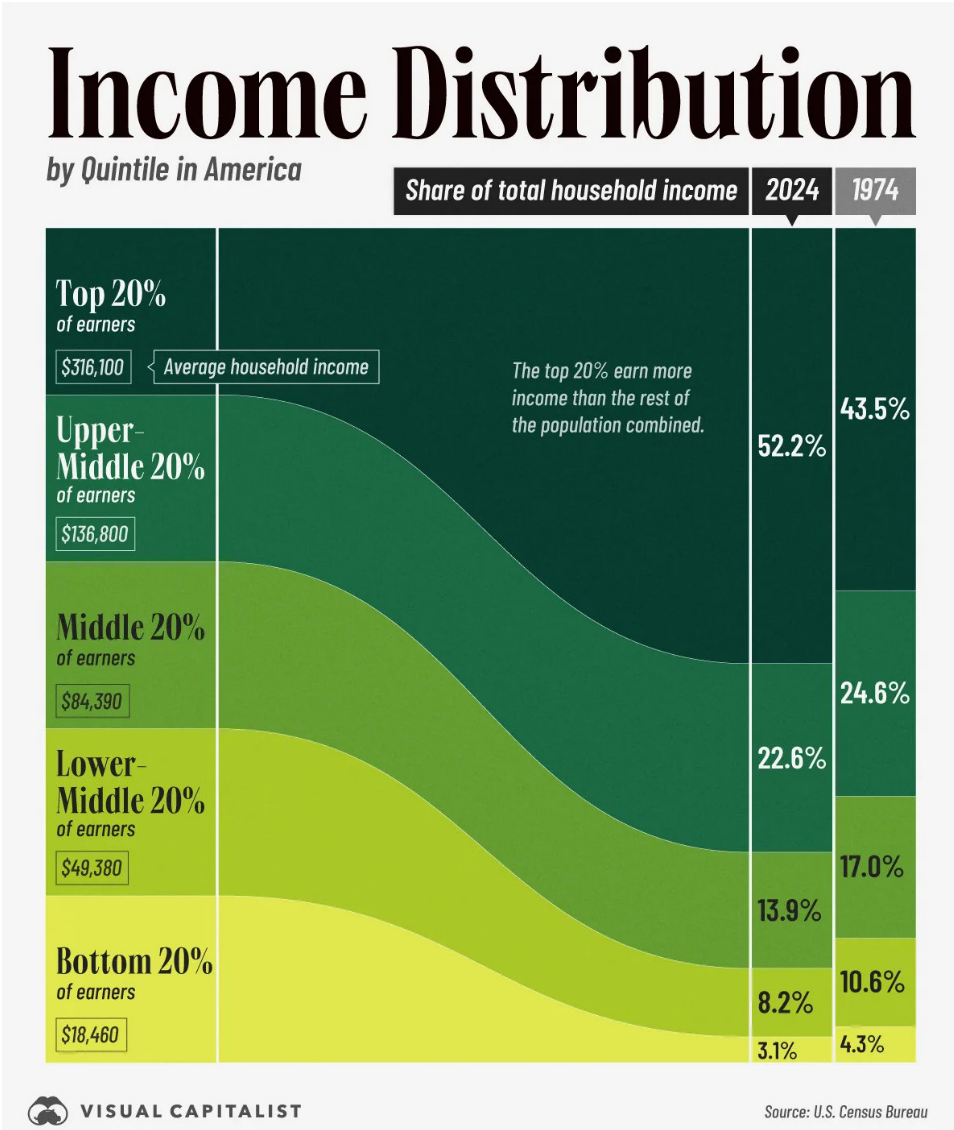
Struggle-La-Lucha.org

The K-shaped economy is monopoly capitalism working as designed

written by Gary Wilson
December 31, 2025



What is being called a "K-shaped economy" is not a temporary distortion or the result of recent shocks, but the normal outcome of monopoly capitalism.

The image suggests two trajectories diverging from a common point—one arm rising, the other falling. The term has gained traction in economic coverage because it names the visible split between those who own and those who work, but it does not explain the system that produces that divide.

In the third quarter of 2025, the economy grew at an annual rate of 4.3%. Corporate profits rose by $166 billion. Unemployment climbed to 4.6%. Real disposable income for households did not grow at all. These figures do not contradict one another. GDP growth records the expansion of value for capital, not improvements in living conditions. Taken together, the numbers describe an economy organized so that accumulation at the top proceeds even as conditions deteriorate for most working people.

The “K” image captures this split only at the surface. It describes two paths separating from a common starting point, one rising and one falling, without explaining why the split occurs or why it persists.

By framing the outcome as an imbalance or an unusual pattern, the metaphor suggests something temporary or accidental. Under monopoly conditions, however, this gap is neither. It is the routine operation of an economy in which profits are secured not by expanding employment or raising wages, but by cutting jobs, keeping pay flat, and shifting economic risk onto households — a process enforced through labor law, credit systems, and public policy.

This pattern did not emerge suddenly, and it did not begin with the pandemic, inflation, or recent policy shifts. The split now described as “K-shaped” has been widening for decades. What today’s figures make visible is the cumulative result of a long shift of income and power away from wages and toward profits. To understand how the economy came to operate this way, it is necessary to look at how income has been divided over the past half-century.

