THE HUNGER

Most Americans face a future of lower wages and job insecurity.

Liberals need to offer more than false hope.

GAMES ECONOMY

BY JEFF FAUX ILLUSTRATION BY TIM BOWER

In the eyes of most of the world and in our own, to be an American is to be an optimist—entrepreneurial, positive-thinking, and future-oriented. It is not surprising, then, that our politics has not come to grips with the question of national decline. Yes, our governing elites have long debated America's power in the world and whether it's eroding. But about the future of *Americans*, as opposed to the future of the geopolitical hegemon, *America*, our most important politicians and pundits have much less to say. Despite the bitter public arguments over tax and budget policies, they share the implicit assumption that even harder times are ahead for the majority of Americans—if not 99 percent then at least 75 percent to 80 percent. But doom and gloom does not play well in American politics. So, whenever our policymakers cannot avoid the word "sacrifice," it is gingerly presented as a temporary inconvenience, to someone other than the listener, necessary to rebalance the government's books and return us to pre-crash prosperity in some unspecified, but surely near-term, future.

The evidence in front of our eyes is that on our current economic trajectory, the American middle class is headed for a further fall in its living standards, and the probability that the country's two-party governing class will change course is close to zero.

The conventional chatter from the nation's punditry declares that Washington has been made "dysfunctional" by excessive partisanship and incivility. A day does not go by without prominent editorialists, talking heads, and bloggers calling for Democrats and Republicans to come together in a "grand bargain" over budget policy. Yet from the point of view of its most influential clients, Washington is actually functioning quite well. Indeed, the most important grand bargain has already been consummated.

After three decades of policies that have undermined the country's global competitiveness and the bargaining position of its workers, the United States economy can no longer provide the means to support its three most politically important American dreams: Wall Street's dream of subsidized limitless profits; the military-industrial complex's dream of global supremacy; and the middle class's dream of rising incomes.

One out of three? Certainly. Two out of three? Perhaps. All three? No way.

The deal is done. The middle class will be sacrificed. The partisan disagreement is now over the details: how much pain there will be and how fast it will come.

The deal was not negotiated in some smoke-filled back room. It is the accumulation of decisions made and not made since 1981, when the Age of Ronald Reagan replaced the Age of Franklin Roosevelt. The 1970s had brought the first signs that America's post–World War II global economic dominance was shrinking—an oil-price crisis and the appearance of our now-chronic trade deficit. One response was Jimmy Carter's plan to wean us from dependence on imported oil. Another was a call by prominent business and political figures for a government-led strategy to respond to rising competition from a recovering Europe and Japan. But these efforts stopped dead with Reagan's election; our collective economic future would be left to the market.

We remain in Reagan's shadow. As Republicans Dwight Eisenhower and Richard Nixon governed within the New Deal framework established by FDR, so Democrats Bill Clinton and Barack Obama have governed within Reagan's vision of a deregulated and privatized America. As the upbeat Reagan demonstrated in his victory over the dour Carter, placing ourselves at the mercy of inherently unstable global markets requires even more optimistic faith in Americans' privileged destiny. The point was not lost on the Democrats: Clinton proclaimed that he was the "man from Hope"; Obama, that he had the "Audacity of Hope."

Appropriate enough to an era brought to us from Hollywood, the economy enjoyed 30 years of illusionary prosperity. In 2007, the year before the financial crash, a typical worker was making roughly the same hourly earnings—adjusted for inflation—that his or her counterpart had been making in 1979. Yet over those three decades, Americans bought more and bigger houses, crowded into shopping centers, paid for college educations, and retired better off than their parents. They did it in two ways. First, families responded in the 1980s by sending more people—typically wives—to work. Second, they borrowed, almost doubling the amount of consumer debt relative to income over three decades—with money lent to our banks by the Chinese.

Both of these financial cushions have deflated. There are now as many women in the workforce as men, and some 70 percent of married women with children have a job. The credit crash, which left millions bankrupt and insolvent, demonstrated that spending more than you are earning is not sustainable. So, unless a resurgence of real wages occurs over the next decade or so, most American families will be less able to maintain a middle-class income.

> The important lesson of the last few years is about corrupted values that prevent our politics from grappling with the reality facing average Americans.

