

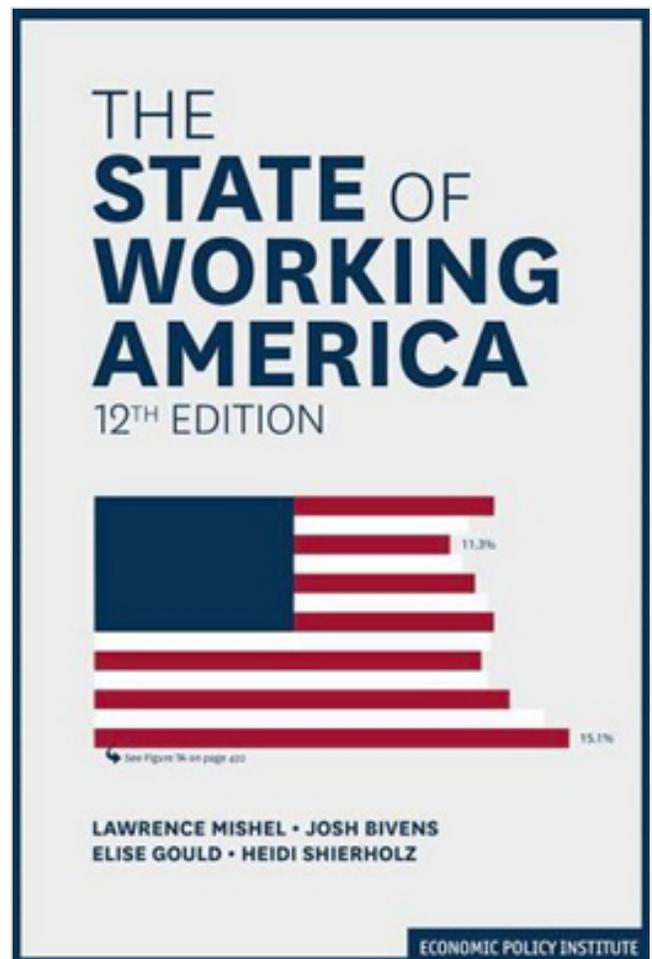
The American working class and the unfulfilled promise of policy-driven growth

The State of Working America, 12th ed. By Lawrence Mishel, Josh Bivens, Elise Gould, and Heidi Shierholz. Ithaca, New York: ILR Press, 2012, 505 pp., \$24.95 paperback.

For over two centuries, the United States has been called “the land of opportunity,” a place where individuals and families can live and prosper in freedom. This popular idea, frequently referred to as the American Dream, suggests that, in a country where success has historically seen no barriers, the joys of financial well-being are up for grabs for anyone willing to work hard. It is on this basis that many people still assume that the United States remains a land of opportunity. In *The State of Working America*, however, authors Lawrence Mishel, Josh Bivens, Elise Gould, and Heidi Shierholz argue that this assumption is no longer safe.

The book asks one seemingly simple question: “How well has the American economy worked to provide acceptable growth in living standards for most households?” According to the authors, this question cannot be answered simply by looking at output growth and inflation rates. Over the course of seven chapters, Mishel and colleagues dissect the American economy along multiple dimensions, examining what has happened to American households. Their verdict, summarized in the book’s opening chapter, is discomfoting—for most people, the economy has worked “not well at all.”

The authors’ analysis focuses on economic policy, income inequality, wage growth, social mobility, productivity, unemployment rates, wealth, and poverty. It also examines how race, education, gender, and other demographic characteristics influence these critical metrics. While the discussion is painstakingly detailed, it is surprisingly



Robert Kent

kent.robert@bls.gov

Robert Kent is an economist in the Office of Employment and Unemployment Statistics, U.S. Bureau of Labor Statistics.

accessible, making even complex material easy to understand. The results of the analysis are often broken down by income quintiles, allowing the reader to see how each facet of the economy has affected different income groups in their pursuit of financial success and higher living standards. The data come primarily from the Current Population Survey (CPS) Annual Social and Economic Supplement, full monthly public data series, and Outgoing Rotation Group files. Information on household income, poverty, pensions, and healthcare benefits is derived from the CPS March supplement.

The authors' main conclusion is that, for the nearly 40 years between the late 1970s and the time of the book's publication, "economic policy has increasingly served the interests of those with the most wealth, income, and political power." This development is attributed to two key policy failures: allowing businesses to crush worker unionization efforts and failing to raise the minimum wage. Together, these setbacks have restricted the ability of most Americans to bargain for better working conditions and provided no counterbalance to inflation, which has reduced workers' purchasing power and squeezed those at the bottom of the income distribution.

But income inequality is only one of the many predicaments faced by American workers. The authors also show that, despite their best effort and determination, these workers have been unable to break class barriers and achieve upward mobility. In general, the class in which most Americans are born is likely the class in which they will remain for the duration of their lives. In the authors' grim assessment, "there is no evidence that mobility has increased to offset rising inequality, and in fact some research shows a decline."

Unsurprisingly, the barriers faced by White, Black, and Hispanic workers are not the same. While many Americans might feel the burden of income inequality and plummeting purchasing power, some racial and ethnic groups have fared worse than others. Addressing the unemployment rate for Black workers, for example, the authors write that "African Americans have essentially been living through a perpetual, slow-motion recession." Between 1979 and 2012, the average unemployment rate for Black workers was over 12 percent, and that for Hispanics was only slightly lower. These rates far exceeded those for White workers.

How Americans experience life also differs by gender. Given much noise in the news media, it can be hard to understand what is happening to the gap between men and women. Offering a more in-depth analysis, the authors reveal some troubling indications. Although wages for women have increased—and there has been some progress on bridging the gender pay gap—all is not as well as it appears. Women still lag behind men when it comes to pension and healthcare benefits. Moreover, the authors find that the narrowing of the gender pay gap has been due mostly to men losing benefits and wages, rather than to women gaining ground.

The authors do a wonderful job at showing how policy inaction has been at the core of the unique challenges faced by people of different income levels, genders, and races. It is new policy ideas, rather than existing policy, that could greatly change the odds of success for most American households. There will always be "winners" and "losers" when it comes to economic policymaking, but the policies America enacts should target and help the right people. *The State of Working America* helps lead the way to opening discussions about how economic and social policy can create a level playing field for those who have spent so many decades falling behind.