how the dominant classes or elites maintain their privileged position), type of expropriation (how the dominant classes or elites obtain funds needed to maintain the system), and terms of continued subordination (the condition that keeps the subordinate group under the control of the dominant classes or elites) are different in each system, the overall function is the same. So while it is true that post-industrial peasants are not tied to specific plots of land or specific lords, they *are* tied to a system that keeps them in a perpetual cycle of work and debt.[23]

The analogy of the post-industrial peasant shows us that social and economic relationships are intimately linked and that these trends have changed the rules and realities of middle-class life. The new rules and harsh realities of the middle class have been largely overlooked, downplayed, or outright ignored by economic and political elites.

Who are these people economically? The next chapter addresses their income and credit predicaments. As you'll see, it's not a pretty sight.