

# The Next Progressive Era

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# Let me describe an era to you...

- Rapid technological change
- Stunning advances in science
- Rising fundamentalism
- Gaping inequality
- Double-digit unemployment
- Networks of violent non-state actors
- Parents fretting over the quality and safety of food
- A health care system in crisis
- Massive consolidation among corporations
- A new era of infectious disease
- New mediums spreading violent and obscene images
- Well organized lobby on behalf of spending on the elderly
- Widespread, nefarious lending practices and rising debt levels among the middle class
- Development of massive, cheap energy sources, and mounting concerns about the environment
- Sound familiar?  
Progressive Era – about a 30 year period beginning with the depression of the early 1890s

## Now let me tell you some of what they achieved...

- Seriously reduced the role of money in politics
- Reformed the health care system
- Dramatically reduced rates of infectious disease
- Tamed the drug industry
- Created a regulatory regime for Wall Street and the banking sector that prevented any need for massive taxpayer bailouts
- This included the Federal Reserve Act, one of the most enduring of all Progressive reforms
- Stopped predatory lending
- Enacted the Pure Food & Drug Act, and the consumer safety movement
- Instituted the federal, progressive income tax system
- Forestalled the growth of terrorism and rationalized immigration
- Engineered a massive conversion to cleaner, cheaper energy
- Restored public trust in government
- Ended child labor, gave women the right to vote
- Revamped public schools
- Installed an ethic of thrift, conservation and public service
- Universalized high school education
- Left no legacy of public debt
- Launched the social work profession through Jane Addams, Ellen Gates Starr, Hull Houses

# A Defining Moment – Next Progressive Era, Next Social Contract?

- Our economic, social, cultural, demographic, and environmental conditions are similar -- but could we achieve what they achieved? At the very least, what could we learn from them?
- Mark Twain is said to have observed that history does not repeat itself, but it often rhymes. Let's hope so.
- Once-in-a-century transformation, promise and peril – *The Next Progressive Era?*
- Hegel: “The Owl of Minerva flies only at dusk.” We can understand an era only at the end of it.
- America's social contract up for negotiation, always following an era of stunning industrial, technological, and demographic change. Three major social contracts so far-
  - First – followed founding of republic, small-scale owners, yeoman farmers
  - Second – followed 1<sup>st</sup> industrial revolution, led to Progressive Era
  - Third – followed 2<sup>nd</sup> industrial revolution, led to New Deal
  - Fourth – what social contract follows the 3<sup>rd</sup> industrial revolution??
- In other words, we're still living with the social contract established in the 1930s – a monumental achievement, but one that no longer reflects the globalized, information-rich, flexible, and mobile world in which we live.

# What do I mean by “Progressive”?

- Changed much over time
  - 1912 election – Republican William Taft, Democrat Woodrow Wilson, Progressive “Bull Moose” Party candidate Teddy Roosevelt all competed to be the best progressive. Wilson, of course, prevailed.
  - Can you imagine Glenn Beck, or Sarah Palin today calling themselves a progressive?
  - Many liberals or Democrats claim to be progressive, but it means many things, a confused term, and for many, not a positive one.
- Original vision – Back then it was meant to protect a way of life – the independent producer, the owner, the business man, the “yeoman” farmer, and the community from forces beyond one’s control. That word dropped out of national lexicon when, in the 30s, the consumer became the ideal America – an era that is coming to an end.
- Today – A government that promotes opportunity, financial independence, strong families and communities, and a fair playing field. Larger economic and corporate forces need to be restrained and regulated to keep the playing field fair so that families and communities have a fair shot at economic independence.
- Not big or small government – whatever size is necessary to realize this vision.

