

# WORKING THE PIVOT POINTS

TO MAKE AMERICA WORK AGAIN

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# Preface: Pivot Points in Perspective

*I want to talk to you tonight about a fundamental threat to American Democracy . . .*

*The threat is nearly invisible in ordinary ways. It is a crisis of confidence. It is a crisis that strikes at the very heart and soul and spirit of our national will . . .*

*Confidence has defined our course and served as a link between generations. We've always believed in something called progress. We've always had a faith that the days of our children would be better than our own.*

*Our people are losing that faith, not only in government itself but in the ability as citizens to serve as the ultimate rulers and shapers of the democracy.*

President Jimmy Carter spoke those words in his “Crisis of Confidence” speech—later labeled his “malaise” speech—delivered from the Oval Office on July 15, 1979, at the height of the country’s energy crisis and with inflation spiraling out of control.<sup>1</sup>

## **THE CONFIDENCE GAME**

President Carter’s comments could have been used to describe the American condition in 2012. Neither President Barack Obama nor

Governor Mitt Romney uttered anything similar, however. In fact, they both expressed great confidence in America's future because of their confidence in the American people.

The American people, on the other hand, did not necessarily share the president's and the governor's confidence. Various polls taken in the last few months of the campaign cycle showed this to be the case. For example,

- A Pew Research Center report released in August 2012 indicated that "85% of self-described middle-class adults say that it is more difficult now than it was a decade ago . . . to maintain their standard of living." And, "43% of those in the middle class expect their children's standard of living will be better than their own." That compares to 51 percent of those surveyed in 2008.<sup>2</sup>
- Another Pew Center report released in September 2012 revealed that the number of people who classified themselves as "lower middle" or "lower class" had grown from "a quarter of the adult population to about a third in the past four years." Only 51 percent of those who saw themselves as lower class said that "hard work brings success." The report found 41 percent thought their children's standard of living would be "better" than their own and 35 percent predicted it would be "worse."<sup>3</sup>
- A Gallup poll released in late October showed that "For the first time in more than five years slightly more Americans are feeling financially better off than they were a year ago, rather than worse off, by 38% to 34%." That was good but not great news. One-third of the population that is "worse off" is still a lot of unhappy people.<sup>4</sup>
- Consumer confidence as measured and reported by the Conference Board also was up in October, to 72.2 percent. Again, that was good but not great news.<sup>5</sup> As *Bloomberg Businessweek* pointed out, "The consumer confidence index has fluctuated sharply this year. It's fallen five times in the past nine months . . ." And, "the index remains well below the reading of 90 that indicates a healthy economy."<sup>6</sup>

An October *Wall Street Journal/NBC News* political poll disclosed that these diminished circumstances and shrunken confidence caused

registered voters to put an increasing importance of the outcome of the presidential election. Of those surveyed, 55 percent said “who wins the upcoming election” would “make a great deal of difference” in their lives.

Commenting on those results, Ezra Klein noted, “That’s a 10 percentage point increase over the 2004 election, and more than double the percentage of voters who felt that way about the elections of 1996 and 1992. The stakes this year are higher—and most voters know it.”<sup>7</sup>

While the voters knew it, many of those in the political class preferred pointing fingers and blaming one another. Those in the chattering class confined themselves to repeating the same tired old messages within their own echo chambers. When it came to depicting the full reality and the seriousness of our condition, the dominant sound was silence.

In spite of this lack of public acknowledgment by most in leadership positions, the nation and its citizens had moved beyond malaise. Our state at the end of 2012 remained one of misery, melancholy and mania. The country was at a major pivot point. We ignore it at our peril.

