

DOMESTIC AND INTERNATIONAL REFORMS

Long-Range Policies for the U.S. Economy

Herbert J. Gans

This is the first of an occasional series in Challenge about how to reorient the U.S. economy comprehensively. Herbert Gans has provided a fine start for the series. Call it Gans's New Deal for a New Century.

CONSERVATIVE POLICY ANALYSTS AND POLITICIANS are already looking ahead and planning deficit-cutting for the next quarter of a century, ostensibly to ensure a healthy economy for their children and grandchildren. However, since their plans intend to undermine Social Security, Medicare, and other popular entitlements, their actual result, and their likely goal, is to preserve today's economic inequality for their descendants (Buchanan 2009).

Consequently, liberals should also be looking ahead. This is particularly urgent now, when "Wall Street's" Republicans possess a great deal of power over the political economy. Since they have historically run

*HERBERT J. GANS is the Robert S. Lynd Professor of Sociology at Columbia University and the author of *Imagining America in 2033* (University of Michigan Press, 2008), in which an earlier version of some of the ideas in this article first appeared.*

Challenge, vol. 54, no. 3, May/June 2011, pp. 80–94.
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ISSN 0577-5132 / 2011 \$9.50 + 0.00.
DOI: 10.2753/0577-5132540304

down the economy when they were in control, eventually Democrats are elected to come to the rescue. Although the hysterical antigovernment rhetoric of the Tea Party and other far-right Republicans may sometimes suggest that that time may never come again, eventually the country will need to be rescued. Then, liberals should have plans in hand for a longer-term rescue.

At this writing, a politically attractive long-range economic plan must ensure sufficient jobs and income supports for all. An ever-larger number of economists and others are suggesting that today's jobless recovery may last for another decade, and some suggest that it could last even longer. In addition, long-term unemployment might be accompanied by continuing underemployment, in which many workers become involuntary but permanent part-timers. Even when the current job drought ends, contemporary capitalism is likely to continue on its job-destroying path. Someday, full-time work could be defined as a 24–28-hour workweek.

Earlier this year, President Barack Obama proposed a future economic program, but it emphasized innovation rather than job preservation and job creation. In fact, the president's plan to increase worker productivity could reduce the need for additional workers. But if there are not enough jobs, an economy that depends on consumer purchasing power cannot return to good health.

Many economists have already offered short-term policy and program ideas to create jobs and preserve incomes (e.g., Alperovitz 2006; Galbraith 2010; Reich 2010). However, longer-range thinking is also required. Programs that can be implemented over the next couple of decades, in phases if necessary, are particularly appropriate.

These policies should include programs to provide as much full and full-time employment as possible; to make available other income supports for those who cannot work or find work; to protect and secure needed entitlements; to end the continuing decline of middle- and working-class incomes; and to move toward the elimination of poverty.

Admittedly, pessimistic job forecasts have been proved wrong before, and the current ones might be wrong again, but long-term policy thinking costs little in financial or political capital. It might even come

up with new ideas that are good for a booming economy as well.

Since the future cannot be known, long-range thinking must be flexible, predicting the future as well as planning for it. Scenario-making is a more appropriate term than planning, and many alternative scenarios should bloom. Still, they should be as realistic as possible, cued to the most likely shapes of the future.

Ultimately all policies must survive the political process. Because most of the policies call for a greater role for government, the political analysis must figure out how to reduce the political power of the economically powerful and how to overcome the suspicion, fear, and hate of the federal government that too often spreads beyond conservative politics and prevents government from helping to deal with the country's long-term economic problems. Consequently, long-range policy-making must include some basic changes to democratize the structure of government so that voters dependent on a healthier economy obtain a stronger political voice.

Even if they are intended for the long term, the programs and policies should be developed now so that they can be pored over by think tanks, academic conferences, social movements, unions, and other sources and entered into the public sphere. The sooner they are raised and discussed by elected officials, candidates looking for programs, op-ed writers, bloggers, and others who conduct the country's political conversation, the better. By the time they are needed, some might have been incorporated into the conventional policy wisdom.

Scenario for a Healthy Economy

This article limits itself to outlining one scenario, which is based on the assumption that the consumer economy will play an increasingly important role in ensuring a healthy economy.

