AMERICA: WHAT WENT WRONG?

The United States of America is in financial trouble. At least it is according to the authors of the book America: What Went Wrong? Donald L. Bartlett and James Steele describe how America owes a huge debt to itself, how this debt has been acquired, by whom, and in whose hands this debt now lies.

Their book is thought provoking as it describes the decline of the middle class as an economic force. For example, in the first few chapters of their book they cite examples of how the growth of the middle class in America has been reversed by government action. They tell how our government has created a tax system that is firmly weighted against the middle class. How the rules that govern us have enabled companies to cancel health care, and pension benefits for employees. That subsidies have been granted to business that create low wage jobs that in turn erode living standards, and undermine long time stable businesses and communities. They tell us that companies are being rewarded for transferring jobs abroad and eliminating jobs in this country. And how home ownership has been placed out of the reach of a growing number of Americans as well as making the financing of college education nearly impossible without incurring a huge debt.
(pg 3)

This they call the dismantling of the middle class.This dismantling process seems to have to do with the elimination of a middle class wage. To do this companies move their bases of operations to other states, where a lower wage is acceptable to the people, or out of the country where an even lower wage will be paid.
These practices not only are legal in this country but are rewarded, thanks to what the authors refer to as the government rule book. This is a system of rewards and penalties that influences business behavior.
This rule book, in addition to influencing prices of services and goods plus the creation and elimination of jobs, serves to determine who in the economy is most favored, who is ignored, and who is penalized. But evidently those who established the rules of this so called game stopped representing the middle class.

As a result the middle class casualties of this very complex game can already be counted in the millions. One of the major reasons for these job losses is that in the 1980s American companies went on a borrowing binge, where corporate IOUs were issued at the rate of $1 million every four minutes, 24 hours a day, year after year. By the end of the decade those companies had piled up $1.3 trillion in debts, much of it to buy and merge companies, which lead to the closing of factories and the elimination of jobs. (pg. 18)

What happened with this enormous debt was that companies had to divert massive sums of cash into interest payments, which meant that less money was available for new plants and equipment, and thereby leaving much less for research and development. In the 1950s, when this country was in a growth phase, large number of money were put into the areas of research and development. The percentage of money allocated for these areas has reversed. When that happens no new jobs are created, no new businesses, no new income. During the 1980s corporationspaid out$2.2 trillion in interest, more than double the interest paid during the 1940s, 1950s, 1960s, and 1970s combined. "Enough money to create seven million manufacturing jobs, each paying $25,000 a year." (pg. 19)

Now all of this information was enough to really depress me, but what really got to me was the next little bit of information on how much executives for companies are paid. While companies cut jobs that pay a middle class wage they are adding many more lower wage jobs and paying ever larger salaries to the people at the top. Putting this into perspective shows that if the pay of a manufacturing worker had gone up at the same pace as that of an executive, the factory worker would today be making $81,000 a year! Does this mean then that there were no new jobs created in the 1980s? Not at all. With the buying and selling of companies during the 1980s, many companies were faced with the dilemma of being unable to pay the interest on their loans. When this happened these companies declared bankruptcy. So many bankruptcies that as a result bankruptcy petitions filed in 1980s soared to a level that was four times as high as in the 1960s. Hence the creation of new jobs. But for the middle class workers forced out of work by this unprecedented trend of buying, selling and bankruptcy? Certainly not, for a select group of professionals needed to fulfill the destiny of doomed corporations. These professionals are lawyers, accountants, bankers, investment advisors, brokers and management specialists. (pg. 68)

We can thank series of Congresses, presidents and the heads of regulatory and administrative agencies for these new jobs. During the 1970s and 1980s these are the persons responsible for rewriting the rules governing the federal tax and bankruptcy systems. How wonderful to have a job where you can be paid up to $500 a hour just to ride on a plane, answer telephones, pack and/or unpack files, attend meetings and the like. Guess who gets to pay these outrageous salaries? The taxpayer of course. While Congress was making sweeping revisions of the Internal Revenue Service throughout the 1980s, lawmakers agreed to leave a provision intact that allows corporations a virtually unlimited tax write off of interest paid on borrowed money. This decision followed an overhaul of the United States Bankruptcy Code in 1978, the first revision made in more than forty years, which made it easier for companies in trouble to file for bankruptcy. When this happens those people who make those wonderful salaries are paid off first with any moneys left in the companies, debts that are remaining are left to be paid off by their creditors.