## **AMERICAN MISERY**

In terms of misery, the numbers by themselves tell only part of the story. They take on meaning when they are put into context. Consider the following:<sup>8</sup>

- **7.7 percent**—the official unemployment rate in December 2012. The unemployment rates in December 2009, December 2010 and December 2011 were 9.9, 9.1 and 8.5 percent, respectively. So, there has been slow progress and positive movement. Unfortunately, the real unemployment rate is almost twice that reported when people who have fallen out of the workforce are considered. And, when workers who are in undernourished jobs have reduced wages or hours or are temporary in nature are considered, the job-constrained employment number grows to about 25 percent.
- **15.0 percent**—the official poverty rate for 2011. The poverty rate dropped slightly from 15.1 percent for 2010 when it was the highest that it had been in more than five decades. The 15.0 percent

places 46.2 million in poverty and translates into 1 in 7 Americans living in poverty. And this number does not even include the millions of working poor who are above the poverty threshold.

- **51.0 percent**—the percentage of American adults who occupied the middle income tier in 2011. In 1971, this percentage was 61.0 percent. The middle income tier took in 46.0 percent of total U.S. income in 2011 compared to 62.0 percent of the total 40 years ago.
- **61.8 percent**—the percentage of job losses in the fourth quarter of 2010 that came from small businesses. In that same time period, small businesses only created 54.1 percent of all new jobs. That was the first time in recorded history that small business job losses were higher than jobs created.
- **39.0 percent**—the decline in the median net worth of American households between 2007 and 2010 from \$126,400 to \$77,300. According to the *Washington Post*, “That puts Americans roughly on a par with where they were in 1992.”
- **2.2 percent**—GDP growth in the United States in 2012. That compares to 2.4 percent growth in 2010 and 1.8 percent in 2011. The numbers remain positive but anemic. While we had not technically fallen back into a recession, to many Americans it felt like it. We need to get GDP above 3.4 percent to start a job-creating recovery.

It’s been said that misery loves company. That truism is borne out by the fact that most Americans are in this economically distressed state together.

Median household income, adjusted for inflation, declined for the fourth straight year in 2011 to \$50,054. 2009 was the first time in recorded history that the annual median household income did not increase over the year before. The real median household income has fallen 8.1 percent since 2007.

It gets even worse. Here is a stunning statistic: *50 percent of U.S. workers earned less than \$26,364 in 2010.*

A study released by The Rockefeller Foundation in 2010 substantiated that economic insecurity in the United States is not of recent

origin and is intensifying. The study notes, “it appears that more than 60 percent of the American public experienced at least one drop of 25 percent or larger in their annual income over the decade ending in 2006. In short, economic insecurity appears more the rule than the exception in American life and more so over time.”<sup>9</sup>

Misery is not just financial. It’s psychological as well. The emotional impact of a job loss or significant reduction in earnings can have a significant impact on a person’s attitudes and perspective on life. The Gallup Organization has been collecting daily data on self-reported well-being on 1,000 Americans each day since January of 2008.

Angus Deaton of Princeton University conducted a longitudinal review of that data in 2011. Not surprisingly, Deaton found that “In the fall of 2008, around the time of the collapse of Lehman Brothers, and lasting into the spring of 2009, at the bottom of the stock market, Americans reported sharp declines in their life evaluation, sharp increases in worry and stress, and declines in positive affect.” Surprisingly, Deaton also found that in spite of continuing high unemployment, by the end of 2010 “these measures had largely recovered, though worry remained higher and life evaluation lower than in January of 2008.” There was a startling caveat to Deaton’s findings, however. He reported that asking political questions before the life evaluation question reduced the positive evaluation “by an amount that dwarfs the effects of even the worst of the (financial) crisis.”<sup>10</sup>

In other words, what is going on in the political arena is definitely another pivot point. When bad things happen there—which is almost all that has been occurring politically for the past two years or even longer—it makes average Americans feel more miserable about their lives.

