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Ignoring Our Economic Achilles' Heel

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Posted on Jan 22, 2008

By **Marie Cocco**

WASHINGTON—Whatever concoction President Bush and the Democratic-led Congress now cook up to minister to the ailing economy is likely to have a chicken-soup effect. Many people will feel better, and things might perk up.

Still, the temporary boost will not cure an underlying disease that has been spreading for decades and which should be treated as a full-blown emergency. Depending on when—and if—a recession officially is declared, economic history seems as though it is about to be rewritten: The official start of a contraction will likely mark the end of an economic “recovery” during which the incomes of Americans in the middle never recovered from the last recession.

In the typical ups and downs of the American business cycle, median household income falls during recessions, then in recovery climbs back up at least to where it was before the downturn. This has been the pattern since the government began publishing data on median household income in 1967, according to John Irons, research and policy director of the Economic Policy Institute. But since the current recovery began after the 2001 recession, wages and salaries have been largely stagnant, and so have overall household incomes. “With this recovery, we’re not going to make it back to where we were before the last recession,” Irons says.

EPI analyst Jared Bernstein has noted that a typical family's income in 2006, the last full year for which data are available, remained 1.7 percent below its 2000 peak. Wages and salaries, adjusted for inflation, fell in 2007, though the broader measure of household

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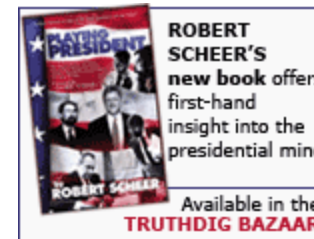
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income won't be available until August. Still, it hardly seems realistic to believe that incomes will suddenly spurt up now that unemployment is rising and businesses are retrenching.

The current downturn may have been touched off by the mortgage crisis or the energy-price crisis or the resulting crisis in consumer confidence. So the political system will do what it typically does—respond to these most visible crises with treatments that are most visible to voters.

Beneath the surface is the larger problem of stagnant incomes, more difficult to explain but with deeper and broader implications. What does it mean that the economy now performs so badly, for so many, that we cannot even climb back to where we were at the beginning of the decade?

For one thing, we have to give up the prevailing political aversion to stating the obvious: Unfettered trade in its current form hasn't just hurt factory workers. It seems to be depressing incomes more broadly. Among economists, at least, "there's a growing realization that trade hurts people who are not laid off," Irons says. "That textile worker is going to look for work as a nurse's aide, and then nursing wages are going to be depressed." The old solution of retraining workers in import-battered industries, still crucial in hard-hit manufacturing towns, won't work as a bigger economic strategy.

The mantra that education or technology skills somehow would shield white-collar Americans from the fate of blue-collar manufacturing workers is equally shopworn. Just ask one of the thousands of telecommunications and information technology workers who've been laid off since 2000—or, for that matter, any of the thousands soon to be given their pink slips at Sprint.

It's too glib to argue that for all the jobs destroyed during a slump or a longer period of economic change, new ones eventually emerge. This may be true in the abstract. But what if the new jobs don't pay as much as the old?

In the 1980s, the political class kept assuring the working class that we were not going to become a nation of "hamburger-flippers." We haven't. But something else has flipped. It's the bargain under which most workers could once rely on skills, education, experience and diligence to get ahead financially.

Six or more years of stagnating incomes can't be called an aberration. It's a trend, all the more abhorrent because the political system has for so long refused to even acknowledge it. We look again and again at the same discrete parts of the problem—staggering health care costs imposed on business and workers alike, for example—and overlook the fullness of the crisis.

A short-term economic stimulus package is necessary to fill some empty pockets. But it

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The Whole World Was Watching



can't fill the void created by so many years of ignoring reality.

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By **G.Anderson**, January 22 at 11:02 pm #

(146 comments total)

It's just chump change...

We're just crickets squeaking in the parking lot to them. When was the last time you

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stopped to chat with a cricket? Would you really care about what it said?

Yes, they've taken, taken taken from us until now we don't have anything to give, so why give a rebate back when we're just going to have to give it back soon anyway, April 15 is just around the corner.

When we go down, they go down because they get their wealth from us.

They were warned about the bankruptcy law, the credit card reform act, the new overtime laws, The Student loan laws, exporting jobs overseas.

They didn't listen, and no rebate is going to change the economic conditions that they created.

But that's not going to stop them giving out millions of dollars in bonuses, they'll just keep it quiet.

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By **bg1**, January 22 at 6:08 pm #
(Unregistered commenter)

The people who have the

The people who have the power to change things, are the ones benefiting from the way things are going now. They want worker pay to be lower, so they themselves can have more.

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By **jackpine savage**, January 22 at 10:54 am #
(65 comments total)

debt, debt, debt

Maybe our economic achilles heel is that we've decided that debt is actually wealth; which fits perfectly with the idea that war is peace...

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By **laura anderson**, January 22 at 9:41 pm #

(Unregistered commenter)

Re: debt, debt, debt

Fabulous. thank you from the bottom of my heart. Bush

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By **Sang Ze**, January 22 at 5:40 am #

(Unregistered commenter)

In other circles, the token

In other circles, the token tax rebate would be called a bribe. The Republicans have given us war and made us poor. Gee, thanks a lot.

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By **Dr. Knowitall, PhD, PhD**, January 22 at 4:20 am #

(309 comments total)

Chopped liver.

We of the middle class may only be chopped liver, but it does look like we have the power to bring down world economies.

When you're chopped liver, you understand that. It's the butchers that don't have a clue.

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By **Expat**, January 22 at 2:49 am #

(261 comments total)

The times, they are a changin.....

Boy, this should be good. Bushies and demies to the rescue. So, how much will they give? \$500, \$800, \$1200, \$2500? Once! How's that going to help when the recession we are in will likely last for at least a year or more. "What maroons." (Bugs Bunny) Boy will the people be pissed!!!!

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By **cyrena**, January 22 at 10:56 pm #
(**2325 comments total**)

Re: The times, they are a changin.....

Humm...I'm still in the LAST recession. Most of the folks I know are.

That's the point of the piece I think. Anything they might even consider now, is 7 years too late.

And, even 7 years ago, a one time rebate wouldn't have done anything anyway.

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