was under $24,000, which meant that fewer than 7 percent of American workers qualified.

A similar surreptitious screwing-by-inaction is how the federal minimum wage was dramatically reduced over time. From the mid-1950s until 1980, the minimum wage had been the equivalent of $10 or $12 an hour in today's dollars. As with overtime pay, the minimum wage was never technically *reduced,* but by 1989 inflation had actually reduced it to just over $7, where it remains today. In other words, it has been the federal government's unspoken decision to cut the wages of America's lowest-paid workers by more than a third, a choice first made during the 1980s when it stopped raising the minimum, then ratified again and again by Democratic as well as Republican Congresses. In addition to keeping costs low for the employers of Kroger cashiers and Burger King cooks and Holiday Inn maids, the lower national floor for pay has the invisible-hand effect of pulling down the low wages of people earning more than the legal minimum.

Economic right-wingers have publicly *reveled* in their squashing of workers' power in so many different ways. Federal Reserve chair Alan Greenspan said in a speech in the 2000s that spectacularly firing and replacing all the striking air traffic controllers in 1981 had been "perhaps the most important domestic" accomplishment of the Reagan presidency.

> [It] gave weight to the legal right of *private* employers, previously not fully exercised, to use their own discretion to both hire and discharge workers. There was great consternation among those who feared that an increased ability to lay off workers would amplify the sense of job insecurity. Whether the average level of job insecurity has risen is difficult to judge.

In fact, it began a cascading increase in job insecurity throughout the U.S. economy that wasn't at all difficult to see and feel and measure.

16

Insecurity Is a Feature, Not a Bug

When I was a little kid, whenever we had to play musical chairs in school or at birthday parties, I never enjoyed it. I hated the tense seconds of waiting for each drop of the needle onto the record. Musical chairs made me anxious and made everyone manic and delivered a nasty set of lessons—life is an accelerating competition of one against all for diminishing resources, survival is just a matter of luck and a touch of brute force, and success is a momentary feeling of superiority to the losers who lose before you lose, with just one out of the ten or twenty of us a winner.

Working on this book, I've thought again and again of that game, how the rules of our economy were rewritten as a high-stakes game of musical chairs, with more anxiety and dread and frenzy. In fact, our economy since 1980 has been a particularly sadistic version of the game, where some players are disabled or don't know the rules, and in addition to winning, only the winners get cake and ice cream and rides home.

The crippling of organized labor since 1980—and the increase in automation and relocating work abroad—helped make most American workers more anxious and uncertain and less prosperous. But there are other ways that increasing insecurity and increasing inequality got built into the political economy and became features of the system more than bugs.

The Friedman Doctrine in 1970 begat the shareholder supremacy movement in the 1980s, which begat an unraveling of all the old norms concerning loyalty and decency of businesses toward employees. *Loyalty* implies treating employees better than the law requires, which was at odds with the new mandates of shareholder supremacy. Replacing strikers was a shock-and-awe swerve, outsourcing work to low-wage contractors a less dramatic form of cold-bloodedness. Both were highly effective means of scaring workers in order to reduce their power and keep their pay lower.

But once the norms changed and a higher stock price became every public company's practically exclusive goal, companies that weren't facing strikes or financial problems also embraced the new ruthlessness. In addition to GE and its rank-and-yank corporate copycats continually, automatically firing a fixed quota of employees, profitable corporations began firing workers in bulk simply to please the finance professionals who constitute the stock market. "In the 1980s," says Adam Cobb, a University of Pennsylvania Wharton School business professor who studies this sudden change in norms, "you started to see healthy firms laying off workers, mainly for shareholder value." IBM, for instance, abandoned its proud de facto promise of permanent employment—starting in 1990, it got rid of 41 percent of its workers in five years, at first softly, pensioning off people fifty-five and over, then after that using straight mass firings. Throughout U.S. corporate culture, it was as if a decent civilization abruptly reverted to primitivism, the powers-that-be in suits and ties propitiating the gods with human sacrifice—which in addition to increasing profits had the benefit of making the survivors cower before the ruling elite.

