

## The Middle Class

There have been repercussions before and during this recession that spell an ominous forecast for the economic future of the United States.

Where have the manufacturing jobs gone? In 1980, around 30% of middle class jobs were in manufacturing and now that number is less than 10%. There are reasons for this of course: union benefits out of line with manufacturing costs, the basic cost of living in the United States, bottom line management of assets by moving manufacturing to low labor cost countries and probably many more.

From the conservative right there are arguments:

- Free Trade should be left alone to adjust dynamically. Any government intervention is doomed to failure because of inefficiency.
- Lowering taxes will make more money for companies to invest so it will trickle down to middle class jobs and salaries.
- New jobs will be created through new industries not yet invented.

From the liberal element comes:

- The dynamics of unfettered free trade has demonstrably failed. Even the former chairman of the Fed, Alan Greenspan, admits greed triumphs over self regulation.
- There have been large government project that were demonstrably effective and efficient: Social Security, the Apollo project, Medicare, the military and WPA are examples.
- Even John McCain admitted to Detroit, “those jobs will never come back.” Where will the new jobs come from?

All the arguments have some validity taken out of context and that is part of the problem. The economy is not predictable right now. All the economic models blew up when many banks and insurance companies were in danger of going belly up at the same time, much like the Savings and Loan industry in the 1980's.

We are sailing in uncharted waters now. This situation is substantially different than the days of the Great Depression because we are now in an intertwined world economy that has no chance of being controlled much less predicted.

Here are my concerns. The United States invented the consumer driven marketplace after WW II. It comprises an astounding 70% of our economy. Manufacturing jobs have been going to countries with lower labor rates: Mexico, India, China, the Philippines and Indonesia. So, unfortunately, are service jobs and even highly skilled jobs like computer programming. Because of these new imported businesses, thus jobs, these countries are beginning to grow a middle income class who can afford to buy consumer goods previously unavailable to them. New markets to sell to, right? Isn't that a good thing?

It can be argued that it is a good thing at least for the bottom line of the businesses and investors who are exporting their jobs. But with our manufacturing jobs leaving forever...see IBM's latest push to unload their domestic employees....where do the new jobs come from? Building? It will be some time before large scale home building comes back to normal and then will it be a new "normal?" Agriculture? I think not. The unskilled agribusiness labor is being taken by imported labor, legal or not.

The really unwelcome conclusion is this: it is theoretically possible for US companies to become rich by manufacturing and selling their products and services to other, more vigorous and growing consumer economies and at the same time unemployment in the US remain high. I'm not trying to make a political argument here. I really don't see a solution on the horizon for middle class income in the US.

In fact, I wonder if consumer capitalism depends on growth and the best economic days of the United States are in the past. We invent economic opportunities, computer technology, for example, and eventually others produce them more economically. Perhaps consumer capitalism will stagnate in those countries too eventually for the same reasons: a cost of living that cannot sustain competitive products with home grown labor.

Of course we could overtax these rich companies and have them move entirely to other countries. That will teach them.