

Frustrated American Middle Class – Real Causes and Real Solutions

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Since the later 1970's and including the effects of inflation, the American middle class has remained in a flat condition economically in spite of increased productivity and the prevalence of two wage earners per family. Why, and what can realistically be done to address this situation? It is time to stop accepting excuses and looking for scapegoats and identify the real sources of the problem and the real targets for solutions.

The basic cause of the middle class finding itself in the economic doldrums over the last 50 years is the emergence of the world economy and the extraordinary power of the World Trade Organization [WTO]. In a world economy, nations must compete to sell their goods and services, and nations with relatively high standards of living with wages to match find it difficult to compete with nations where these standards and wages are considerably lower. And when the “rules” defining commerce of the WTO trump national laws, regulations and tariffs and when competition becomes direct, great pressure is put on higher wage nations. The result is that even with greater productivity as a result of technological innovation, wages for jobs in higher wage nations remain flat or the jobs themselves are lost to lower wage nations with production and service facilities moving within the international marketplace.

The effect to the middle class of increased job insecurity and of substantial financial losses caused by its experience in the recent Great Recession has provided a multiplier effect to its decades long, frustrating experience with economic stagnation. And to make matters worse, as America has climbed out of this recession, the middle class, which has continued to languish, has watched as the Wall Street and Bank perpetrators of the recession have avoided prosecution and the 1%ers have gained enormous wealth. Under these circumstances, it should come as no surprise that frustration has evolved toward anger and resentment. And an emotionally angry American core population is ripe to be exploited by flamboyant, populist leaders promising a return to the economic prosperity of the past [“Make America Great Again”].

While the negative consequences of the Great Recession may eventually wane, until standards of living achieve a modicum of equality at the international level, there is nothing to stop the flattening effects of the world economy on the American middle class from continuing. This is the current economic reality in

the developed world – including the United States, and this new reality is hitting not just middle class jobs but also an increasing number of basic professional level occupations – legal, accounting, engineering, technical, etc. As the world economy under WTO stipulations advances, jobs in the lower end of the American upper middle, professional class are also being out sourced! Frustration is proceeding upward beyond the middle class!

Any answers to this challenging economic condition for developed nations like America? Yes, but they are neither simple nor easy!!

First, the citizens of developed nations like the United States need to restrain their expectations. The notion that every generation of Americans will enjoy a higher standard of living than the preceding one – a core element of the American Dream, has to be discarded. We have to get realistic about what has become our “need” at ever younger ages for more cars, and more “toys,” and larger houses with fancy finishes and a separate bathroom and bedroom for every occupant. Actual needs and not just wants have to become the norm that circumscribes our expectations. And unlike in the past, we may need to wait until we have most of the financial resources to purchase the things we want rather than relying on credit and the assumption that we will be positioned to rather easily pay off our debts as we advance economically in our jobs and careers. Such advancement is no longer predictable. Adjusting our expectations and financial behavior to the new economic reality of participating as a developed nation in the world economy is essential.

Second, as under developed nations play economic and standard of living catch up and as they consume a greater percentage of the resources of the world, developed nations, including their middle classes, must get realistic about what proportion of the economic wealth and material and ecological resources of the world rightfully should “belong” to them. Indeed, a strong argument can be made that all citizens of the world must find ways to reduce the resources assigned to them – if we are to avoid the collapse of the Gaia ecosystem. Our expectations need to be tempered by the realization that all resources are limited [even the most basic like fresh water and clean air!]

Third, the WTO “rules” of commerce that currently define international economic relations have to be modified to include more than just economic factors so these rules do not irresponsibly promote out sourcing. The ecological consequences of generating services and producing goods must be considered in the equation, not just wages. And subsidies and tax benefits offered by

nations to support certain industries and economic activities are variables that must be included in WTO “rules.” Out sourcing and the pressure it puts on middle class wages will be curtailed somewhat if the WTO rules include factors that make economic competition among all nations more fair.

Fourth, in America and much of the developed world, the enormous wealth generated by participation in the world economy has accrued to a select few while economic conditions for the many have stagnated. Taxation on income and benefits has not been adjusted to address this situation of gross inequity. In fact the exact opposite has occurred where taxation on the wealthy has been reduced in the last 40 years – exacerbating the problem! If America and other developed nations are to avoid slipping into oligarchy status – economic power and political control in the hands of the rich – they must redistribute wealth by increasing progressive taxation on income, benefits and inheritance. And America must get serious about exposing and prosecuting individuals and corporations who park their wealth in off-shore havens to avoid taxation. Reasonable wealth redistribution is one way to take some of the financial pressure off the middle class to support through taxation the needs of the country, including the cost of the whole array of social services and needed infrastructure and public facility repairs and improvements.

Fifth, America can stop paying most of the enormous military bill to police the world. The American military budget is currently as large as the combined military budgets of the next eight nations with the largest military outlays. Historically, excessive military expenditure is one of the major sources of the collapse of great civilizations, and America may well be headed in this direction. If America were to pay only what is its proportional share of international military expenditures, there would be a huge amount of money available to assist in supporting the needs of its citizens, including its middle class. If middle class Americans want economic relief in the face of long term economic stagnation, they can stop sending such a great proportion of their federal budget to support the military industrial complex. And it is worth noting that support for the military domain has a much lower positive roll over effect on the rest of the economy than does spending and investment in most other economic spheres.

Sixth, we must replace a world economy based on the assumption of ever continuing expansion with an economy based on stability and sustainability. We – the middle class – can no longer afford to finance national and international debt under the assumption that we can diminish it with the effects of inflation and grow out of it by constantly enlarging the gross national/international

product [and thereby reduce the proportion of debt to income]. And the “hidden” component supporting the expanding economy model is the assumed driver of an ever expanding human population. So, if we expect to initiate sustainability as the new worldwide economic norm, we must finally eliminate worldwide population growth as a driver. The American middle class may well not realize the ultimate relationship of their economic prospects and our failure as a species to address human population growth, but it is there and it is significant.

The time has come for most Americans to stop looking for fanciful solutions to their current stagnant economic condition. The real source of the problem is not migrants or terrorists or even “evil” corporations or Wall Street. These are symptoms, not causes, and focusing on symptoms will not address the causes or suggest real solutions. The causes are real, and they are on-going for the foreseeable future, but there are ways to alleviate the effects, if we make some significant adjustments at the national and international levels. As frustrated as many Americans are, we need to: 1) recognize the unsustainable, privileged economic condition that we have enjoyed until the last generation, 2) distinguish our real needs from our inflated wants, 3) support at the national level reforms that address economic inequality and that limit military spending, 4) elect state and national leaders and representatives who will implement the reforms that are required, 5) support reforms of the WTO rules to curtail unwarranted out sourcing, 6) support at the international level the effort by all nations to seriously control human population growth and to move from an expanding economic model to a sustainable model that is committed to a sustainable world ecology, and 7) stop complaining and looking for scapegoats and simplistic answers to the complex situation where we find ourselves. As middle class Americans, we need to recognize the real causes for our current economic conditions, and get on with the real work that can actually help to alleviate our national economic plight.

Everything is interconnected in an infinite system of connection. Focus on one problem and all the rest inevitably comes into view. Beware single variable explanations when it comes to nearly anything at any scale. In this essay, I have tried to respect and uncover some of the system complexity that is involved when we make an effort to understand the issue of the currently frustrated American middle class.

