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#421 - Big-Picture Organizing, Part 3: Response To The Republican Contract
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[Labor Secretary Robert Reich and the Democratic Leadership Council (a group of moderate-to-conservative Democrats) have proposed an alternative to the Republicans' "Contract With America."[1] Because environmental programs will be affected as the economic debate develops, we are giving space to Mr. Reich's views, taken from 3 speeches he delivered during the past 4 months.]

America was built on an unspoken bargain between employers and workers: the implicit promise that if you worked hard and played by the rules, you would be rewarded with a steady job, rising pay and gradually improving benefits. For generations, Americans believed in that bargain, guided their lives by it, passed it on to their children. The conviction that you earn your own fate forms the bedrock for the American ethic of individual worth and accountability.[2, pg. 2]

About 15 years ago, the promise began to fade, and today the disintegration is accelerating. The old "middle class" has now split into 3 classes:[3, pg. 2]

** The overclass who are positioned to profitably ride the waves of change, and who increasingly question their connection to the rest of American society, often living in elite suburbs, behind gates, sometimes even providing their own services such as road repair and police. They have long provided their own educational system for their children.

** The underclass largely trapped in center cities, quarantined in surroundings that are unspeakably bleak, and often violent, increasingly isolated from the core of the economy;

** The anxious class, worried not only about sustaining their incomes but also about keeping their jobs and their health insurance. They fear for their children's future. These are the old "middle class" who now are doing everything possible to hang on to the promise: spouses have gone to work; both parents are working longer hours or have taken second and even third jobs; they are having fewer children and having them later in life; and they have drawn down their savings. The anxious class is trapped too, not only by houses and apartments that are too small for raising a family, but also by the frenzy of effort that it takes to earn the two or three paychecks needed to preserve their standing.[4, pg. 4]

What has caused the decline? In a nutshell: hard work is not enough anymore because emerging forces have rewritten the rules. Mr. Reich points to four key forces:[2, pg. 3]

** The first is technology, largely computer-based, that has eradicated or devalued every routine job that can be done by a software program, and simultaneously has enriched every job utilizing the problem-solving skills of the human brain.

** The second force is global competition, which has reinforced the same trends, imperiling the jobs of those who must compete with low-wage workers elsewhere on the planet, while enriching those better-equipped to take advantage of new markets for American insights and skills.

** Third is the decline of labor unions. Their decline accounts for as much as 20 percent of the wage inequality among American men, the Secretary said. Today, only eleven percent of the private-sector workforce is represented by a union. Let there be no doubt, Mr. Reich said: A revitalization of the labor movement would help reverse the erosion of the middle class.[3, pg. 3]

** Fourth, and more difficult to quantify but probably no less important: The breaching of the postwar bargain between companies and their employees. It used to be that as companies became more productive and more profitable, employees who worked hard and proved their loyalty could count on steady jobs and rising pay and better benefits. No more.[2, pg. 3]

For example, corporate profits soared 45% in the last quarter, and productivity grew at an annual rate of 2.7 percent. But wage growth hasn't matched this pace. Rising interest rates are hitting middle-class families with higher payments on cars, mortgages, and credit cards, while those earning over $100,000 a year --who own 60 percent of the nation's bonds and almost one-third of all other interest-bearing assets--have much to gain from the rising rates.[2, pg. 1]

Mr. Reich said: If American business continues to pursue short-term profits at the price of insecurity and falling living standards for a large portion of our society, it will sooner or later reap the bitter harvest of popular rage. The American public is pro-business. But that support rests on an implicit bargain. And business betrays that bargain every time it fires an older worker in order to hire a younger one at a lower wage, provides gold-plated health insurance to top executives while denying its workers health coverage, labels employees independent contractors in order to avoid paying them full-time wages and benefits, or discards its workers rather than invest in them when profits are booming.[2, pgs. 5-6]

Workers must be viewed as an asset to be developed, not a cost to be cut, Mr. Reich said. Other elements of a business can be replicated by competitors --machines, processes, raw materials, access to cheap labor around the world. But a skilled, flexible workforce that can create value in ways that matter in the marketplace can offer enduring competitive advantage.[4, pg. 5]

