

SOLVING DOMESTIC PROBLEMS

An Enduring Recession?

Herbert J. Gans

What if the jobs market remains weak for the rest of the decade? Unthinkable? No, not at all, argues the author. And where will the pressure come from to create political programs directed at jobs?

AMERICA'S ECONOMIC AND POLITICAL LEADERS as well as the mainstream news media strive to be optimistic about the state of the economy, celebrating every small uptick in the conventional measures of economic growth. Consequently they have thought little about the possibility that the Great Recession could endure for years, and especially for the country's workers. For them, it might even become permanent—or get worse. A discussion of this possibility and its economic, social, and political effects on the country is therefore overdue.

The Economics of Recession

Elite optimism about the future rests on three foundations. First, politicians are virtually always hopeful, except when attacking opponents. Second, the experts who pop up in media descriptions of the economy are economists affiliated with Wall Street and other businesses. Many have the incentive to be optimistic.

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Third, the economy itself is generally depicted as a seamless and growing system, at least as measured by the gross domestic product and other standard economic indicators.

However, even systems consist of parts, and the labor market part of the economy, as measured by employment, unemployment, and underemployment figures, has been static or declining for a number of years. Thus, an economy that is getting healthier by some measures may be getting sicker by others.

Liberal economists are less optimistic about the future, perhaps because they are more concerned about the welfare of workers than of employers and investors.

More important, they are aware that the major causes of the current employee recession remain in place, and will do so in the foreseeable future. The economic and other innovations that could add a significant number of new jobs are not on the horizon, while the forces that destroy jobs are still operating.

Consumer demand and employment being locked in a symbiotic embrace, neither can rise without the former, and so-called job creators see no reason to invest. The sizable number of jobless and involuntary part-time workers do not have the stomach for consumer confidence and also lack disposable income. Thus, even the gradual reduction of credit card debt may not restart consumer demand, particularly among the below-the-median-income population.

Decades of economic decline, the weakening of labor unions and resulting speedups, and new technology, as well as rising worker productivity, have created a labor surplus that is not likely to end soon. Moreover, even if wages are rising in China and India, many other countries can offer enough low-wage workers to move American firms and jobs overseas, keeping American job opportunities depressed.

The fact is that the contemporary American economy grows in part by shedding labor costs. Joseph Schumpeter's (1962) "creative destruction" has not only produced the innovations the Austrian economist predicted, it has also turned capitalism into a job-destruction machine.

True, the large majority of Americans are still working and working

full time. They will continue to spend, keeping the consumer economy and the people it employs going. Even the victims of the recession will eventually generate some pent-up demand, if only because their families may increase in size, children grow out of old clothes, and cars and appliances wear out.

Moreover, new goods and services will be invented to soak up the disposable income of those who have enough of it. In the much longer run, new inventions, including successors to today's cyberspace gadgetry, will arrive, and new raw materials may be discovered on land and under the sea.

All such innovations will have positive effects on the country's labor market. Yet even new jobs could migrate to any of the increasing number of lower-wage countries equipped to copy these innovations.

The Great Depression was ended by World War II, which eventually brought about full employment at high wages. Although possible future wars are presumably on the Defense Department's drawing boards, they will not be labor intensive and can no longer rescue a weak labor market.

If these several trends play themselves out as expected in the coming years, we might see the fragmentation of the employed population into three fairly distinct sets. First are what I think of as the *Secure*: the full-time employed, professional, managerial, and white, blue, and pink collar. Most of them, especially those with incomes above the median, can live in economic comfort.

The second set are the *Insecure*, now often called the precariat (Standing 2011): underpaid full-timers, underemployed involuntary part-timers, and temps—all or most with incomes below the median. The third set I call the *Extruded*: the long-term jobless who are heading toward poverty and the earlier poor and severely poor people, many of whom were pushed out of the labor force in earlier economic downturns.

These are economic aggregates, not groups, and they will be pulling away and pushing away from one another in the years to come. The Secure will probably benefit most in added income and wealth if any significant economic growth takes place. The other two are more

likely to stay in place or decline further economically, worsening the country's inequality.