If the global economy continues to grow more competitive at the same time, the U.S. economy will in some respects have to become more self-sufficient as export markets become less easy to penetrate. For this and other reasons, consumers and their purchasing power will be even more central to the economy. No economy can rest en-

tirely on consumption, but whether such spending drives 60 percent of the economy or somewhat more or less, the public's purchasing power must be increased and secured. It must also be distributed more equitably than it is now so the consumer economy can grow properly.

Policies to ensure maximal employment at maximal work-hours will be needed, together with sufficient income support for those who cannot work or find full-time work. Wherever possible, labor-intensive jobs with a maximal multiplier effect should receive first priority.

This emphasis on the consumer economy might further upset the critics that now, as in the past, accuse their fellow Americans of excessive materialism and overconsumption, but there is little solid evidence of habitual overconsumption. More important, the strongest future growth is likely to take place in the consumption of services.

Maybe supporting the public and its purchasing power will not be needed, and pent-up consumer demand will end the recession. Or new technological, medical, or other breakthroughs and finds of scarce raw materials will create new opportunities for the export market. However, it is also possible that computerization, mechanization and the increasing use of robots, and other mechanisms for achieving higher productivity as well as continued outsourcing to lower-wage parts of the globe will proceed at a faster pace, thus further reducing job and income security as well as purchasing power. In that case, the consumer economy may have to be more austere, but it will be as important nevertheless.

Job-Creating Programs

Long-range programs will be most useful if they add new activities to the economy and the polity that are attractive politically and make economic sense to voters. Whenever possible, the programs should be designed to be expanded, contracted, accelerated, or slowed down depending on economic or political conditions. Most important, they must provide jobs for everyone from unskilled workers to professionals. Four examples follow.

Patient-Centered Healing

Medical care today is body-centered, seeking to heal bodies. There is equal if not more need for care that centers on the whole patient, particularly after the body healers have done their work. Many ideas for experimental and other individual patient-centered institutions are already under discussion, particularly focused on home care and other care for the elderly, but a comprehensive patient-centered system can be created now, at least on paper.

Staffing this system mainly with doctors is too costly, but nurses who are trained and motivated to supply tender loving care can supply much of the patient-centered healing. They can work in recovery hospices attached to hospitals and clinics, hotel-like recuperation and rehabilitation centers, as well as in home visiting services that are already available in communities all over the country.

School Class-Size Reduction

A nationwide program would reduce future class sizes in public schools to twenty and then fifteen. Such a program is expensive and would have to be preceded by an expanded teacher training program, so it could begin with high school classes in mathematics, the sciences, and other disciplines (probably including introductory Chinese) that help to train needed workers and are essential to the growth of the economy. If and when more funds become available, the program could be expanded to other classes and to elementary schools, first in low-income public school districts and then in others. Eventually, all public school classes should be as small as those in private schools.

Community Service

In an economy with many unemployed, underemployed, and now unemployable people, a government job program of last resort is absolutely necessary. The idea is old—remember the Works Progress Administration (WPA) and the Civilian Conservation Corps (CCC)—but for our time, a WPA-like community service program that provides at

least part-time work in local public agencies and eligible nonprofits might make most political sense.

The jobs should pay the area living wage, and the program must attract workers made unemployable by long years of joblessness as well as those who can never return to the high-paying jobs they once held. Retraining programs for currently unemployable people who want to start new public service careers should be an intrinsic part of such a program.

The community service workers could improve, as well as expand and extend, local public services—for example, in schools, libraries, community centers, and helping agencies. They could also participate in rebuilding, modernizing, and other infrastructure efforts, providing work for projects that might otherwise never be undertaken.

Many other such programs can be invented—in fact, one can imagine the upgrading of a large range of other institutions. For example, the federal government should prepare for the creation of a nationwide mass transit system that serves communities in all but the lowest-density parts of the country. Since many communities have at least skeletal mass transit systems, the federally planned one would generally be supplementary.

The mass transit system would be installed as quickly and widely as possible if or when the price of oil, the undesirability of foreign oil dependence, and increases in global temperatures require a reduction in car use for work trips. Electric trolleys, buses and vans, as well as trains in larger and denser communities would have to be available, and some road building and improvement would be necessary.