## **AMERICAN MELANCHOLY**

Given these conditions, is it any wonder that so many Americans were wistfully looking backward and longing for the good old days? Two aptly named books that came out in 2011 captured the melancholy mood of the country: Thomas Friedman and Michael Mandelbaum’s *That Used to Be Us*;<sup>11</sup> and William Harris and Steven Beschloss’ *Adrift*.<sup>12</sup>

Friedman and Mandelbaum characterize themselves as “frustrated optimists.” But the picture they paint in their book is not an entirely optimistic one. Early on they comment on the public’s “sense of resignation . . . the sense that America’s best days are behind it.” They also observe, “We are dangerously complacent about this new world precisely because it is a world that we invented.”

Friedman and Mandelbaum are not defeatists, though. They identify the five pillars (education, infrastructure, immigration, research and development, and regulation) that they think we need to build upon to define America’s future. They close their book with a section titled “Rediscovering America,” which calls upon us to “update” or “upgrade” those pillars that have been part of America’s historic success formula.

Like Friedman and Mandelbaum, Harris and Beschloss caution us about complacency writing: “. . . we are forced to ask whether our national complacency has made it impossible to harness our intrinsic talent and reestablish our pre-eminence in the world.” They also identify and recommend critical solutions in areas such as education, immigration, manufacturing and innovation that will help to restore American greatness.

Both of these books were insightful, thoughtful and well-reasoned. They challenged us to break out of the misery and the melancholy by coming together collectively in a shared enterprise between the government and the private sector. The threshold question, however, is the one that Harris and Beschloss ask in the title of the first chapter of their book: “Are Americans Still Capable of Bold Action and Common Purpose?”

Due to the political gridlock—verging on deadlock—that has come to symbolize Washington, DC, and the one-sided actions and viewpoints of the Tea Partiers on the right and the Occupiers on the left, the answer to that question may unfortunately be “No!”

## **AMERICAN MANIA**

When the Tea Party first burst on the scene, it was mistakenly depicted by many in the press as a diverse group of non- or bipartisan citizens who were unhappy with the Great Recession, big government and so-called Obamacare. Based upon their groundbreaking research, professors David Campbell and Robert Putnam have put that myth to bed.



Here's what Campbell and Putnam found about the Tea Partiers.<sup>13</sup> They are:

- Highly partisan Republicans who are more likely than others to have contacted government officials on issues
- Overwhelmingly white
- Unified in holding immigrants and blacks in low regard
- Disproportionately socially conservative
- Desirous of seeing religion play a prominent role in government

Two chilling episodes in early Republican presidential debates provide insight into the Tea Party mentality. The first came when Rick Perry was asked to comment on the 234 convicts who had been executed on death row during his tenure as governor of Texas. As Perry responded that he had no qualms or concerns about his actions, the audience broke out in raucous applause.

The second came in a later debate when Ron Paul was asked by Wolf Blitzer if a man who is terminally ill without insurance should not be treated and allowed to die. Before Paul could get out his response, some in the audience cheered and yelled "Yeah!"

The Occupiers stood in stark contrast and as polar opposites to the Tea Partiers. Where big government was ostensibly the enemy of the Tea Party, the big financial institutions and fat cats were the enemy of the Occupiers.

Unlike the Tea Partiers who closely resemble and walk in lock-step with one another, the Occupiers, who burst onto the scene in September 2011 and then disappeared just about as quickly, were a highly disparate and motley crew. The ingredient that the mostly left-wing group shared in common with their right-wing counterparts was a strong ideology that caused them to take to the streets. The Occupiers were on Wall Street and other streets across the country, but they were neither Main Street nor mainstream.

One of the complaints against Occupiers for their short-lived existence was that, unlike the Tea Partiers, they didn't work inside the system to attempt to bring about change. The question is which is more problematic—a mania that is manifested by one minority group in

large-scale group protests or a mania by another minority group to take over a political party?

The answer is neither and both. When and if mania wins, the middle loses. When the middle loses, America loses.

Experts have said that Americans tend to be center right or center left, depending on the issue. If mania prevails, there will be no center left. Without its center, the nation is hollow and democracy is sacrificed.