However, Secures in declining industries may lose their jobs; others may be hit with reduced wages or salaries. Insecure workers who are under similar wage reduction pressures will probably grow in numbers, and so will workers in those sectors of the economy in which employers increasingly hire part-timers and temps. Even if the number of long-term jobless does not rise significantly, the rest of the Extruded can be expected to become poorer, especially if political pressure to reduce unemployment insurance and other income supports increases.

Social Effects

The Great Recession has already produced a number of negative social and political effects on the country, all of which are likely to worsen if there is no end to the job destruction taking place in the economy.

The main social effect follows directly from the economic effect; the people who are losing their jobs are also losing part of their social identity and their position in society. So are many of the people facing work-time reductions or forced into involuntary part-time or temp work.

Whatever else people do with their lives, the socially determined quality of their jobs marks their social value, and thus their social and self-respect. Work is also a sign of people's place in class and other hierarchies, and any decline spells downward social mobility.

The workers who are unemployed or working fewer hours for only a short time may overcome their social losses again. However, older long-term jobless may never obtain another job, and younger ones are virtually guaranteed never again to find jobs of the same skill level, pay, and status (National Employment Law Project 2012). Many may be socially extruded as well.

Long-term discouraged workers not only will drop out of the labor market but also may drop out of some social networks, too. Older ones will head for involuntary retirement. The many young people who may not get a steady or a secure job for years to come might spend

their time on the streets instead, as well as in so-called street crime.

Numerous studies show that those victimized in any way by a weak labor market will bear economic and social costs similar to, if less severe than, those suffered by the long-term jobless (Peck 2010). For example, Kahn (2010) found that college students graduating during the 1981–82 recession suffered an earnings gap for more than a decade afterward, and some never reached the professional occupations for which they had aimed.

Economic victimization and the downward social mobility that follows result in a variety of social effects. The Great Depression studies (Bakke 1940; Komarovsky 1940) suggest that some families are so resilient they can cope with job loss and downward mobility as long as they obtain a subsistence income. However, many others are not so tough and, in our era, may not even receive the income supports for which they are eligible.

As I had suggested earlier in *Challenge* (Gans 2011), bad economic times bring about higher levels of depression, more serious emotional illnesses, and related physical ones. A study by Aaron Reeves and colleagues (Carey 2012) indicates that U.S. suicide rates during the Great Recession are already above those during other economic downturns. Increases also take place in family abuse, conflict and breakup, and interpersonal and criminal violence, as well as other kinds of violent self- and social destruction. These effects and pathologies will rise further if unemployment and underemployment increase. There is even some evidence from past recessions that joblessness can cause earlier death (Sullivan and von Wachter 2009).

Sometime in the future, the medical community and the media may begin to talk about economic stress disorders, and we may learn to understand that a sick and unequal economy can produce the same destructive effects on people as wars and other disasters do.

However, so far the social and emotional effects of the Great Recession have not become newsworthy enough to be reported regularly in the news media—or to be included in the political conversation. The country's suppliers of economic data provide far more information on good and bad stocks and bonds than on jobs.

Although scholars and public intellectuals are beginning to write about the social and emotional effects of the rising inequalities of income and wealth (Stiglitz 2012; Wilkinson and Pickett 2010), downward mobility remains a little-known concept—and is even neglected in the sociological journals.

The government's monthly employment reports deal only with basic numbers about unemployment. Other data, particularly on the quality and social status of the lost jobs, are not reported very often, even though they seem to be predominantly full-time ones, while too many of the new jobs are poorly paid, part-time, or temporary.

"The media" mainly tell stories about individual victims of the economy and about those who successfully overcome economic adversity. Stories about how larger population groups and the communities in which they live cope with downward economic and social mobility are rare. Social science has not done much better so far, and contemporary equivalents of the community studies of the Great Depression (Jahoda, Lazarsfeld, and Zeisel 1971; Lynd and Lynd 1937) are badly needed.

Political Effects

Recessions also have political consequences, and those now already visible could get worse if the labor market does not return to good health.

In hard economic times, even workers who hold full-time jobs and are economically secure become nervous about the economy, and the longer hard times continue, the more nervous they may become. Whether the very rich experience such anxiety is unknown, but they will become politically more defensive. The Wall Street liberals who stopped supporting Obama in the 2012 election are a good example, and so are the other Wall Streeters who were infuriated by the minuscule tax increases that President Barack Obama has proposed.

