

Stagnant Middle Class, Super-Rich Rise Drain Economy

“It’s the economy, stupid” was Bill Clinton’s successful presidential campaign slogan in 1992.

Economics began as the science of political economy, but now most conventional economists regard the economy as a quasi-autonomous area of human interactions, shaped by trade and technology far more than politics.

How refreshing, then, to discover two recent books by Nobel Prize-winning economists - Paul Krugman and Joseph Stiglitz - who emphasize the role that politics has played in bringing the American economy to where it is today.

(In the interests of transparency, let me say that I have not read either book, only browsed them in bookstores and read some reviews.)

We all know that the biggest transformation in the U.S. economy since the 1980s has been the stagnation of the middle classes and the dramatic rise of the “1 percent” - the “super-rich” to which men like Mitt Romney belong.

In the five years to 2007, the top 1 percent seized more than 65 percent of the gain in U.S. national income.

In 2010, their share was a staggering 93 percent. This did not create greater prosperity for all; on the contrary, much of this gain was “rent-seeking behavior,” taking wealth from others rather than creating new wealth.

In the last three decades, while the bottom 90 percent have seen their wages growing by 15 percent, the top 1 percent have seen wage increases of 150 percent.

When Republicans talk of wanting “limited government,” what they really want is a government that subsidizes the rich, that panders to big business rather than

helps meet the basic needs of the majority.

Those who use the language of self-reliance and equal opportunity are usually parasites themselves, feeding off inherited fortunes or the labor and sacrifices of others.

In 2008, insurance giant AIG was bailed out to the tune of \$150 billion by U.S. taxpayers - more than the total spent on welfare to the poor in the entire period 1990 to 2006.

Stiglitz, among many others, has documented the way the U.S. government regularly subsidizes economic activity that has real costs for both the U.S. and global society - whether by failing to require companies to pay a tax on their carbon emissions or allowing billionaire hedge fund managers to pay taxes at rates far lower than those affecting middle-class families.

Government-subsidized agribusiness giants wreak havoc on American farmlands. They also contribute massively to rural poverty in other parts of the world.

The spectacular profits of the U.S. energy industry rely heavily on what economists call "negative externalities:" costs that the rest of society pays for (e.g., climate change, environmental degradation) but which do not appear on the accounts ledgers of the corporations that are responsible for those costs.

Similarly, the aggressive trading that goes on in Wall Street creates huge risks for the economy as a whole.

Yet, without effective regulation, the people who bear the costs are the struggling millions who are thrown out of their jobs or their homes or both.

Putting a stop to these and other forms of rent-seeking behavior would thus promote both efficiency and greater equality.

Both Stiglitz and Krugman are passionate about the need for political reform. They lament the growing isolation of America's economic and political elite from

the struggles of ordinary Americans.

A majority of Americans have consistently told pollsters that creating jobs is a much higher priority than tackling the deficit.

And when asked how deficits might be reduced, the public strongly endorses increasing taxes on the wealthy and cutting defense spending. But these opinions cut no ice in Washington.

Democracy in the United States is now largely a sham. The U.S. Supreme Court has interpreted the U.S. Constitution in a way that removes all restrictions on campaign spending.

What this amounts to is that rich U.S. individuals and corporations can buy presidents and congressmen.

The support of a billionaire now counts vastly more than that of an ordinary citizen, making a mockery of the principle of "one man, one vote."

Moreover, as the Princeton political scientist Anne-Marie Slaughter has pointed out, "Both major U.S. parties routinely use their power when they win to redraw electoral districts' lines to favour themselves and hurt their opponents. And, in some states, the Republican Party is openly trying to impede voting by requiring citizens to show official photo identification, which can be difficult and expensive to obtain. These requirements are a new version of the poll tax, which Democrats in the American South used for years to disenfranchise African-American voters."

I have criticized Obama often enough in this blog for his use of extra-judicial executions, unpiloted drones (imagine the response of the U.S. citizenry to daily terror inflicted by Iranian or Pakistani drones on their towns), and the failure to close down Guantanamo Bay and prosecute all those responsible for sanctioning torture in Iraq and Afghanistan.

But, on the domestic front, he deserves some sympathy. He has had to battle racial prejudice and religious phobias. To get the Affordable Care Act through

Congress, he has had to confront well-financed defenders of the status quo, and compromise with major industries like pharmaceuticals and insurance.

But, given his failings, how any sane person can vote for Romney/Ryan simply baffles me! One belongs to the class of tax-dodging parasites. The other proclaims himself to be an unashamed devotee of Ayn Rand's militantly atheist creed of glorified selfishness and ruthless greed.

And they both have absolutely no understanding of the world beyond the U.S. One cannot imagine deeper depths of moral bankruptcy and intellectual sterility to which the Republican Party can sink.

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