Other corporate norms that prevailed from the New Deal until the 1980s, in particular those providing *nonunion* employees with fixed-benefit pensions and good healthcare, had been enforced indirectly by the power of organized labor. Because "companies were very worried about unions and the possibility of strikes," another Wharton expert on labor relations explains, "they treated their employees well so they wouldn't join a union. But that is no longer the case. Unions are on the decline. It's easy to quash them if they try to organize. So some managers might not care as much about employee loyalty as they used to."

Jacob Hacker, the Yale political scientist, calls this the Great Risk Shift, the ways that starting around 1980, business, in order to reduce

current and future costs, dumped more and more risk "back onto workers and their families." As a result, "problems once confined to the working poor—lack of health insurance and access to guaranteed pensions, job insecurity and staggering personal debt, bankruptcy and home foreclosure—have crept up the income ladder to become an increasingly normal part of middle-class life."

Health insurance became a standard part of American jobs starting in the 1940s and '50s, and early on the pioneering, not-for-profit, cover-everyone Blue Cross and Blue Shield associations provided most of that coverage. As commercial insurance companies got into the game, having Blue Cross and Blue Shield as their public interest competitors helped keep the for-profit insurers honest, not unlike how the existence of strong unions tended to make businesses treat nonunion employees better. In 1980 the three-quarters of Americans who had job-based health coverage paid very little in premiums or deductibles or copayments. But it's been all downhill from there, thanks to more mercilessly profit-obsessed employers and insurance companies and healthcare providers. More and more of the healthcare industry consisted of for-profit corporations that were more and more subject to stock price monomania. Since the 1990s in many states, Blue Cross and Blue Shield have become totally commercial for-profit insurance companies that (deceptively) continue to use the venerable nonprofit brand name. Moreover, barely half of Americans these days are covered by insurance provided by a breadwinner's employer. The average amount each American paid for medical expenses out of pocket increased by half during the 1980s alone. In 1980 the average family of four spent the equivalent of about $2,700 a year on medical expenses; today an average family of four—$50,000 income, insurance through the job—spends about $7,500 a year out of pocket.

The other existentially important benefit that American businesses began routinely offering in the 1950s was a fixed pension, a guaranteed monthly income for as long as you lived after you stopped working, which would be paid in addition to Social Security. Companies funded the pensions, and they became standard, like cover-almost-everything company-provided health insurance.

But then came the 1980s. I mentioned earlier how the tax code tweak 401(k), which went into effect in 1980, handed a captive audience of millions of new customers and a revenue bonanza to the financial industry.

But this innovation also provided a cost-cutting financial bonanza to employers. They now had another clever way to execute on the new Scrooge spirit: replacing the pensions they'd funded for decades with individual-worker-funded investment plans—self-reliance! freedom!—cost them less right away and cost them *nothing* once employee number 49732 left the building for good.

In a recent study, Adam Cobb of the Wharton School found that just as CEOs started satisfying their new Wall Street über-headquarters and shareholder supremacy dogma by laying off workers, they started getting rid of pensions for the same reason. At thirteen hundred of the biggest U.S. corporations from 1982 on, the more a company's shares were held by big financial institutions like mutual funds and banks—arm's-length overlords who definitely felt no loyalty to any particular company's employees—the more likely that company was to get rid of pension plans that had guaranteed benefits. On the other hand, companies that employed *any* unionized workers were likelier to continue paying pensions to their nonunion workers as well.

"The great lie is that the 401(k) was capable of replacing the old system of pensions," says the regretful man who was president of the American Society of Pension Actuaries at the time and who had given his strong endorsement to 401(k)s. Without any national conversation or meaningful protest by employees—without a union or a Congress that was prepared to step in, how did you push back?—this crucial clause in the modern American social contract was unilaterally eliminated. In 1980 eight out of ten large and medium-size companies paid a guaranteed monthly sum to retirees for life, and *most* American workers retired with a fixed pension on top of Social Security, which the pension often equaled. Today only one in eight private sector employees are in line to get such a pension, and most American workers don't even have a 401(k) or an IRA or any other retirement account. It's yet another route by which the U.S. political economy made a round trip from 1940 to 1980 and then back again.

I mentioned the libertarian Fed chair Alan Greenspan's remark that it was "difficult to judge" if the "increased ability to lay off workers" starting in the 1980s had structurally, permanently increased Americans' "sense of job insecurity."

