

THE HUFFINGTON POST

Reverse the Policies that Are Destroying the Middle Class

Allan Brawley February 26, 2013

In their latest book, *The Betrayal of the American Dream*, Pulitzer Prize-winning investigative journalists Donald L. Barlett and James B. Steele present a compelling case that America's middle class is in danger of extinction unless our government reverses course on major policies it has pursued over the last four decades. These include huge tax giveaways to corporations and the wealthy, near catastrophic deregulation of all aspects of our economic system, and free trade practices that have seriously damaged the country.

For decades, Washington and Wall Street have been systematically rewriting the rules of the American economy to benefit the few at the expense of the many - putting in place policies that have steadily dismantled the foundation of America's middle class. Republicans and Democrats have been complicit in the process of handing over the country - its wealth and its policy-making processes -- to the new ruling class, the ultra-rich. This tiny minority - one percent - has been pouring money into the political process, as well as propaganda mechanisms like the Cato Institute, the Heritage Foundation and the Koch Brothers' Americans for Prosperity, in ever greater amounts for no other reason than to promote the policies that benefit it. The 2010 Supreme Court ruling in the *Citizens United* case, in effect, legitimized this unlimited - and anonymous - domination of big money in politics, at the expense of ordinary voters.

Their overwhelming political clout has enabled the largest corporations and the wealthiest individuals to rig the tax system to an astonishing degree, with some managing to pay no taxes at all. While wage and salary earners can pay up to 39 percent in federal taxes, the wealthy typically pay only 15 percent on their income and they are doing their darnedest to have that changed to zero, with the help of John Boehner, Paul Ryan and other Republican operatives. In the meantime, countless multinational corporations have parked billions of dollars overseas in order to avoid paying the taxes they owe.

Sitting in banks in the Cayman Islands, the Bahamas, Switzerland, Luxembourg, Singapore, and other tax-friendly jurisdictions is a staggering amount of money - an estimated \$2 trillion, a sum equal to all the money spent by all the states combined every year, or more than half the size of the annual federal budget.

Among the consequences of the ridiculously low tax rates on corporations and the wealthy, along with their ability to engage in countless tax avoidance strategies, is to place an unfair share of the tax burden on ordinary working people. It also contributes greatly to the budget deficits and prevents sufficient investment in essential functions, such as restoring our national infrastructure - roads, bridges, airports, schools, etc. - and investing in education and research and development that will keep America competitive globally and create millions of well-paying jobs that cannot be outsourced.

In addition to its decades-long success in rigging the political and tax systems for its own selfish ends, the new ruling class has championed and benefitted enormously from the free trade practices of recent Congresses and Administrations. The American public has been sold a bill of goods about globalization, its supposed long-term benefits, and the negative consequences of protecting jobs at home. It has been a disaster for ordinary working people.

The North American Free Trade Agreement (NAFTA) was touted as a means to create countless American jobs producing goods for export to Mexico. Instead, in the twenty years since its passage, it has enabled companies to relocate their manufacturing operations south of the border, costing thousands of American jobs and, incidentally, creating a \$698 billion trade deficit with Mexico in 2011.

Barlett and Steele document similar outcomes with our other major trading partners, most notably China, Japan and the European Union. Free trade practices have caused the closing of 14 percent of our country's factories - over 56,000 of them - and cost 5.7 million American workers their jobs in the past ten years alone. Meanwhile, all of our trading partners have taken sensible steps to protect their own workforces from unfair or otherwise harmful competition, while managing to maintain trade surpluses.

While Washington mouths platitudes and gives lip service to trade reform in a never-ending cycle, the trade deficit soars. Thanks to both parties, the cumulative trade deficits since 1976 add up to a staggering \$10 trillion. That's trillion with a T, an ocean of red ink that translates into millions of lost jobs.

When blue-collar jobs began to be shipped overseas, we were told that it was an inevitable result of global market forces but assured that the growing service sector would generate enough jobs to replace those lost in manufacturing. However, that has not turned out to be the case. The same free market forces that destroyed our factories and the communities where they were located are at work in the service sector, including information technology and pharmaceuticals. A 2008 study by U. S Department of Labor economists estimated that 160 service occupations that employ thirty million workers - more than 25 percent of that sector - could be off-shored. Clearly, unless current practices change, any job that can be shipped overseas will be.

Closely linked to the free market ideology and equally destructive to American society has been the deregulation mantra - getting the government out of whatever activity will prevent the economic predators from maximizing their power and profit. Deregulation has been catastrophic for American workers, most notably but not only in the airline industry. Employment, job security, wages and benefits have all been drastically reduced,

strategic bankruptcies have allowed the biggest airlines to walk away from union contracts and pension obligations, and industry consolidation has reduced competition and increased fares for passengers.

The most damaging consequences of deregulation have, of course, been in the financial industry where Wall Street and the bankers brought the global economy to near collapse in 2008.

Wall Street and the banks have since recovered, thanks largely to huge bailouts from taxpayers, such as the Troubled Asset Relief Program (TARP) and capital infusions from the Federal Reserve. But millions of Americans who lost their jobs, their homes, and their retirement savings during the collapse did not receive a bailout and will not recover. Not only did the perpetrators of the 2008 disaster go unpunished, they have been allowed to further enrich themselves and their allies and use their unprecedented wealth to continue to corrupt the democratic process.

Barlett and Steele have been writing about these issues for forty years but have never been so alarmed about what is happening in our country. They are absolutely right in concluding that:

The forces that are dismantling the middle class are relentless. America must stop sacrificing its greatest asset. Because, without a middle class, there isn't really an America.