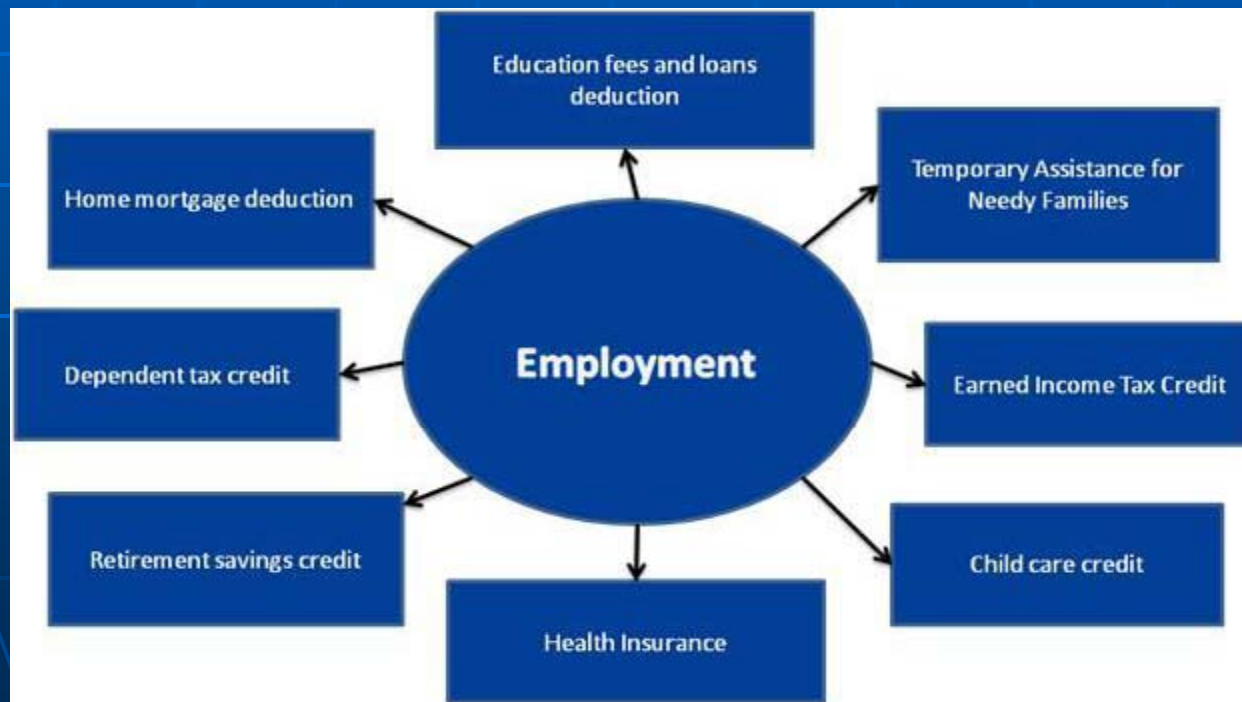
# Symptoms of Our Nation's Broken Contract

- Current recession reflects the end of an economic era – the American consumer as the engine of economic growth
- Zero net job creation between 1999-2009, current double-digit unemployment
- 47 million American uninsured
- Modern monopolies
- Income and wealth inequality – growth not shared broadly. Growing rewards to owners of capital, less to labor
- Stunning levels of inequality by race
- Declining real wages last 35 years
- Stagnant or declining economic mobility
- High levels of poverty – especially child poverty, and poverty by race
- Alarming rates of teen pregnancies and non-marital births

# Social Contract Depends Too Much on Employment

(Economic Growth Program, New America Foundation)

Almost all U.S. social and economic security mechanisms are tied to employment, often through tax breaks. Supports upon which many families depend – such as education and student loan deductions, home mortgage deductions, dependent and child care credits, and even Temporary Assistance for Needy Families, our foremost welfare vehicle – are linked to employment, meaning that laid off workers lose not only their incomes, but other forms of assistance when they become unemployed.



# Current Recession

- Must understand causes of recession to better understand our proposed solutions, which center around two unifying themes of the progressive era – thrift, and yeomanry.
- Our situation is actually closer to the challenges faced by Progressive Era reformer than those faced by the New Dealers.
- The Great Depression of the 1930s was caused by lack of effective consumer demand.
- The next Great Depression – if it comes to that – will have been caused by a consumer driven economy that eventually exhausted its ability to borrow.
- American consumption makes up a stunning 70% of the U.S. economy and 25% of the worlds. We're largely financed that consumption through debt.
- It's important to understand that it's not conspicuous consumption that driving this debt – it's overwhelmingly necessities, the cost of living a basic American middle class life. (Warren)
- But just as families needed to rely more and more on debt to meet their basic needs, "financial crack" hit the streets
- No one heard, or everyone at least ignored, this ticking-time bomb as long as home and other asset values were rising.
- So debt levels rose to dangerous and, ultimately, unsustainable levels: Household debt as a percentage of disposable income rose from 90% in the 1990s to 133% in 2007.
- Households, and the economy, simply could not absorb anymore debt – the cup overflowed, the bubble burst – pick your metaphor.
- Consumption slowed, adjustable rate mortgages kicked-in, people starting defaulting on their home and consumer loans, banks got nervous about the underlying value of their assets, credit got tight, making spending and investment even harder, which further suppressed consumption, and on and on, and we now found ourselves in the mess we're in.



