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Squeezed from the Bottom

With economic pain rising from the working class to the middle class, the public may be ready for fundamental reform.

THE BIG SQUEEZE: TOUGH TIMES FOR THE AMERICAN WORKER

BY STEVEN GREENHOUSE • KNOPF • 2008 • 365 PAGES • \$25.95

(NOT) KEEPING UP WITH OUR PARENTS: THE DECLINE OF THE PROFESSIONAL MIDDLE CLASS

BY NAN MOONEY • BEACON PRESS • 2008
254 PAGES • \$24.95

It has been more than three decades since the great American economic escalator broke down. Today, despite big gains in both productivity and overall national wealth, college graduates are barely making more money than they did in 1973, adjusted for inflation, and non-college grads are making less. Some 33 million U.S. workers—nearly a fourth of the nation’s labor force—earn less than \$10 an hour. As most income gains have gone to top earners, many households have struggled to pay for such necessities as housing, childcare, health care, and gasoline. Even at the height of the 1990s boom, a study by the Economic Policy Institute found, nearly a third of families with young children didn’t bring in enough money to cover basic monthly expenses.

This disaster has unfolded largely amid little public dissent, but it has been punctuated by high-profile, episodic crises: the downturn of the 1970s, the deep recession of 1982, the milder recession of the early 1990s, and the current bout

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of turbulence and slowed growth (the 2001 recession was the mildest and shortest on record, a relative hiccup). The response to each crisis is the same: While the wise men of Wall Street and Washington fret over how to stop the economic pain, liberal critics enjoy a brief moment in the sun, decrying rising inequality and the end of the American Dream. At the height of the anxiety curve, for a fleeting moment, it may seem a consensus is gelling in favor of dramatic action to fix an economy that is no longer working for everyone. Inevitably, though, the national mood quickly shifts when economic growth picks back up. Soon, as job growth expands and incomes climb, even those groups who have lost ground over the long term seem to think that it's morning again in America.

Opinion polls over the past 40 years illustrate this pattern. Save for the periods of crisis, most Americans have tended to be optimistic about the economy. Since 1975, for instance, a strong majority of American workers have believed their financial situation would improve over the next year and have not worried about losing their jobs (though fear of layoffs and hardship did rise sharply during the 1982 and 1991 recessions and has been rising again over the past year). Likewise, in recent decades, a majority of Americans have believed that the younger generation would do better than their parents. But faith in upward mobility has fallen during periods of recession. In March 1982, only 43 percent of respondents to a national poll thought their children would be better off than they were; by 1986, at the height of the 1980s boom, that percentage was up to 74 percent. Then, in the first half of the 1990s, it fell back under 55 percent before starting to climb again as the economy improved. (In January 2008, 66 percent of Americans said their children would be better off.)

Liberals have offered various theories about why there has not been open revolt among the 80 percent or so of Americans who've either been treading water or slowly drowning since the 1970s: the dominance of money in politics, the power of wedge issues to distract working-class voters, the decline of unions. Each has some explanatory power. But the opinion data suggests another, simpler proposition: namely, that not enough Americans have felt enough economic pain over a sustained enough period of time to trigger the long-awaited rebellion. Things get bad, but then they get better and new income gains—not to mention a reflexive optimism that seems embedded in the national character—induce amnesia and obscure the bleak long-term picture.

Today, with Americans again in a sour mood about the economy, two questions arise. One, will the current pessimism abate as quickly as past bouts, or is the situation more dire and permanent this time? And second, how might a new crop of leaders arriving in Washington in January 2009 capitalize on the current crisis to make bigger reform gains than in the past?

Two powerful new books shed light on both questions: *The Big Squeeze*, by *New York Times* reporter Steven Greenhouse, and *(Not) Keeping Up With Our Parents*, by journalist Nan Mooney. Greenhouse's volume concentrates on wage workers, while Mooney focuses on middle-class professionals. Together, the books suggest that the economic pain felt by Americans is becoming far more widespread than before, and that the social contract around work has now unraveled to the point that only the wealthy are immune from insecurity. All of this suggests that the moment for substantial progress in social policy is upon us.

The strength of *The Big Squeeze* lies in the multiple angles from which Greenhouse views the plight of American workers, along with his knack for compelling narrative. Early in the book, he sets the context with a barrage of troubling statistics. He points out, for instance, that "if wages had kept pace with productivity, the average full-time worker would be earning \$58,000 a year; \$36,000 was the average in 2007." The only reason that many families have managed to make ends meet is because of increased work hours. A husband and wife in a typical middle-class household are, together, working three months longer a year than their counterparts of a quarter-century ago. And it's not just that workers aren't making enough money. A majority of low-wage workers don't have health insurance, pension plans, or paid sick time, a trend that is moving higher up the economic ladder.

