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America's decade of dread

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By Harold Meyerson
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This decade began and ended in dread. It began with Wall Street -- the World Trade Center -- targeted for mass murder. It ends with Main Street fearful and reeling from economic reverses that Wall Street helped create.

It was the decade of distraction. While the U.S. economy bubbled and then crumbled, the president for eight of the decade's 10 years embroiled us in a grudge match with Saddam Hussein and then persisted in throwing lives and money into the chaotic conflict that (as many predicted would happen) ensued. The decline of the American middle class was nowhere on his radar screen.

The stocks bubble of the late 1990s was succeeded by a bubble in housing; these were the engines of our economic growth. America's production of goods no longer received the level of investment that had made it the engine of our economic growth from the mid-19th century through the 1970s. The change began at the outset of the Reagan years, when the percentage of corporate profits retained for new investment dropped sharply. A [report](#) from the International Labor Organization published last week shows where the money went: to shareholder dividends, disproportionately benefiting the wealthy. In the prosperity years of 1946 to 1979, dividends constituted 23 percent of profits. From 1980 to 2008, they constituted 46 percent.

Finance boomed. The gap in annual wages between workers at financial companies and workers at non-financial companies, the ILO reports, grew from \$11,000 in 1989 to \$40,000 in 2007. The financial sector defended this shift by arguing that it had created many innovative financial products -- the very financial products that managed to turn downturn into Great Recession. In an [interview](#) in Monday's Wall Street Journal, former Fed chief Paul Volcker said that he has "found very little evidence that vast amounts of innovation in financial markets in recent years have had a visible effect on the productivity of the economy." He went on to say: "All I know is that the economy was rising very nicely in the 1950s and 1960s without all of these innovations."

The dread in the land today isn't just a fear of losing your job -- or of your spouse, sister, father or child losing his or hers. It's a fear that America has been hollowed out, that we don't have a sustainable path back to mass prosperity, let alone to economic preeminence. A [poll](#) taken last month for the Council on Foreign Relations (CFR) shows that 44 percent of Americans considered China to be the world's leading economic power, while just 27 percent thought the United States still held that throne. Such fears can only be intensified by public policies that fail to champion America's national interests by fostering the flight of investment abroad.

Overcoming some of our national phobia about having an industrial policy, the Obama administration has rightly targeted the renewable energy sector for investment -- a long overdue shift back to real, rather than financial, production. But we don't yet have policies to ensure that the real production we're fostering is done at home. As Joan Fitzgerald, director of the Law, Policy and Society program

at Northeastern University, notes in a recent article, 84 percent of the \$1.05 billion in federal clean-energy grants distributed since September has gone to foreign wind turbine manufacturers. Unionized, high-wage Germany and non-unionized, low-wage China both have thriving wind-power industries that profitably export their products to us. We have shunned policies that bolster domestic production, which is why more Americans are betting on China's economy than on our own.

The problem is that America's economic elites have thrived on the financialization and globalization of the economy that have caused the incomes of the vast majority of their fellow Americans to stagnate or decline. The insecurity that haunts their compatriots is alien to them. Fully 85 percent of Americans in that CFR-sponsored poll said that protecting U.S. jobs should be a top foreign policy priority, but when the pollsters asked that question of the council's own members, just 21 percent said that protecting American jobs should be a top concern.

The moral world that we see in that poll is the moral world of Charles Dickens. Of the elite of his day, he wrote in "Bleak House," "there is much good in it. . . ." But, he continued, "it is a world wrapped up in too much jeweller's cotton and fine wool, and cannot hear the rushing of the larger worlds, and cannot see them as they circle round the sun. It is a deadened world, and its growth is sometimes unhealthy for want of air."

America, at the end of this dreadful decade.

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