Significant numbers of the fully employed but less better off could become politically more conservative, too. Then, a significant number

might oppose politically induced changes in the economy that could threaten their own economic and social status.

The more fearful among them, especially those who believe that a sizable proportion of the federal budget is already going to recession victims, may think that the government money comes directly out of their own pockets. Some may panic that they will become economic victims, too.

The greater the nervousness about unemployment and underemployment, and the people whom I call the Insecures and the Extruded, the greater also the readiness to demonize them. Stigmatizing stereotypes of the poor as lazy and suffering from “dependency” are already being extended to once middle-class people made jobless by the recession.

Worse yet, Tea Party members and supporters have divided the country into makers and takers—those who allegedly make the wealth and those who take government aid instead (Edsall 2012; Skocpol and Williamson 2012). Mitt Romney accepted this binary division in his secretly recorded fund-raiser speech in which he claimed that 47 percent of the population was economically dependent and irresponsible. If the recession’s victims can be described as undeserving, they can then be judged as not deserving of government help.

Many Americans still see no difference between family and government budgets. Since recessionary times require some familial belt tightening for almost everyone, people even outside the Republican base might support additional government belt-tightening as well—at least as long as it does not reduce the government services on which they depend.

The notion that such services are called public hides the fact that they may not serve the entire public. For example, very young couples, parents whose children have graduated from public high schools, the childless, and the elderly may not care if school budgets are cut and teachers are fired.

However, not many among the Secures and even the Insecures will object when the budget cuts further reduce welfare and other welfare state programs serving primarily the low-income population. They

have little if any contact with it and do not connect its problems with the cuts in the programs on which this population depends. But then, neither government agencies nor the mainstream news media make that connection for them.

Since the better off are more likely to be white and the economic victims disproportionately nonwhite, some whites, including politicians and federal judges, are already feeling freer again to express racial hostility. Increases in discrimination against and segregation of nonwhites, especially poor blacks and Latinos, should be expected with continued labor market recession. Further increases in skinhead and militia attacks on racial minorities would not be surprising either.

Downwardly mobile people are likely to divide politically, not only by race but also by their perspective on their economic condition and the country's politics. Some may oppose even legislation that would benefit them, fearful that any change will eventually hurt them and take some of what they still have.

However, in a polity that increasingly listens mainly to the campaign funders, affluent Secures, and the mobilized angered, downwardly Insecures may not have much of a political voice.

The already Extruded will, as always, be preoccupied with the crises and other problems that dominate their lives. They are therefore likely to remain politically passive, more by necessity, perhaps, than by choice.

Political Protests

Who then is likely to protest if the current recession continues or worsens? One likely set of candidates is the business community, or the parts of it whose growth and profits depend on the health of the consumer economy.

True, the organized business community always protests when its interests are threatened. In addition, its demand for reductions in taxes and regulations has so far persisted through good and bad economic times.

Still, one could imagine that eventually, at least the big corporations that depend for their profits on American consumer demand will be-

gin to hurt seriously. As a result, those that cannot replace American customers with overseas ones might put pressure on government to stimulate that demand.

They could even do so while continuing to ask for lower taxes and less regulation—giving up such a once-profitable ideology will take time. However, some might be ready to deal: offering political support for stimulus legislation, infrastructure projects, and anything else that provides purchasing power to their lost customers.

If the business community's economic pain is intense and widespread enough, it would perhaps support a revival of the moderate wing of the Republican Party. If the labor market situation becomes desperate, even some conservative Republicans would join them. Ultimately, they might even advocate some of the economic policies they have long prevented Democrats from implementing.

Like earlier recessions, the current one has been accompanied by an almost total absence of political protest by the general public, and that seems unlikely to change. To be sure, the Tea Party was a protest movement, but it protested against the victims of the current recession and other low-income citizens whom they saw as taking their money.

One might imagine that if a deteriorating economy results in job and income losses among the Secure population, some might mobilize politically for economic aid for themselves and keep such help from the Insecure and the Extruded.

The passivity of the rest of the public, including those most victimized by the recession, will probably change more slowly. Right now, many still seem to be angered more by "social" issues than economic ones. Or maybe they suspect that demonstrating for economic change is unlikely to be successful.