I am frequently concerned about being laid off. From 1979 through the 2000s, that statement was posed in a regular survey of employees of four hundred big U.S. corporations, each person asked if they agreed or disagreed. In 1982, early in our new national musical chairs game, during a bad recession with high unemployment, only 14 percent of this large sample of workers said they felt anxious about losing their jobs. The number crept upward during the 1980s, and then in the '90s people finally registered that, uh-oh, our social contract had been completely revamped. By 1995, even though the economic moment looked rosy—strong growth, the stock market rocketing upward—nearly half of Americans employed by big business said they worried a lot about being laid off.

In fact, in 1997, a strange new condition kicked in—pay continued to stagnate for most Americans despite low and dropping unemployment rates. A fundamental principle of free markets was being repudiated: the *supply* of labor could barely keep up with demand, but the *price* of labor, wages, wasn't increasing. Alan Greenspan, as he presented his semi-annual economic report to the Senate Banking Committee, mentioned those survey results and testified that the surprising "softness in compensation growth" was "mainly the consequence of greater worker insecurity" that had arisen since the early 1980s, insecurity that was also responsible, he said, for the continuing "low level of work stoppages" by unionized workers.

In other words, employees of the biggest corporations, whose jobs everyone had considered the most secure, were now too frightened of being jettisoned from those jobs to push hard for more pay or better working conditions.

Those data and their implications must've slipped Greenspan's mind later when he found it "difficult to judge" the effects of insecurity on workers' leverage and pay. And he never mentioned, of course, that it was he and his confederates on the right who'd spent the last decades restructuring our political economy to reduce the power of workers and increase their job insecurity. He did say he thought the curious disconnect in the late 1990s—low unemployment but no pay increases—was a blip, that "the return to more normal patterns may be in process" already. But two decades later it remained the not-so-new normal. The long-standing balance of power between employers and the employed was completely changed.

The impact of suddenly higher insecurity was a cascade of more in-

security. Starting in the late 1980s, as soon as Greenspan's beloved new "ability to lay off workers" took effect, the fraction of Americans who actually lost their jobs each year increased by a third and stayed there. At the same time, individual household incomes started roller-coastering down and up and down as they hadn't before. Soon the household incomes of one in eight Americans, poor and affluent and in between, were dropping by half or more in any given two-year period. Between 1979 and 1991, personal bankruptcies tripled (and then doubled), and the mortgage foreclosure rate quadrupled (and then doubled).

At the same time that economic insecurity grew, new sources of economic inequality were built into our system that made insecurity more chronic and extreme. Scores of public and private choices and changes increased inequality, all shaped by the new governing economic gospel: everybody for themselves, everything's for sale, greed is good, the rich get richer, buyer beware, unfairness can't be helped, nothing but thoughts and prayers for the losers.

What happened with higher education is a prime example. College had been the great American portal to upward economic and social mobility, especially public universities, which give out two-thirds of all four-year undergraduate degrees. But in the 1980s, that portal started becoming much harder to get through financially *and* much more financially vital. Meanwhile the rapidly rising cost of college provided a new business opportunity for the ravenous financial industry, which beset graduates (and people who failed to graduate) with debt that made the chronic new economic insecurity even worse. If omnipotent sadists had set out to take an extremely good, well-functioning piece of our political economy and social structure and make it undemocratic and oppressive, this is what their scheme would've looked like.

When I graduated high school in the 1970s, I could've gone with a plurality of my friends to the University of Nebraska, for which my parents would've paid resident tuition, room, and board equivalent to $10,000 a year. But I got into Harvard, so I went there, which cost the equivalent of $22,000 a year, all in. Those prices were typical at the time. They were also the same as they'd been for public and high-end private colleges a decade earlier.

But then around 1980, under the camouflage of high inflation, private colleges started increasing their prices every year a bit *faster* than inflation. Public colleges soon followed suit, state legislatures started cutting university funding, and that vicious cycle picked up speed. In the 1990s the price of a college education ballooned even faster—especially at public institutions—and never stopped.

Since 1981 states have cut their funding of public colleges and universities by half. The real, inflation-adjusted cost of attending a four-year college has almost tripled. That undergraduate year at the University of Nebraska has gone from the equivalent of $10,000 in the 1970s to $25,000 now. The $22,000 that Harvard charged in the 1970s, which my parents could *just* scratch together, now runs $72,000 a year, all in.