In his first few months as president, Barack Obama defined the central question. Borrowing a metaphor from the Sermon on the Mount, he told Americans, "We cannot rebuild this economy on the same pile of sand. We must build our house upon a rock ... a foundation that will move us from an era of borrow and spend to one where we save and invest, where we consume less at home and send more exports abroad."

Rebuilding our economic foundation is no easy task. But neither is it beyond our technical capacity. For years now, center-left economists have been piling up various plans for a "high road" strategy toward raising future living standards. Progressives may differ over the precise blueprint, but the main elements are clear. They include massive investment in infrastructure, education, and research; trade, tax, and regulatory policies to support domestic production; a universal, efficient health-care system; incentives for corporations to pursue longer-term investment horizons; restored collective-bargaining rights; and a large and sustained increase in the minimum wage. The problem, as these plans and manifestos typically conclude, is not in the economics but in the politics.

The financial crisis was thus a historic opportunity: We could pump up the economy today with massive government investments that would renew America's competitiveness tomorrow. As we know, the opportunity was blown. Three years later, the economy remains stuck on the sandpile. Indeed, it has arguably sunk deeper.

Wall Street, which drove us over the cliff by systematically diverting the nation's capital from long-term productive investment to its own speculative excesses—in which the "future" can now be defined in a nanosecond—remains untamed. Profits and bonuses in the financial sector have roared back thanks to the munificent government bailout and continued interest-rate subsidies. Bankers and brokers are busily exploiting the regulatory loopholes that their lobbyists drilled into the Dodd-Frank reform law. As their financial power has become more concentrated, the assumption that the largest are too big for the government to let them fail is even more enshrined.

Nor have the trade policies that have systematically undermined American competitiveness since the 1980s changed. Just as Bill Clinton drove the Reagan/George H.W. Bush trade agenda through Congress, so Obama collaborated with Republicans to pass George W. Bush's trade deals with Korea, Panama, and Colombia and is now promoting a similar pact with at least eight more nations of the Pacific Rim. After each trade agreement, imports have risen faster than exports, cutting jobs and putting downward pressure on wages. First the lower-paid work—clothing, shoes, and toys—was offshored. Then the high-paid factory jobs—autos, steel, electronics. Then the call centers and computerized services jobs. Then engineering and systems design. Now accountant, research, and legal work are moving out. In response, for all but the most talented and well-connected, workers at virtually every level are taking lower salaries and accepting less job security and deteriorated working conditions.

Not to worry, replies the governing class. We are, it is claimed, on the cusp of a revival in American manufacturing. General Electric, for example, recently brought back the production of a water heater from China to a facility in Kentucky. Missing from the press release is the fact that the GE workers who used to make $22 an hour now make $13 an hour. American workers have only one option for meeting the competition: reduced wages.

Yet the happy face remains. Like George W. Bush and Bill Clinton before him, Barack Obama tells us that Americans will somehow become smarter than everyone else. Last year he pledged that by 2020, the United States would have the highest proportion of college graduates in the world. "That's our goal," he announced in a Miami high-school auditorium. "That's how we'll out-educate other countries. That's how we'll out-compete with other countries tomorrow. That's how we'll win the future for the United States of America."

Little evidence exists, however, that inadequate education and training are primarily responsible for stagnant wages. Even if you believe that, the proposition that we will solve the problem for the future by sending more kids to college is not credible.

As Obama spoke, we ranked 12th among advanced nations in the share of younger workers with a two-year associate degree or better. As for the next generation, public universities and community colleges have been in a free fall of shrinking departments and cutting programs since the onslaught of the

Great Recession. Primary and secondary schools have been shutting down, teachers laid off, classrooms overcrowded, and school years shortened. To top it off, the education system is engulfed in a civil war over privatization, whose champions include Obama's own education secretary.

The central problem is not an inadequate supply of educated workers; it is inadequate demand. The Bureau of Labor Statistics now projects that of the ten occupational groups that will add the most jobs between 2010 and 2020, five do not even require a high-school education. Three require high school, and one category requires a two-year associate degree. The tenth, Educational, Training and Library Jobs, requires a doctorate or a professional degree but is largely in sectors that depend on government funds; as a result, it is much less likely to be a major source of growth in an age of public-sector austerity.