If and when the gap between declining U.S. and rising Chinese, Indian, and other overseas wages (including among executives) shrinks sufficiently, efforts to create modern versions of the manufacturing jobs that left the country long ago might pay off.

Income Supports

Since a long-term job crisis will create many economic victims, a support program for the victimized of all kinds is essential. It should be designed as a general benefit that would provide income supports

not only for the victims of unemployment and temporary poverty but also for those hit by natural and other disasters and by serious illnesses and all those not being helped by existing disability programs. A comprehensive income-support program that groups a variety of crises and deprivations might avoid, or at least reduce, the stigmatization that recipients of welfare, unemployment benefits, and even some disability benefits have undergone.

A related possibility is a basic income program (van Parijs 2004), with a ceiling below the minimum or living wage and initially scheduled to last five years. Although traditional basic income proposals cover the entire population, political feasibility considerations suggest that it be available to a selected list of eligible people—for example, older workers who have not been able to find new jobs and are unsuited for community service jobs but are not yet eligible for Social Security.

The political feasibility of a basic income experiment might be enhanced if it were combined with one of the so-called stakeholder programs that offers a modest investment stake to all newborns from poor and moderate-income homes (e.g., Ackerman and Alstott 1999).

Social Programs

The current job crisis also requires a distinctive social program to deal with a prime side effect of joblessness, downward social mobility. Because middle- and moderate-income wages and salaries have remained virtually static since the 1970s, the recent rise of unemployment and underemployment has also produced a great deal of downward mobility. Although researchers have paid scant notice so far (but see Newman 1988), many of the people who have been laid off, experienced reduced paychecks, or lost their homes to foreclosure have also suffered losses in social standing.

For some people, downward mobility results in a traumatic stress disorder, not altogether different in its effects from that suffered by soldiers, poor people, and others; downward mobility can induce feel-

ings of social uselessness and loss of self-respect, demoralization and depression, physical illnesses, familial conflicts and breakups, interpersonal violence fueled by the clash of fragile egos, and even mortality (Sullivan and von Wachter 2009; Morin and Kochhar 2010).

The only known effective policies against downward mobility are economic: to end the downturns that began it. Wage subsidy or insurance programs to help people forced to take lower-paying jobs would reduce initial downward mobility, while national economic growth that benefits everyone would end downward mobility for a longer period.

Special tax benefits, including earned income tax credits for people who have suffered from a declining income for a number of years, would compensate for their downward mobility. A national living wage would immediately result in upward mobility for the working poor. However, only full employment is likely to minimize large-scale and long-term downward mobility.

Job programs that steer victims of stress disorder to higher-status jobs might help, and the previously mentioned community service program might be relevant for some. Therapy against the pains of downward mobility may be no different than therapy for other kinds of socially induced pain, as long as downward mobility is not treated as a disease and a medical problem.

Social programs targeted to help the downwardly mobile do not now exist. In fact, placing such programs on the policy agenda of a country that has long imagined itself as experiencing exceptional upward mobility may itself require special cultural and educational planning.

Budget Reductions and Tax Policies

Almost all government programs designed to deal with a long-term economic crisis will be expensive and therefore must be accompanied by cutbacks in other programs. The required long-range financial scenarios are even difficult to imagine because, all other things being equal, reducing expenditures or raising taxes often generates more intense political

conflict than adding services. Consequently, political planning, discussed below, becomes essential to long-range policy planning.

The largest shares of the budget go to federal entitlements and to the military. On the assumption that such entitlements should not be cut, particularly if economic austerity continues, the military becomes one major source of expenditure reduction. Unnecessary weapons systems are even now beginning to be reduced, but Defense Department budgets will have to be cut significantly, and traditional war-making has to be eliminated unless the country has to defend itself from invasion or if global conflicts erupt from which the United States cannot exclude itself. Otherwise, the Defense Department will have to limit itself to protecting the country from actual and likely sources of immediate threat and find lower-cost ways of doing so. U.S. military bases left over from past wars can be closed, and old weapons can be maintained if they remain effective; they need not be the latest state-of-the-art.