Only a quarter of people graduating from four-year public colleges and universities in the early 1990s had student loan debt; by 2010, two-thirds did. Credit had been deregulated in the 1980s just in time for the business of student loans to explode in the '90s. When I graduated college in 1976, the total amount of money lent to students to pay for higher education each year was the equivalent of $8 billion—but by the first school year of the 1980s, it had jumped to $22 billion, and in 2005 it reached $100 billion. In other words, over those three decades, while the number of students grew by half, the amount of money they borrowed each year increased twelvefold. For the financial industry, a small revenue stream turned into a great roaring river. For the 45 million mostly young and youngish Americans who today carry an average of $35,000 apiece in student debt, it's yet another source of economic insecurity that did not exist before everything changed in the 1980s.

From the decade my parents attended college through the decade I attended college, the percentage of all Americans with four-year degrees more than tripled. But then college became terribly expensive, and that constant, rapid increase in people attending and graduating, hard evidence of the American Dream working, slowed *way* down, especially for men.

I'm fairly sure that an American college education today isn't two or three times as good as it was when I went, even though it's two or three times as expensive. Rather, in the 1980s *everything* in America became more of a commodity valued only by its market price, and a college degree was turned into a kind of luxury good, the way it had been back in my grandparents' day. But it wasn't just status anxiety that drove up the price

of college in the 1980s, the decade in which Hermès started selling a certain leather handbag for ten thousand dollars apiece just because it could. A four-year degree simultaneously became an expensive luxury good *and* practically essential to a middle-class life, because the economic value of a degree also wildly increased during the 1980s and '90s.

College graduates had always been paid more on average than people with less education. But that college premium had actually *shrunk* during the twentieth century before 1950, and even after that didn't grow much—until 1980, when it exploded. In the early 1980s college graduates of all ages earned a third more than people who'd only graduated high school. Just a decade later, in 1992, they earned two-thirds more, as they still do. What's worse, for people who don't have college degrees, average real pay has gone *down* since then by 10 or 20 percent. In other words, a college degree became a more essential but also much less affordable ticket to the increasing prosperity that, until 1980, all Americans had enjoyed.

Yet in this century, there's a bait-and-switch lose-lose-lose punchline to the story. Since 2000, with two generations of college graduates having burdened themselves with unprecedented debt to pay for the unprecedented new costs of college, the college-grad income premium basically stopped increasing. Today four out of ten recent American college graduates are employed in jobs that don't even require a college degree. And while college graduates used to accumulate more wealth at younger ages than people without degrees, according to a 2018 Federal Reserve study, the costs of college and of student debt have now erased that wealth premium for younger college-educated Americans.

If the American Dream had one simple definition, it was that hard work led to a better life, materially and otherwise, if not for oneself then for one's children and grandchildren. In the late 1800s, when Horatio Alger published *Ragged Dick* and his other fictional chronicles of upward economic mobility, America's exceptionalism wasn't just a self-flattering myth. Back then a lot more Americans than people elsewhere really did move up the ladder from generation to generation. Our edge over Britain and the rest of Europe was diminishing by the 1950s, but economic mobility remained a real thing in the United States, onward and upward—until 1980.

That change is particularly clear in a recent study conducted by Stanford and Harvard economists. In 1970, they found, almost all thirty-year-old Americans, 92 percent, were earning more than their parents had at that age and older. Among Americans in their early thirties in 2012, however, only half were earning more than their parents had—and for sons compared to fathers, even fewer. That enormous difference over two generations was mainly caused not by slower economic growth, the economists found, but by how American economic growth was shared after 1980. If we'd continued slicing the pie as we'd done from 1940 until 1980, then 80 percent of those Gen-Xers would be earning more money than their Silent Generation parents, instead of only 50 percent.

These days, if you grow up poor in America, you have less than a one-in-four shot of becoming even solidly middle class—one in three if you're white, one in ten if you're black. If you grow up right in the economic middle, the chances are you won't move up at all. On the other hand, if you come from an upper-middle-class or rich household, the odds are strong you'll remain upper middle class or rich as an adult.