Fifty years of upward transfer

The data on income distribution tells the story plainly. In 1974, the top 20% of households captured 43.5% of total national income. By 2024, their share had grown to 52.2% — a gain of 8.7 percentage points. Every other income group saw its share decline. The bottom 20% fell from 4.3% to 3.1%, a drop of roughly 28% in their portion of national income.

This redistribution reflects monopoly capitalism’s inherent drive to concentrate wealth, a tendency that was temporarily constrained from the 1940s through the early 1970s. Strong unions, laws that limited Wall Street speculation and made it harder to move factories overseas, and the political pressures of that period — including the existence of the Soviet Union, socialist China and the anti-colonial national liberation struggles worldwide — extracted real concessions from the ruling class.

Starting in the 1970s, facing overproduction and overaccumulation — more goods produced than could be sold profitably, more capital accumulated than could find profitable investment — the ruling class launched a sustained counteroffensive. Through union-busting, tax cuts for the wealthy, deregulation of finance, and the movement of production to where labor was cheaper and less organized, the ruling class broke that compromise. The widening divide visible in income data since 1974 marks not the beginning of a new trend but the success of that counteroffensive.

One-quarter of all U.S. households now report no job / wage income at all, according to the Census Bureau’s American Community Survey. These are not statistical anomalies. They represent millions of people living at the margins or entirely outside formal employment. Monopoly capitalism no longer requires a broad base of stable employment to generate profits. Profits can be sustained through price increases, cost-cutting, and through debt and finance, even as employment becomes more unstable and real wages fall.

Growth Without Jobs

The current expansion makes this visible in sharp terms. The economy grew rapidly in the third quarter, yet hiring stalled and unemployment rose. Real disposable income for households did not increase at all. This is growth detached from work.

Under monopoly conditions, output and revenue increasingly expand without corresponding growth in payrolls. Workers are pushed to do more with less, and hiring is held back even as production increases. What is labeled productivity is often just speed-up — more output demanded from fewer workers who have little power to refuse.

At the same time, consumer spending is being driven not by rising incomes but by basic needs. A significant portion of recent expenditure has gone to health care costs that cannot be deferred. People are spending because they must, not because they can afford to, and they are financing it by drawing down savings or taking on debt. This is survival spending, and it is unsustainable.

Debt as fuel

Younger workers are carrying a particular share of this burden. Gen Z credit card balances have surged by 36 to 37%, while their credit scores have dropped to their lowest levels in years. They are relying on high-interest debt to cover basic costs that wages no longer meet, even though their pay, adjusted for inflation, is nominally higher than previous generations at the same age.

The gap between what workers earn and what they can actually afford reveals how inflation works under monopoly conditions. Prices rise because dominant firms control supply chains, housing, energy, and food, and use that power to raise prices in order to maintain profit margins, rather than allowing returns to fall.

Under monopoly conditions, inflation becomes a way of transferring income from workers to capital. Dominant firms control supply chains, housing, energy, and food, and use that power to raise prices in order to protect profit margins, even when demand does not justify those increases. Debt then keeps consumption going for a time when wages no longer cover basic costs.

This arrangement is precarious. Gen Z’s debt-heavy spending helps keep the economy moving, but only because they still have jobs and can make their payments. When the next downturn comes, those holding the most debt with the least cushion will stop paying first, stop spending, and deepen the collapse. The economy’s stability depends on workers who are already drowning.

Profits under a divided economy

Major firms operate within this split and profit from it. Coca-Cola sells lower-cost products to price-constrained buyers while relying on premium brands like Smartwater and Fairlife milk for higher profit margins. Delta reports that revenue growth is driven by first- and business-class tickets, while lower-income passengers are falling behind. Best Buy reports that two-thirds of consumption comes from the top 40% of households.

These practices reflect how profit-making adjusts to a divided economy. Profits are increasingly drawn from high-end consumption on one side and debt-driven spending on the other. The middle, where steady employment once meant steady spending, is shrinking. The wealthiest 10% of Americans own roughly 87% of all stock. When stock prices rise, their wealth increases automatically. The bottom 50% owns just over 1% of the stock market. When prices go up, they just pay more for rent and groceries while owning nothing that increases in value.

Not a recovery, but a structure

What is being described in economic reports as unusual is actually characteristic of monopoly capitalism under conditions where profitable expansion has become difficult. Monopoly firms control enough of their markets to set prices independent of competition.

When profit margins are threatened, prices are raised rather than profits allowed to fall, with state policy tolerating or enforcing that outcome. At the same time, productive capacity expands faster than profitable markets can absorb. The response is not to raise wages or expand employment — that would cut into profits — but to eliminate jobs, automate, and rely on debt to sustain consumption for a time when wages fall short.

This produces the pattern now visible: GDP growth without job creation, corporate profits without rising incomes, spending without security. When you add it all up, the economy can look like it's expanding even as conditions worsen for most people, because the growth shows up in stock prices and corporate earnings rather than in paychecks or jobs.

Calling this a "K-shaped recovery" implies something temporary and self-correcting. In reality, it describes a structure enforced through law and state power. The result is an economy that concentrates wealth at the top while pushing the majority toward more unstable work, lower pay, and rising household debt.

The K shape is not an anomaly. It is a plain description of how monopoly capitalism actually works.

https://www.struggle-la-lucha.org/2025/12/31/the-k-shaped-economy-is-monopoly-capitalism-working-as-designed/