So where does that leave us the taxpayers, holding the bag for debts incurred by the people and corporations with the big money? For example, the savings and loan companies. They got themselves into a bunch of trouble buying and selling bonds, and keeping the money they made for themselves. While the two people responsible for this initial blunder were put in jail our government came along and bailed out their bank. What our government did was allow these companies the use of what the authors refer to as a magic want called NOL. NOL stands for net operating loss deduction, which is a tax break that allows corperations to reduce this year's taxes, and next year's taxes, and so on because of money lost last year. (pg. 41) What this says in effect is that every dollar that we and other taxpayers in our income bracket will pay in taxes for the next decade will in effect go to bail out the savings and loan industry. For this we have the government rule book to thank. This "rule book" is an accumulation of laws and regulations that provide the framework for the country's economy, affecting everything from the taxes we pay to whether or not our jobs are moved to Mexico. The authors of this book refer to and cite many examplesof middle class Americans that are affected by the laws and rules passed and used by our government. Those that allow the moving of American companies to foreign countries we studied fall term sol don't feel a need to recount them here. I also don't feel a need to recount an example cited in the book. But what I would like to do is give an example of how this government's policies have affect my personal life.

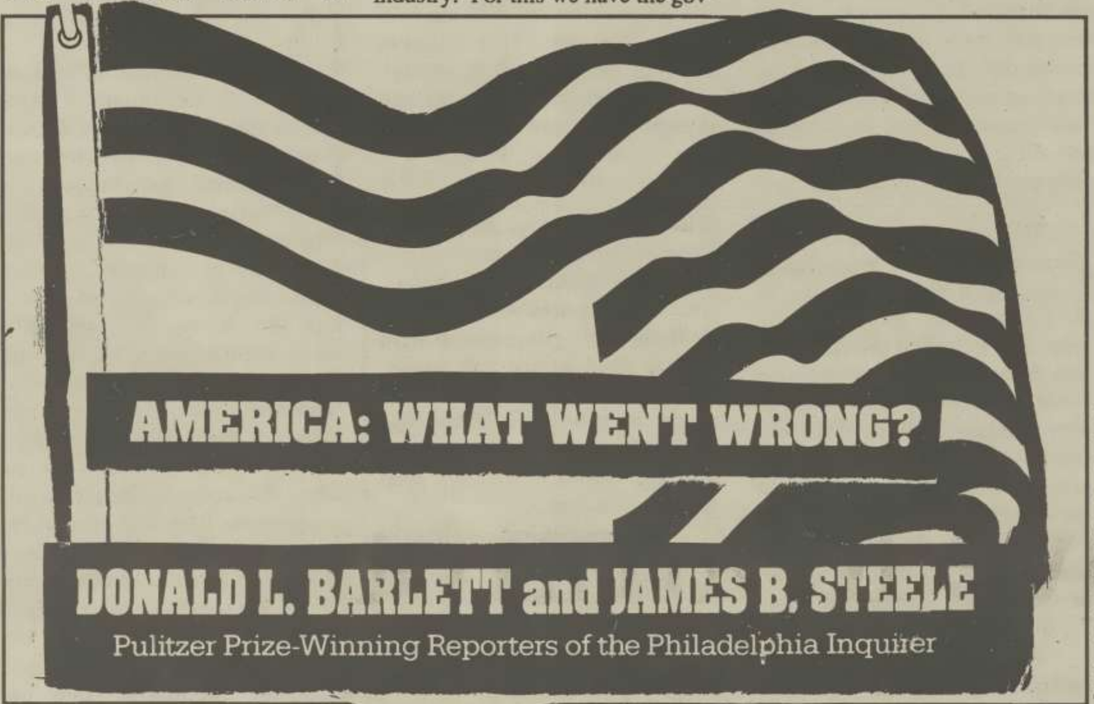
In 1983, I was married. Combining my family with that of my husbands into what is popularly termed a blended family. My husband had a good job, he held a supervisory position in a company that he had been with for over nine years. He was also 90% vested in his pension. We were in the process of looking for a new house, and planning on having another child. My husband went to work July 3, 1984 and was fired. With an excellent work history, and a file full of glowing letters of praise from company executives he was told to pack his tool box and leave. Actually, he was told that he was laid off, but when he went to apply for unemployment benefits they told him he was fired.