As economist and former Federal Reserve Vice Chairman Alan Blinder—himself a free-trader—acknowledged six years ago, globalization is leaving American workers to compete in "personal service" jobs that require human contact and thus cannot be offshored. These include jobs like housecleaning, sports trainers, massage therapists, and pet handlers. An economy dominated by personal services is an economy of low productivity and therefore low wages.

Even with optimistic assumptions—unemployment reduced, Europe recovered, no new war—most Americans will have to sell their labor for less, whether they are industrial or service workers. The political mantra of both Obama and Mitt Romney is "jobs, jobs, jobs," but the subtext is "lower wages, lower wages, lower wages."

Whatever your view of the president (is he a compromising wimp? A closet conservative? A brave liberal mauled by a vicious GOP political mob?), he was arguably the best that the political system could have produced in its hour of crisis. The Republican candidates were in way over their head. The only alternative, Hillary Clinton, would have hired the same Wall Street economic advisers from the Bill Clinton administration. So the important lesson of the last three and a half years is not about Obama; it is about the narrow and corrupted values that prevent our politics from grappling with the reality facing the average American.

Rebuilding our economic foundation to support a brighter future for the average American is beyond the capacity of our political class. The problem is not just Tea Party reactionaries or business conservatives but liberal Democrats as well. "It is clear we must enter an era of austerity," said Nancy Pelosi last July when she agreed to support Senate Majority Leader Harry Reid's budget proposal for deep spending cuts and no tax increases.

In effect, Democrats have trapped themselves into accepting the Republican view that deficits are the cause, rather than the result, of the slowdown in incomes. Grappling with the roots of our crisis—financial speculation, offshoring, a deteriorated infrastructure, the bloated health-care system—has been excluded from the economic-policy debate. Decisions about the future are now centered on how to cut the deficit. Given an economy plagued by anemic spending growth, this will make our sick economy sicker.

In our economic-policy calendar, the future is next December. As per the agreement after the breakdown in budget talks last summer, Republicans and Democrats will have to negotiate some new combination of less spending and higher taxes over the next ten years or accept $1.2 trillion of automatic across-the-board cuts. The two parties' budget negotiators insist that everything is on the table. For liberals, "everything" means military spending.

Many areas could be sharp-penciled out in that budget, but the fact that the Pentagon has never allowed a comprehensive audit of its books suggests that the chances are slim. The left wing of the Democratic Party and the libertarian right of the Republican Party may dissent, but the vast majority, and certainly the most influential, of the country's politicians and pundits insist on maintaining a large, aggressive military presence around the world. Until that changes, no meaningful budgetary relief will come from the Pentagon.

The debacles in Afghanistan and Iraq have not led to a serious rethinking of the country's role in the world any more than the debacles of the financial crash have led to a rethinking of Wall Street's role in the economy. Nor, despite the predictable election-year return of populism, have three and a half years of high unemployment and shrinking incomes led the leadership of the Democratic Party to rethink its policies of accommodating both Wall Street and the Pentagon. In the absence of a fundamental shift in strategy, we are left with … hope.

The country's policy intelligentsia tells us that the future will be more or less like the past. The economic forecasts of the Congressional Budget Office routinely predict a recovery based on the assumptions that the U.S. economy in the 2010s will resemble the economy of the 1980s or 1990s. The Budget Office is silent on the question of wages. The economist Robert Hall summarized the catechism: "In America, the bet is still that we will somehow find ways to get people spending and investing again."

Somehow something will come up. Perhaps Apple will invent a device that can only be made in America, or CEOs will stop resisting labor unions, or the Chinese will decide to finance our trade deficits forever. Perhaps. But one thing is clear: There is no plan to reverse the middle-class slide.

The public's view of the future is a bit more complex but, in the end, not less hopeful. People are worried about their jobs and income, and majorities think that the next generation will be worse off than this one. Yet polls show that they have faith that they, personally, and their kids will be OK, which reinforces the belief that government is irrelevant to the future.