Furthermore, as already noted, downwardly mobile people are not inclined to seek change, being more concerned with holding on to what they have. Protest movements generally attract upwardly mobile people who fear that their progress may be stopped by economic and other downturns.

Public protest may also be held back by the increasing diversity of

the country, as well as its residential and organizational sprawl. Spread-out people are harder to organize than those living and working in close proximity. The unions and radical leaders that mobilized workers during the 1930s and 1940s no longer exist. The descendants of the politically active red diaper babies of that era swaddle their offspring in Pampers, and the Left, including the democratic-socialist Left, has not been a significant political force for a long time.

The Occupy movements never really involved themselves in national political and economic issues. They neither sought nor evoked public support, and most have apparently either vanished or turned into anarchist cells. Perhaps a politically more pragmatic Occupy movement could have attracted more of the economically insecure young, and a future revival might even do so. Protest movements often take years, even decades, to grow sufficiently to make a political impact.

Overseas, young adults have played a major role in organized protest against their political and economic regimes, but in America, young adults with intense anger toward the government and peers who feel they have nothing to lose by protesting are far scarcer. The ghetto rebellions of the 1960s were not directly connected to political movements and did not call for specific economic change.

Since then, the ghettos have been “quiet,” and surely the national incarceration policies have helped. In recent years, the poor black young men not, or not yet, in jail seem to have more often taken their frustrations out on one another.

Other young people in the below-median-income population may have to devote themselves to surviving economically and emotionally. They may also feel, and rightly, that they have nowhere to turn. Trust in government is at an all-time low, and other political organizations of the needed magnitude do not now exist. Liberals stand ready to offer help, but they have not shown that they can overcome the class and ideological differences that make the economy’s victims distrust them.

Perhaps effective political responses to the recession will emerge if and when the Secure, notably the professional and managerial classes, begin to become economic victims of the recession in larger

numbers. They are politically skillful and know how to make themselves heard.

Even Republicans might pick up their ears if this population wants economic help. Suppose conservative grassroots organizations as well as the evangelicals who have previously concerned themselves only with procreative and religious issues indicate they now also need jobs and income support. What if they hinted strongly that they will henceforth vote their pocketbooks?

In that case, it is even reasonable to imagine an election that unites many of the economically victimized and brings them together with activist liberals and liberally inclined independents, at least temporarily. If they can coalesce with others who stand to gain from a healthier labor market, they might then be able to persuade the Beltway powers-that-be of the need to create jobs for all levels of the labor force.

Another scenario could be imagined: under worsening economic conditions for all, a portion of the eligible nonvoters, many of whom are economic liberals, might realize that were they willing and able to vote, they could produce economically more liberal election results. Blow (2012) reported that three months before the 2012 election, the 90 million unregistered and unlikely voters favored President Obama over Romney by twenty-nine points. Were they willing and able to start voting, the country's economic politics and governance could become more liberal someday.

What Could Obama Do?

In his victory speech in November, the president once more mentioned the major economic programs that he had also stressed during and before the election campaign. How much job-creating potential they have is unclear, and time as well as partisan politics will tell whether and how much of the potential can be achieved.

Even if the Republicans decide to end their intraparty battling and support some of Obama's initiatives, the Democratic Party must prepare for the 2014 election and try to reclaim control of the House. Since the jobs recession will remain with us and should therefore

continue to be a campaign issue, new job-creation ideas that are politically feasible ought be considered. In addition, they should be labor intensive, with maximal multiplier effects.

They should also be dramatic enough to counteract the never-ending attacks of the deficit hawks against new federal expenditures. Many have already been proposed, from rescuing state and local public services to reinventing the Works Progress Administration, but here are a few more that might survive those attacks.

One suggestion would be to enlarge the responsibilities of politically influential agencies into job-creating activities. For example, since many coastal states need to defend themselves against future storms and storm-driven damage, the Defense Department and the Veterans Administration should recruit and fund a local or even national force of jobless veterans to participate. Such a workforce could back up the National Guard and other agencies that provide immediate rescue aids. They could also provide far more home reconstruction and other physical and social rebuilding services.

Yet other agencies should be enabled to participate in preventive and protective programs. Coastal states and cities may need to build seawalls or find other ways to prevent surges; others must try to prevent disastrous effects of storms, wildfires, and the like. All these programs would provide jobs of various skill levels, particularly to blue-collar workers.