He received his unemployment because the personnel at the employment office, after a hearing, found no reason for him to be fired. Then we tried to get his pension. A pension that had at company meetings been described to the employees as theirs, to be release to them when they left the services of the company, whether they quit or were fired. They must have forgotten to tell the employees about the small print, small print back on a page of the document that was never shown to the employees without their request. But since hey didn't know it was there they never requested to see it. Print that did indeed say that he employee was entitled to that pension money, at retirement age. We had been duped. Not only were we mistaken in our understanding, but many other employees that we spoke to were under the same misunderstanding. Until they were fired and tried to get their money out. So where did this leave us? With four children, no medical insurance, no dental insurance, a mortgage, debts and no income. For the next five years my husband and I between us held over ten jobs.

This company that my husband worked for was beginning to systematically fire its middle income employees. They then began to hire part time, and temporary workers, for which they did not have to pay medical or pension benefits. Now all we have to do is wait for twenty more years to see if they are able to survive with my husbands pension money intact. They took from us approximately fifteen years worth of retirement savings, which includes the years that my husband had to work part time, and as a temporary worker, receiving no benefits.We are now, with a great deal of perseverance, hard work, and lots of help and support from family and friends, at a place where ten years ago would not have been so bad. So what can we as Americans do to stop the dismantling of the middle class? I have learned from reading this book and other more personal sources that our government has an appalling disregard for the plight of the American individual.

The rules that regulate are in favor of the upper class. The more money you make the more breaks and benefits you gain. Is there any way to change this trend? There are a great many ideas located in the last chapter of this book, but how to implement them? Write letters. I have found out that the only power that we individuals have is the power of the pen. We elect people to do as we will them to do. If they don't then we have the power as avoting body to oust them. But unless the knowledge that we as students gain is also made available in easy to understand language to the general population, we don't stand a chance. Maybe the students in sociology classes all over the country should unite in an effort to create change by writing letters as a class to elected officials, asking for change and reform. One thing I do know though is that unless something is done the common cry of the people will be "bend over Americans, here comes the tax man!"

By Patricia Welk



Cons.

- his desperate last-minute labeling of the democratic candidates as Bozo and Captain Ozone - was visible as buffoonery, as an attempt to substitute name-calling for thoughtful discussion. That is the difficulty conservatives must now meet.

Becausethey have violated thoughtful discussion and simply insisted on chanting their old mantras, their movement has been usurped by people who behave like adolescent busybodies. Mainstream conservatives must quickly resolve how they will address both the world and the right-wing albatross hanging around their neck; otherwise, both in the United States and in Europe, their sincere concerns may get lost in the din of neo-fascist rumblings concentrates on people and ideas, it cannot disagree the economic security and status desired by students. Students must learn how to integrate their liberal arts education with their professional studies and apply their overall learning to the practical scene. To provide our students with employment opportunities we need to integrate our liberal-arts education with professional knowledge. However, we should not forget that we are not in business to merely develop human capital to fill employment slots. Through liberal-arts education we can encourage our students to develop a sense of social responsibility and service to others, solve problems of those who lack the resources and access to political power to alter their situations.

Steve Applebaum

Reagan?

Religious Right token bone every now and then, but on economic policy. And make no mistake, economic policy has always been the heart and soul of the Reagan Republicans. In return for their vote these groups expected as they were promised that their communities would be protected from threats, no matter how ignorantly perceived. What they go was the wholesale (no pun intended) commitment to profits over communities. If making a profit meant an entire town would have to be shut down, too bad, because to these Republicans money talked and suckers walked when they did, right down to the unemployment line. Let me conclude by stressing that this has not been an attempt to act as an apologist for the conservative cause, or even debate the merits or deficiencies of conservative theory (that paper at another time). Rather, it has been an attempt to make clear that,whatever the merits of conservativism, the policies of Reagan Republicans were based on capitalistic motives and not on conservative principles.

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