On our present trajectory, though, they will not be OK. Debt-burdened, college-educated 20-somethings working as waiters, office temps, and SAT tutors will become 30-somethings still stuck in jobs that did not require a college degree. Most of those lucky enough to find professional work will be in pitiless competition with people all over the world who are just as smart and trained as they are but willing to live and work for much less. Among nonprofessionals, the bottom of the two-tier wage system will expand. As older workers retire, the average compensation throughout a range of industries will gradually be lowered. Jobs that used to pay $22 an hour and now pay $13 an hour will ratchet down to $11.

The pain of rising inequality will not just show up in the paycheck; it will also show up in the spirit. An extended era of low wages and austerity will continue to undercut the New Deal institutions—trade unions and public-safety nets—that provide American workers with protection from assaults on personal dignity from dog-eat-dog job competition. A union contract, or the threat that they might demand one, gives workers a voice in the small things that make up a person's self-esteem: the right to go to the bathroom without asking permission, a lunchtime to yourself, a paid vacation. Seniority means that older and younger workers are not in mortal combat for daily survival on the job and that older workers will not be laid off just because younger workers can be hired for lower pay.

Given the lessons of history, no progressive should harbor the illusion that a frustrated, angry working middle class will respond by moving left.

With these protections gone or greatly diminished, class lines will harden and social mobility in America—already below that of many other advanced nations—will decrease further. The humiliations of working life under raw capitalism before the New Deal will return. Bosses will be more arrogant and demanding. Overworked bureaucrats at shrunken government agencies will be less responsive. The distinction between service and servitude will blur.

This scenario or something like it will have a profound impact on our politics. Given the lessons of history, no progressive should harbor the illusion that a frustrated, angry working middle class will respond by moving left.

James Baldwin once wrote, "Not everything that is faced can be changed. But nothing can be changed until it is faced." For progressives, facing up to economic reality and ridding ourselves of false hope is a prerequisite for a politics that might give us some real hope of changing our otherwise depressed—and depressing—future.

First, we should stop lying to ourselves. The re-election of Barack Obama is a defensive imperative. But there will be no transformational second term. Any bargains between the Republican Party, owned by corporate America, and the Democratic Party, which merely rents itself out, will not reverse the existing grand bargain that preserves prosperity for Wall Street, power at the Pentagon, and austerity for the rest of us.

Second, we should stop lying to the people. Given the economic outlook, baby steps in a progressive direction will not lead to bigger steps later. Thus, for example, progressives by and large stood by while the Obama administration trashed efforts to debate a single-payer health plan. Now we are left defending a sordid deal that forces young workers to pay for the profits of private insurance and pharmaceutical companies and does little to reduce the wasteful system's burden on the country's competitiveness.

Third, inasmuch as the central obstacle to policies that would promote a high-wage path to the future is the infestation of our political system with corporate money, it follows that getting that money out of politics should be a strategic priority.

Campaign-spending reform has rarely energized voters. But it has been primarily argued as a high-minded issue of democratic procedure rather than the central cause of citizens' economic distress. As the noose of austerity tightens, the issue can now be cast as an indispensible step to avoiding the destruction of the American dream.

The obstacle is the Supreme Court's bizarre interpretation of the Constitution as a document equating spending money with free speech and corporations with people. This can only be overcome with a constitutional amendment. The route to amending the Constitution will be hard. But the benefits could arrive before any final enactment—namely in mobilizing against corporate power and blunting the right-wing campaign to convince the public that government, labor unions, and other institutions of the liberal left are to blame for the coming age of austerity.

A 2011 survey reported that 79 percent of all voters—and 68 percent of Republicans—favor a constitutional amendment "to overturn the *Citizens United* decision and make clear that corporations do not have the same rights as people," and this, with no visible campaign to persuade them.

Campaign financing is not the only way in which money corrupts government, of course. The hint of a future job, the chance to socialize with the rich, the hiring of a relative or a friend, are among others. But nothing matches raising large amounts of money to get you re-elected.

The odds in favor of driving corporate money out of elections may be long. But the odds of securing our future are even longer if we don't do it. Unless we can confront the root cause of our national paralysis, future historians will look back at this generation and conclude that our failure was not that we didn't know what was coming; it was that we didn't act on what we knew. ▣

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