What is driving the big squeeze? Greenhouse discusses the usual villains: globalization, free trade, the role of new technologies. But his book is most compelling in its description of corporate America's ruthless focus on profit maximization. With unions virtually defunct—less than 10 percent of private sector employees are members—and with government watchdogs hobbled by decades of deregulation and budget cuts, there is little to stop business owners from capturing productivity gains for themselves. Corporate profits, he points out, "have climbed to their highest share of national income in sixty-four years, while the share going to wages has sunk to its lowest level since 1929."

Greenhouse's depiction of the new workplace reads like an updated Dickensian dystopia. Workers are locked into department stores overnight, have their wages stolen by a click of a computer mouse moving across a time sheet, wet their pants while cashiering because they aren't allowed breaks, are fired for staying home with a sick child, lose fingers on production lines that are moving too quickly, and are told to punch out and then get back to work "off the clock." Many of these horror stories come not from the beleaguered manufacturing sector, but from the new sweatshops: the companies of the retail and service sectors. The motives for exploitation are often rooted in inflexible bottom-line

practices that flow down from corporate headquarters. The cruel managers are just middle-men: “The pressure for maximum profit leaves a wide range of abuse in its wake.”

For all its narrative power, *The Big Squeeze* is less effective in explaining what is driving this pressure for profit. While greed is surely part of the story, and is reflected in eye-popping executive salaries, a bigger part of the story is that investors expect publicly held companies to increase their earnings every single quarter. Yet such gains have become harder to deliver as the pace of competition and innovation intensifies. The combination of investor demands and a more cut-throat business environment mean an ever tougher job for chief executives, whose compensation partly hinges on how well they can wring out every last cent of possible earnings from their companies.

The Big Squeeze concludes with many sensible recommendations: Raise the minimum wage, enforce labor regulations to prevent “wage theft,” enact national health insurance, create universal retirement accounts to supplement Social Security, strengthen the right to form unions, and invest heavily in training and education to cope with job displacement caused by globalization. If a Democratic president is elected in November, a number of these ideas may well be implemented; even a President McCain would probably feel the need to do something to help ease current economic pain.

But don’t expect an initial round of such reforms to enable workers to recover from the battering they’ve taken since the early 1970s—especially given the rise of China, India, and other new economic powers. The structural factors that favor capital over labor are as powerful as they’ve been in a century, and it is hard to see that easily changing. Nor will new policies out of Washington easily mitigate investor pressures on corporate leaders, and those pressures will continue to cascade downward to front-line managers. In theory at least, continued hardship for American workers should mean that the chance to enact serious economic reforms will persist beyond the current downturns. Progressives need to think bigger about how to seize this opportunity.

Nan Mooney’s excellent book about the professional middle class offers another reason why we may see sustained efforts to create a more equitable economy—namely, that highly educated Americans are also taking a beating. While *Greenhouse* shows that simple hard work is no longer enough to guarantee a basic standard of living, Mooney reports a more unsettling truth: Fancy degrees don’t guarantee economic security, either.

Mooney’s focus is not on just any professionals. Instead, she chronicles the plight of those who have chosen careers in nonprofit, academic, therapeutic,

or creative fields. Mooney often refers to her subjects as “we,” reflecting her own situation as a college-educated journalist, raised in comfort, who has nevertheless come nowhere close to replicating her parents’ secure, middle-class standard of living. Her book is filled with stories about downward mobility among some of the most highly credentialed workers in America: a Ph.D. medical scientist barely making ends meet in New York City, a Minneapolis couple with five advanced degrees between them but mired in credit card debt and unable to afford a home, a copy editor with an MFA who turns to public assistance to survive.

These profiles will ring instantly true to anyone who has been foolish enough to pursue a nonprofit or creative career while attempting to live in a major coastal city during the past decade. As Mooney describes it, the economic indignities of the educated pro-

fessional class are twofold: first, the hardships that come with being priced out of a middle-class life, and second, the knowledge that less-high-minded peers—those who put money above any kind of social purpose—are enjoying all the comforts of that life. “Our childhood friends, our college roommates,

the couple we met at that holiday party are those same lawyers and financiers who have hit the financial jackpot, driving multiple Mercedes and buying \$2 million starter homes,” she writes. Sneering at the corporate sell-outs is one response, but another, as we hear throughout Mooney’s book, is for highly educated economic losers to question their choices and wonder whether it is too late to sell out themselves.

One can imagine the wage slaves of Greenhouse’s book scoffing at those who whine while making double or triple the household median income (which is around \$48,000). Yet the plight of Mooney’s professional workers only reinforces the grievances of low-income workers. If even six-figure salaries don’t buy the basics of a middle-class life in many places, imagine the hardships of the quarter of the U.S. labor force that makes less than \$25,000 a year. Also, as Mooney makes clear, the problem is not excessive spending by the professional middle class or their rising expectations. Most of the characters in Mooney’s book don’t aspire to own the flashy sports car or second home that their parents could never afford; they simply want to live in the same kinds of neighborhoods they grew up in and give their kids the same opportunities they enjoyed. The definition of the “good life” among the professional middle class hasn’t much

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changed in 30 years, but its price tag has.