Since technological and other innovations to bring back manufacturing jobs and create new ones are needed, a number of federal agencies could be beefed up to develop and support relevant programs. One of these is the Defense Department, which has a long R&D record of coming up with new ideas and technologies that eventually benefit the nonmilitary economy. The agency may not help to invent another Internet, but because big wars thankfully may be becoming extinct, perhaps some Defense Department R&D responsibilities could be reprogrammed to focus immediately on inventions that create nonmilitary jobs.

Two other job programs (which have been suggested before) may become politically salable in the wake of Obama's reelection. One already under way in a variety of settings is to train a large number

of physician assistants and nurse practitioners who would assist the already too small pool of doctors. Now that Obamacare (a.k.a. the Affordable Care Act of 2010) is alive and well, they will be needed soon to help serve Obamacare's enlarged patient pool.

They should be backed up by another program: to recruit and train the additional home care providers who will be needed by an aging population—and by the many who do not want to spend their waning years in nursing homes.

The president's regular reference to the need for smaller classes, especially in educationally disadvantaged communities, suggests that the time may be politically right to meet that need. A federal program to fund smaller classes and to train the teachers needed to staff them would, over time, be a huge job creation program, although it could at first be limited to the poverty-stricken districts with the largest classes.

A related program could recruit high school graduates to serve as teaching assistants. These graduates would help teachers, especially those with large classes, but they might also draw on their peer status to help younger students who are in academic trouble. The abler teaching assistants could then be helped to go to college and perhaps to become teachers themselves.

Perhaps the politically most feasible program is a revival of congressional earmarks. Because it allows politicians to take credit for jobs that are created in their states, districts, and communities, even a Republican-dominated House might approve it. True, the term "earmarks" is currently politically toxic, but a bill called the Local and State Jobs Creation Act or the Physical and Social Infrastructure Revitalization Act might pass the House.

Such an act would need to be supervised by an independent body that could veto bridges to nowhere and other unnecessary or corrupt schemes. It would also prioritize proposals by their capacity to create jobs and could even provide expert advice on what projects to propose and pass. Elected officials would be first in line to propose projects, but perhaps other local and state political leaders might be allowed to nominate projects as well.

Most of these policies will be attacked by the deficit hawks wanting to continue to shrink government. However, if job-destruction trends continue, and begin to move up the income scale and directly affect the GOP constituency, its newly jobless may be less eager to reduce the deficit.

In that case, the boundaries of the “middle class” may need a little stretching, but unless economic and political conditions change, these programs would have to benefit that class anyway. However, ideally, the Obama administration would design some of these programs to create more jobs for the poor as well.

And if the 2014 election should result in a liberal congressional landslide, Obama might be able to initiate badly needed income supports for this population, at the beginning with an outreach program to deliver earned income tax credits, Temporary Assistance for Needy Families (TANF) benefits, and the like to people who are already eligible but not yet enrolled.

The most urgent antipoverty program needs to reach the severely poor, especially African Americans and Latinos whose incomes are slipping further and further below the poverty line. They are in danger of becoming an economic underclass and a racial undercaste, but a white president may have to be elected to begin to help them.

In the Long Run

Should the labor market recession endure or worsen in the longer run, say beyond the current decade, and the proportion of jobless, underpaid, underemployed, and economically superfluous people increases significantly, the country cannot long remain a livable society. Something is eventually going to have to give.

However, as the GOP’s white conservative population base declines and if nonwhite Americans continue to vote as they do now, even the billionaires funding Republican campaigns may start to lose political clout. In that case, and if the country can avoid war, a left-of-center coalition of Democrats and independents could begin to install a federal government that will slowly move the country toward a more egalitarian economy.

If government and private enterprise cannot bring the economy back toward fuller employment, they will eventually have to figure out whether and how the existing jobs could be shared more widely. Work sharing and other ways of redistributing work time could be one solution.

The government will also have to create public job and income supports programs that deliver the equivalent of a living wage to those unable to work or to find work. Tax and other policies will have to shift sufficient incomes from the rich and a significant portion of the above-median-income population to subsidize the below-median one.

In the process, a new relationship of government and private enterprise might develop: the government helping private enterprise to grow as long as it creates secure American jobs and actively supports needed government job creation and other egalitarian interventions in the economy.

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