## **TIPPING POINTS, TURNING POINTS AND TALKING POINTS**

The confluence of misery, melancholy and mania imperil the future of America and the American dream. They place the country at what we call a major pivot point.

Some might prefer to call this a tipping point, a turning point or a talking point. We strongly prefer the term “pivot point” because pivot point implies that we can “work” on that point and be proactive to bring about positive change to address it.

We define and explain the pivot point concept in the foreword to this book. Let us now talk about these other kinds of points and how they relate to each other and the pivot point.

In science, a tipping point is the “point in which a system is displaced from a state of stable equilibrium into a different state.” A turning point can be defined as “an event marking a unique or important historical change of course on which historical developments depend.” A talking point is a “succinct statement designed to support one side taken on an issue.”

Tipping and turning points refer to a moment when something changes. Talking points, especially in the political sense, are used primarily for propaganda purposes and to make the same argument over and over again, to ensure that nothing changes.

The United States is definitely at a tipping point. We have moved from a state of relatively stable equilibrium to one of uncertainty and instability. We are also at a turning point, of somewhat indeterminate length, that has been marked by the “great recession” followed by a prolonged and painfully slow “recovery.” What we have done and will do

in response to that recession and the erstwhile recovery will dictate America and Americans' future.

### **WHY THIS BOOK? WHY NOW? WHY US?**

This book extends and amplifies the message delivered in our book *Renewing the American Dream: A Citizen's Guide for Restoring our Competitive Advantage (Renewing)*, which we co-authored along with George Munoz in 2010.<sup>14</sup>

*Renewing's* premise was that the United States is a nation at risk and that we are at a critical crossroads. In that book, we observed that the actions that we take in this decisive decade (2010–2019) will determine the future of America and the American dream.

*We decided to write this book because we are in a pivotal period in this decisive decade.* In the first two years of the decade and as we moved into mid-2013, there was measurable and accelerating progress in the economy writ large. There was little, however, in the economy writ small. We witnessed the ongoing misery, melancholy and mania and felt compelled to speak out again.

We wrote our earlier book because we were disappointed and disturbed by the lack of unity of purpose from our leadership after the economic collapse of 2008. We had expected a coming together similar to what occurred after 9/11. That didn't happen. In fact, the exact opposite did. We became more fragmented than ever.

Unfortunately, in the following years, things have worsened. The environment in Washington, DC, became increasingly toxic. The vitriol and animus that flowed outward—across the banks of the Potomac—poisoned citizens' actions and attitudes nationwide.

For the most part, our business executives have been AWOL. Over the past few years, many large businesses have recorded record profits. For whatever reason, companies have not been investing in the United States and banks have been slow to lend. As a result, jobs are not being created and the economy continues to flounder.

And, our democracy is fast becoming a plutocracy. It's the 1 percent against the 99 percent, and the 1 percent are winning handily. Wealth is being redistributed, but it's from the middle class to the very richest

in our society and not the other way around. Income inequality is on a dramatic rise.

In the time frame from 1980 to 2005, 80 percent of the total increase in American incomes went to the top 1 percent. Today, the richest 1 percent take home almost 24 percent of the annual income in the United States, compared to just about 9 percent in 1976. Jeffrey Sachs points out that the last time the distribution of income in the United States was this skewed was just before the Great Depression in 1929.<sup>15</sup>

Highly partisan and divisive politicians, unresponsive business executives and an extremely wealthy class claiming and demanding greater personal returns for themselves—these are the signs of a self-centered and stagnating society. We have written this book to shine a bright spotlight on those warning signs and to provide a framework for counteracting them.

We write this book, as we did our prior book, as concerned citizens who have lived the American dream and who want to make a contribution to seeing that dream sustained for all Americans and not just the privileged few.

As we noted in *Renewing*, “The real work starts when the words stop.” Let us modify that a little bit here.

Only one letter separates word from work. Words, ideas and thoughts can become the basis for work. By concentrating on and working the pivot points, we can translate concepts into action and get America working again. Let’s get to work!