However, any significant cutback in military budgets would require finding new jobs for the Defense Department's military and civilian employees. If domestic unemployment remains high, it might be cheaper to keep people on the Defense payroll and to find productive activities for them here and abroad. Countries with active U.S. military bases might be asked to help pay for the defense that they are supposed to provide, assuming that these countries want such help and will pay for it.

The United States could ask allies and other states to share defense costs and some international intelligence gathering, as well as non-defense-related space exploration and other now competitive international activities.

The necessity for deficit reduction may create the opportunity to legalize marijuana, make some or all other illicit drugs available by prescription, and end the costly "war on drugs." Because legalization will shrink the market for illicit drugs, however, the poor young men now populating the country's prisons for selling them will have to be incorporated into the mainstream economy. Whatever the costs of

doing so, they should be lower than keeping them imprisoned.

Other kinds of cost-cutting might be achieved by the federalization of state and local government programs, which is now already proceeding, for example, in public education. The federal government can operate at an economy of scale that makes it possible to maintain and expand programs now supplied—and regularly being cut back—by smaller government bodies.

Long-range policy analysts who are free to imagine the future could consider what federal economies of scale would rescue or replace now privately supplied goods and services if these encounter enduring economic troubles. A universal Medicare or public option health-care program might someday be installed in the United States because employers can no longer compete with firms in countries with free medical care.

The policy analysts should even think more broadly and consider alterations in the division of labor between government and private enterprise (Kuttner 1999; Madrick 2009). Whether serious changes in that division are ever possible even if they become absolutely necessary remains to be seen. However, if government can clean up some of its political and bureaucratic acts and pressure private enterprise to do likewise, a change in their division of labor may turn into a less heretical issue than it is now.

The west European countries have shown that their governments can produce higher quality and cheaper welfare state services than American private enterprise. Still, rethinking the overall division of labor will also show that private enterprise can supply some goods and services more effectively and efficiently than government without diminishing the public goods involved.

Taxes

Because many financial experts and some political leaders already agree that eventually taxes will have to rise, the prime policy challenge will be over which taxes to raise and at what level of progressivity.

The health of the consumer economy might be maximized by replacing state and local sales taxes with a federal value-added tax (VAT) on goods other than agreed-upon necessities and an even higher VAT on luxury goods. Business taxation policy should aim to maximize the preservation and creation of domestic jobs, for example, by taxing firms that unnecessarily replace workers with machines, as well as firms that outsource jobs.

Even if direct and indirect subsidies and tax benefits to the wealthy can be reduced and income and payroll taxes made more progressive, ultimately a wealth tax will be needed to pay the public costs of a healthy economy. The first such taxes should be levied on wealth (and incomes) generated with the help of direct and indirect government subsidies, if only to uphold the principle that people who become wealthy through their individual effort should be respected. Some or all kinds of speculatively attained wealth might be taxed next.

However, the still rising concentration of wealth in the richest 5 percent of the population and the need to reduce future deficits justify an eventual general wealth tax, beginning with the richest 1–2 percent (Friedman 2010; Wolff 2001). Perhaps the very wealthy should be allowed to enjoy annual additions to their wealth for a couple of years before these are taxed.

Because a wealth tax imposes downward mobility on the very wealthy, some form of status-bearing awards could be given to taxpayers who make the largest contributions to deficit reduction.

Political “Policies”

That policy and politics share the same first three letters is no accident. Consequently, long-range policy-making must build in political calculations of feasibility, but politics is so unpredictable that such calculations can be made on only a short-range basis. At best, a set of long-range scenarios differentiated by degree of likely feasibility might be attempted.

The scenarios need to deal with three political considerations.

First, the political prerequisites needed for any long-range scenario

must be present. Obviously, the scenario I have outlined cannot be realized without a president and a Congress that must propose a job-centered economic recovery for electoral and related reasons. It is hard to imagine that they would not be economically liberal, but when the country is ready to elect the economically liberal federal government it needs is now impossible to foresee.

If the sectors of the middle class that oppose redistributive policies that could hurt their economic and social status experience serious economic distress, they and the economically conservative politicians representing them may be ready to support some liberal policies that benefit them as well.