The culprits in Mooney's economic story are many of those fingered by Daniel Brook in *The Trap* and by other analysts of middle-class decline, such as Tamara Draut, author of *Strapped*, and Elizabeth Warren, in her best-selling *The Two-Income Trap*: a disinvestment in higher education that has left credentialed workers with staggering student loans; soaring costs for childcare and healthcare; predatory credit card companies that charge usurious rates and strip wealth out of cardholders; and, of course, skyrocketing real estate prices, especially in neighborhoods with good public schools.

The specter of downward mobility among the educated professional class is not new. The sociologist Katherine Newman chronicled many of these same woes 15 years ago in her book *Declining Fortunes: The Withering of the American Dream*. Downward mobility was likewise a theme in the 1970s, back when a new surplus of college graduates struggled in a bad economy and the iconic image emerged—whether based in reality or not—of cab-driving Ph.D.s.

But both those previous eras were followed by boom times. And though the prosperity of the 1980s and 1990s actually tightened the vise on middle-class professionals by driving up real estate costs, their troubles were pushed out of view by tales of affluent yuppies and “bourgeois bohemians.” Added to this, as Mooney writes, is the fact that the highly educated often feel shame about their financial struggles and are “zip-lipped” on this topic; in a long American tradition, many of those struggling despite advanced degrees have simply blamed themselves, not the economic system, for their troubles.

Downward mobility may well fade again from public discussion when the economy recovers. But just as plausibly, we could witness a revolt of the almost-haves. After all, it is broad swaths of the middle class, not just the idealistic professionals of Mooney's account, who are struggling in America's winner-take-all economy. The middle class may not be at the breaking point that Greenhouse describes among the working class. But the middle-class squeeze is now serious enough that it could mean big changes in U.S. politics. The professional middle class has tended to be liberal on social issues but turned off by populist economic appeals—views that are nearly the reverse of those held by white working-class voters. This has made for persistent tension within the Democratic coalition and partly explains the inability of Democrats to articulate a powerful message about economic equity. But what if the professional middle class became seriously disenchanted with America's present form of capitalism? What if the squeeze on this group was so severe and sustained that the same economic appeals that resonate with laid-off factory workers also play well in suburbia?

After decades in which the public has voiced only episodic dissent over rising inequality and stagnant wages, the moment to push a serious equity agenda may have finally arrived. With wage workers more beleaguered than ever and educated professionals not keeping up with their parents, it should be possible to mobilize a strong majority behind reform and keep this coalition together even after the present economic crisis has passed. A key will be for progressives to choose those issues that appeal to blue-collar and white-collar voters alike. One strong bet are proposals that promise greater health and retirement security, two acute anxiety points for Americans across nearly all classes. Another winner is education and training—tapping into middle-class blues about tuition costs as well as blue-collar fears of being rendered obsolete by globalization. Proposals for subsidized child care and paid family leave also would help address work-family tensions that bedevil workers across the income spectrum.

None of this is rocket science. Progressive thinkers have been writing for years about the need to craft universalist ideas that can broaden the Democratic coalition, and policy experts have fleshed out the specifics of any number of good approaches. The harder work lies in formulating an economic agenda that goes far enough to fully reconstruct the social contract around work and opportunity. Portable universal pension or asset building accounts would be great, for instance, but not if workers aren't earning enough money to contribute much to these accounts—just like more education and training won't get us very far if the U.S. economy isn't creating enough good jobs for skilled workers. Even an abundance of well-paying jobs won't solve our problems if prices keep rising for key necessities like housing and transportation.

Progressive reformers have outlined most of the pieces of a new social contract, but they haven't convincingly explained how the pieces fit together. The problem isn't just the lack of a cohesive narrative coming from Barack Obama or any other leading Democrat; it's also that there are a few big blanks left to be filled in. Two of the biggest: how our economy can produce enough well-paying, skilled jobs to go around in an era of outsourcing, and how we can ensure affordable housing in already crowded and pricy regions of the country as the population grows by 100 million in the next 50 years. Unless these two challenges are met, the working and professional classes will face continued hardship.

Here again, new policy thinking offers grounds for optimism—especially creative work that addresses environmental and economic challenges together. Two initiatives, the Apollo Alliance and Green for All, have shown how major new investments in renewable energy technologies and green-collar jobs could

improve prospects for America's skilled working class by creating an entirely new and fast-growing sector of the economy. Meanwhile, advocates of new urbanism argue that major efforts to revitalize the urban core and draw Americans away from the suburbs could ease the crunch of both housing and transportation costs.

American workers may be down, but they are not out. New thinking and new leadership are emerging, and it's getting hard to ignore the pain caused by an unequal—indeed, dysfunctional—U.S. economy. Finally, the stars may be aligning for dramatic action to create a new social contract. **■**