# What Replaces the American Consumer?

(Economic Growth Program, New America Foundation)

- The President has acknowledged that the American consumer can no longer be the engine of economic growth. But what, then, is?
- Nothing will. We just need to prepare ourselves for something like Japan's lost decade, long years of sub-par growth. This may well happen.
- Emerging markets, especially China, will. Pent up demand in China and elsewhere will stimulate global demand and reduce America's trade deficit in the process.
- A third answer is the green economy: A new public consensus about global climate change and about the national security risks of relying on imported oil will create an investment boom in low-carbon energy sources and in clean energy technologies in both the U.S. and world markets.
- A final answer is that a new government commitment to rising wages and increased public investment, including new investments in health care and education as well as public infrastructure, will not only help restore consumer purchasing power but change the composition of U.S. consumer to make it both more sustainable and socially healthy.

# Thrift and Yeomanry

- Hopefully it's not nothing, but some combination of the other three
- But, in our view, a couple of complementary themes should guide a broad range of policies going forward:
  - Two themes central to the Progressive Era
  - Old and musty today
  - But perfect antidotes to households overloaded with debt
  - And a nation in search of new modes of growth and job creation
- Thrift (Ray – see next slide)
- Yeomanry (Phil) –
  - Small scale production and ownership – a producer society
  - Job creation
  - Modern monopolies
  - Pivot to some of the political considerations in moving our ideas forward

# Thrift – then

- Images of thrift today
  - Comeback, but mostly negative
  - Good for households, bad for the economy (Keynes, Paradox)
  - Sofas, baggies, Green Stamps
- Reality of thrift then
  - Life, hope, point of progress. "Wise use," conservation, stewardship
  - Not just money – health, energy, food, diet, natural resources, even one's time
  - Ben Franklin – secret of success. But, for progressives, not just a personal virtue but a deeper, moral meaning – an obligation to conserve all resources for future generations
- Wilson: "We are in this world not to provide for ourselves alone, but for others, and that is the basis of economy — so that thrift and economy and everything that administers to thrift and economy, supply the foundation of our national life."

## Environmental accomplishments:

- Conservation of natural resources added massive areas to the national forests (total of 190 million acres) and to our nation's first zoning laws
- Invented recycling (in the first World War)

## Financial sector accomplishments:

- To battle salary lenders, bank the unbanked, provide financial services for the common man, thrifts and credit unions came into being (Edward Filene, MA 1909)
- Uniform Small Lending Acts 1911-1915 in various states to cap interest rates at 36% - on the books till late 70s-80s, hope to return to today
- Immigrant banks, school banking, financial education

## Health accomplishments:

- Thrift in health – Trimmers clubs, Camp Fire Girls, etc, "CCTs" used
- Thrift in health contributed to Temperance movement – at personal level, and for agricultural production (corn, barley, sugar) Ethanol today?

# Thrift – going forward

- Recession – thrift and savings making a comeback, but it is a fad?
- We're all Keynesians now (Nixon), and have been for three generations
- Yet thrift unites our growing concerns about obesity, chronic disease, debt, inequality, climate change, energy efficiency, threatened species, children...
- Thrift, with Yeomanry, also captures our necessity to generate household and national savings – Obama “save and invest’ economy; Secretary Geithner (“different kind of recovery...we’ll need to save more”); and this week’s Middle Class report from Obama Administration
- And thrift, with Yeomanry, captures our necessity to broaden asset ownership, what we call “asset building” today
- A unifying framework helped then, and it could today

# Five Ideas for the Moving Forward

Job creation, yes, especially in those sectors where employment is likely to grow – healthcare, education and local public services. But job creation alone is not enough to thrive in the 21<sup>st</sup> century economy, and too much of our public safety net depends on employment. Let us:

1. Develop producers, not just consumers. Can we be defined by what we produce, not by just we consume? We must produce more products that the world wants to buy.
2. Build assets, not just income. Property ownership has a long tradition is the U.S. Once dominant, now recessive gene in our DNA. Assets are key to participating in 21<sup>st</sup> century economy.
3. Create entrepreneurs, not just employees. Entrepreneurs are of course the engine of job creation. We ended the decade from 2000-2009 with zero net job creation because we didn't create enough new jobs.
4. Promote thrift – in the broadest possible sense, a new ethic of conservation applied broadly.
5. Build institutions, not just lives. One of the reasons Progressive Era reforms were successful and endured is because they built institutions.