Admittedly, the wealthy and corporate right and their conservative allies will fight such policies bitterly. However, if the consumer economy is of prime importance for an economic recovery, liberals could seek support from the retail, distribution, and manufacturing industries that depend on the consumer economy for their profits. Perhaps some of these industries will seek out liberal policymakers.

Eventually these industries, as well as the Wall Street and global economic institutions that work with them, will have to consider backing jobs and income policies that enable people to buy their goods and services. True, it could take a while, for corporate ideological loyalty to the conservative politics of lower taxes and less regulation may be surrendered more slowly than desirable even for the corporate economic good. But if the leaders of the consumer industries switched ideological sides, they might even split the conservative phalanx.

Nevertheless, political obstacles accompany all policies, including the ones proposed above. For example, replacing war-making with a cheaper defense policy will bring out not only the current beneficiaries of the military-industrial complex but also voters who believe offense is the best defense. Yet others will argue that giving up the will to make war signifies a further decline in U.S. world power, an expression of national downward mobility. National economic decline may in fact be accompanied by compensatory political demands for increased war-making.

Second, whenever possible, long-range policies should cater to the political needs of elected officials. Because earmarks are still popular with many of these officials and with voters, a responsible, accountable, and renamed earmarks program should not be ruled out a priori. However, the new earmarks would be subject to policy review and benefit-cost analysis, and those maximizing the creation and maintenance of labor-intensive jobs with a high multiplier effect would have first priority. So would earmarks supporting public services that states and localities cannot afford to fund.

Third, in order to put liberal economic policies on a secure basis, structural political changes will be needed to do away with the undue political inequality built into American democracy.

The contemporary American polity is an upscale democracy, in which the political power of the economic power-holders is supplemented by that of affluent and well-educated people who participate more actively and skillfully than other voters. They vote and contribute campaign funds more often, they make more demands on their elected officials, and, as a result, their demands are met more often.

Unfortunately, the country's founders, themselves upscale, were sufficiently scared of their downscale fellow citizens to place roadblocks in the achievement of more political equality.

However, times have changed, and these roadblocks must be removed—for example, by making campaign funding fully public and by transforming voting into a rewarding, even celebratory social occasion. In addition, the Constitution needs rethinking (Levinson 2006).

The Senate must become more representative. At present, senators from the smallest states exercise a disproportionate amount of power. California, Texas, New York, and Florida, the country's four largest states, are home to a third of its population but cast only 8 percent of the votes in the Senate. Instead of according all senators one vote, they should be entitled to a differential number of votes based on their states' proportion of the total U.S. population, thus giving larger states the influence they deserve.

Membership on the federal courts should not follow election re-

turns; instead, the three major ideological positions—left, right, and center—should be equally represented.

Also, voting should be made easier, so that people can vote digitally and without prior registration. Several states have already moved in this direction, but if it does not sharply reduce the number of non-voters as a result, compulsory voting may be necessary. Meanwhile, pollsters should dig deeper into people's opinions than getting agree-disagree answers to questions on current political issues.

Still, downscale America also needs more active day-to-day representation. The establishment of a flood of citizen lobbies would reduce the influence of corporate lobbies. Employees, particularly those in large firms and organizations need such lobbies most urgently, particularly if unions are not available to represent them (Gans 1999).

Citizens should have easier access to detailed political information. To begin with, the mainstream news media could routinely tell their audiences when they are being misinformed or lied to. As the country becomes more complicated, however, people need a better understanding of how it actually functions and how they must function in it to benefit from both private enterprise and government. Starting with high school, if not sooner, young people should be required to take courses that equip them to understand their polity and their economy.

Conclusion

Proposing policies for the future carries with it the notion that we can sometimes influence it. Consequently, every major government office, beginning with the presidency, should be engaged in designing long-range scenarios. So should citizen groups, social movements, and all organizations and groups that need to plan for their futures.

Most of the policies produced by such exercises—as well as those suggested in this article—will probably never come to pass, either for political reasons or because they are too expensive or both. Still, societies remain vital by imagining and proposing better futures, and some of the proposals might even catch fire.

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