What divides the over, the under, and the anxious classes is both the quality of their formal education and their capacity and opportunity to learn throughout their working lives.[4, pg. 2] As increasingly capable machines join ever more Americans at the workplace --join them both as co-workers and as competitors --the payoff to education and training has soared, and the penalty for lacking skills has stiffened.[3, pg. 3]

As recently as 1979, a male college graduate earned 49 percent more than a similar man with only a high school diploma --a sizable difference, to be sure, but not too large for the two to share the label "middle class." By 1992, however, the average male college graduate was earning 83 percent more than his high-school graduate counterpart, and the notion of common prospects had faded considerably.[3, pg. 2]

There is a similar divergence in employee benefits. Employer-sponsored health coverage for workers with college degrees has declined slightly, from 79% in 1979 to 76% in 1993. But rates for high school graduates have fallen from 68% to 60% during the same period, and for high-school dropouts, the 1979 rate --already low at 52%--has plummeted to 36%. Similar divisions apply to employer-sponsored pension coverage. Nearly two-thirds of workers with college degrees are included in pension plans at work, but fewer than a quarter of high-school dropouts.[3, pg. 2]

In sum, most Americans are on a downward slide not because of some genetic deficiencies, but because they lack the learnable skills to prosper in an economy convulsing with change, the Secretary said.[2, pg. 5]

Especially hard-hit are African-Americans. In recent months, the national unemployment rate for African-Americans has been 11 percent, about twice the rate for European-Americans. The median income for black males working full-time in 1992 was $22,400, just 72% of the median income for comparable white males.[3, pg. 4] Although the Secretary did not say it, these facts would seem to result from racial bias in the distribution of opportunity in our society.

What is to be done? The Democratic Leadership Council (DLC) has proposed a package of reforms that would reduce federal taxes for the anxious class; provide Americans with increased educational opportunities, starting with early-childhood nutrition and care; start
to rebuild the nation's infrastructure (emphasizing highways because, they say, 37% of the interstate highway system is in "fair or poor" condition); and reduce the national debt. Interest on the debt (which, under Republican leadership, grew from $908 billion in 1980 to $3.2 trillion in 1990)[3, pg. 1] now amounts to $162 billion each year and takes 28 cents of every federal tax dollar paid by individuals.[2, pg. 4]

The DLC's programs would require that the government invest $50 billion each year and would be aimed at upgrading the skills and knowledge of the workforce, so they can compete in a high-tech, global economy. (Turning our backs on technology, and closing our borders to trade are not viable answers to the middle class's economic problems, the DLC and Mr. Reich believe, because each of these solutions would reduce the economy's opportunities to grow. Growth of the economy is what will save us all, the DLC and Mr. Reich both preach. Neither the DLC nor Mr. Reich ever mention the environmental costs of growth.)

Where would that money come from? From reducing tax give-aways and subsidies to large corporations, from ending some of the "corporate welfare" programs that presently total over $100 billion per year -- "annual spending and tax subsidies that serve no national economic or social purpose," to quote Robert J. Shapiro, a leading Democratic economist.[5] What kinds of subsidies are Mr. Reich and Mr. Shapiro describing? Subsidies to the mining companies; the timber companies; agribusiness; airlines; wealthy ranchers who graze on public lands; oil and gas companies; the aerospace industry, and on and on. For decades, corporate insiders in Washington have persuaded Congress to give corporations special favors exceeding by far the largest welfare programs for the poor.[5] For example, annually the nation's food stamp program costs $25 billion, and Aid to Families With Dependent Children costs $15 billion. In contrast, federal tax subsidies to corporations amounted to $53.3 billion in 1994; direct subsidies to corporations cost the taxpayers another $51 billion, according to the Office of Management and Budget and the Joint Committee on Taxation.[6]

Total corporate welfare: $104.3 billion.

"If we're asking middle-class America to work smarter and welfare mothers to play by the rules, it seems important to ask corporate America to get off welfare and play by the rules as well," Mr. Reich says.[7]

--Peter Montague