When inequality started increasing in the 1980s, separating the fortunate few and the unfortunate majority, it showed up geographically as well: not only were only the rich getting richer, but neighborhoods and cities and regions segregated accordingly. The economist Enrico Moretti calls this the Great Divergence. Before the 1980s, the decade in which gated communities became common, Americans tended to live more democratically. Americans with more money and less money were likelier to live alongside one another.

In 1970 only one in seven Americans lived in a neighborhood that was distinctly richer or poorer than their metropolitan area overall, but that fraction began growing in the 1980s, and by the 2000s it was up to a third. Before the 1980s, two-thirds of Americans lived in middle-income neighborhoods; now a minority of us do, a fact that makes the terms thrown around about the middle class—*disappeared, hollowed out*—seem less metaphorical.*

As the American middle class quickly grew from the 1940s to the '70s, so did economic equality—that is, the income gap between richer

*The good news is that while neighborhoods have gotten more economically homogeneous, they've also become more racially and ethnically diverse. In 1980 the residents of at least a quarter of all U.S. census tracts, each a neighborhood of a few thousand people, were essentially all white and non-Hispanic. Nowadays only 5 percent of white Americans live in such neighborhoods, most of them in rural areas.

and poorer steadily shrank. Interestingly, that same leveling also happened at the same time among *cities*, with wages back then growing faster in poorer places than they did in more affluent ones, allowing people in the laggard cities to catch up. But around 1980 that stopped too. Since then the average salary premiums for jobs in and around economically robust cities have grown to be several times as large as they'd been in the 1970s, tens of thousands of dollars a year more per employee instead of merely thousands. After 1980 college graduates with skills started getting paid less if they lived in and around Cleveland rather than thriving Omaha, or in Stockton rather than thriving San Jose, so they moved.

This Great Divergence is yet another way in which growing economic inequality gets built into the system and becomes self-perpetuating, with residents of richer cities and regions getting even richer while their fellow citizens in unfortunate places fall further behind.

Not only do people who live in Boston or Raleigh or Austin get to choose from better jobs, their wealth also increases more because of real estate prices, which have risen more than twice as fast in cities in general as in rural areas. Superhigh prices for apartments and houses, in turn, mean that it's harder for people from left-behind places to afford to migrate to booming urban areas, which is bad for them and probably for U.S. economic growth too. And people in the booming cities who aren't Internet workers or their masseuses have a much harder time affording to stay. In Seattle in the 1960s, for instance, a typical janitor and a typical lawyer both spent 10 or 15 percent of their incomes to live in an apartment or house they owned or rented; today the Seattle lawyer still pays 15 percent for housing, but the Seattle janitor has to pay around 40 percent.

One of my premises in this book is that a real and mainly good expression of American exceptionalism had been our willingness and eagerness to take on the *new*. That often meant pulling up stakes and hitting the road in search of new work or a new life. To be American was to be venturesome. In the heyday of the so-called American Century, in the 1940s, people were doing that in a big way. The percentage of people who lived in a state other than the one they were born in rose steeply, and it kept rising as the country boomed and became more equal—and then it stopped rising around, yes, 1980. Since then the rate at which people move to a new state or city for a new job has fallen by half, and it is now at the lowest it's been since the government began tracking it. People without

college educations are less likely to relocate, and in just the last decade people in their early twenties have suddenly become stationary, a third unlikelier to move than in the 2000s. Is this new geographic immobility more a cause or an effect of our new economic insecurity and inequality and immobility? Like so many spiraling vicious cycles, it's surely all of the above.

As the disappearance of factory jobs made cities like Detroit and Buffalo losers in the Great Divergence, automation and the digital revolution and globalization made certain cities big winners. Cities with tech companies and lots of college graduates were positioned to grow even faster in this postindustrial age. Unlike most of the other economic changes I've discussed, like shareholder supremacy and ending antitrust and defeating organized labor, this wasn't part of the original strategy of big business and the right. But for them it isn't exactly collateral damage either, because it has been a political boon. So far they've brilliantly managed to redirect the anger of most of the (white) left-behinds to keep them voting Republican, by reminding them that they should resent the spoiled college-educated liberal children and grandchildren of the acid amnesty abortion liberal elite who turned on them and their parents and grandparents in the 1970s.