opinion

What U.S. 'upward mobility'? Elites replicate themselves

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Washington
THE GLOBALIST

It is always intriguing to see an eminent conservative thinker get so hung up in his own empire of thoughts that he can't see how he ends up undermining his own case.

A recent example is George F. Will's article "Welfare state rises as exceptionalism declines" [featured below]. At the beginning of an all-Republican majority U.S. Congress, it is worth examining his argument, since it is designed to provide the sheet music from which all Republicans are meant to sing.

Will starts out his reflection with the ominous assertion that "America's national character will have to be changed if progressives are going to implement their agenda."

For a hyper-traditionalist and history buff like Will, this is a very quick way to run counter to historical facts, in pursuit of claiming conservative thought as the one true American ideology of old.

Memo to columnist: The United States previously underwent a "Progressive" era. It lasted roughly from the 1890s to the 1920s and is associated with venerable Presidents such as Teddy Roosevelt, Woodrow Wilson and Howard Taft.

Given that prior episode of a clearly delineated historical period, America's national character won't have to be changed, just revert to where it once went before.

Is the U.S. experiencing a rising tide of welfare?

Echoing a recent analysis by Nicolas Eberstadt, "American Exceptionalism and the Entitlement State," Will also laments that "America today does not look exceptional at all."

The proof he sees in the data pudding is the rise in needs-based transfer payments throughout the land.

Will's lament brings to mind an old adage of John Maynard Keynes: "When my information changes, I alter my conclusions. What do you do, sir?"

The after-effects of the recent recession are certainly not felt in Will's socio-economic circles, not least thanks to the Federal Reserve's QE program, which boosted the stock market wealth of those happy few Americans with such assets in bulk.

But even as the 2008 recession hit, the top 1 percent of Americans had already captured 23 percent of the national income, up from just 9 percent in 1976. Meanwhile, the average household's annual income growth has been slowing with each recovery.

For much of the 1980s, it was 1.7 percent a year, then 1.4 percent a year in the 1990s and then 0.2 percent from 2002 to 2007. By the time the most recent recession arrived, median income growth had flattened for ordinary Americans so much in the "good" times leading up to it that they emerged on the other side in 2012 making 10 percent less money each year than they had made a full decade earlier.

No question, for those who have made it, America still looks and feels like the Promised Land. But there is a vast flipside to all that glory — those who are truly struggling. Supporting those in need is certainly something that a wealthy society like the U.S. can afford, especially considering the high moral self-perception the rich have of themselves in this land.

Will also helpfully explains that Europe's social democracy advanced since the late 19th century in large part because of rigid class structures blocking upward social mobility. True.

But if even an arch-conservative militarist such as Germany's Otto von Bismarck at the time saw the need to give workers health care, accident insurance and health insurance, one must wonder about one question: Why are 21st-century Republicans in the U.S. still trying to prevent all Americans from having similar coverage?

That's a thought worth pondering at some length, especially since German health care delivery, as it happens, is quite cost-efficient to this day — in sharp contrast to the U.S. case (wholly independent of Obamacare).

The U.S., as Will continues to believe, relies completely on "upward mobility based on merit." But that is exactly the factor that has changed; there has been a loss of economic mobility.

Americans might be confused hearing this. But according to all relevant socio-economic indicators developed by the OECD — where the U.S. government has always played a strong hand in economic data management — there cannot be any doubt that U.S. excellence in terms of social mobility is a thing of the past.

If anything, the U.S. now excels on such 19th-century, rigid European factors such as the self-replication of economic elites.

Of the OECD economies with income data similar to that of the U.S., American social mobility ranks near the bottom. There is a relatively high correlation (0.47) between the earnings of U.S. parents now and the subsequent earnings of their children as adults.

Neighboring Canada, for example, has a much lower correlation (0.19), indicating that poorer children are much more likely to become wealthy adults there than in the U.S.

It is as if the "American Dream" has migrated up north, to become a "Canadian Dream." In the U.S., in contrast, the rich kids stay rich and the poor kids stay poor. Even the more famous (and more literal) form of U.S. mobility — moving freely about the land in search of better economic opportunities elsewhere — has almost come to a standstill.

Many Americans, unable to sell their homes owing to the continuing vagaries of the real estate market or fearful of leaving their employer-tied health plans without another job already lined up, are stuck where they are. They cannot simply set out across the plains to start a new life.

To avoid any misunderstanding: None of what has been said above means that truly talented people, including immigrants, cannot use the U.S. education and entrepreneurship system to strike it rich as the American Dream promised.

But the existence of that birth advantage escalator for some individuals means that being wealthy is by no means just a question of talent and will power.

Any highly developed society with vast pockets of wealth has its polar opposite — really poor people. And while Will and Co. don't tire of beating the old dead "welfare state" horse yet again, they never mention that the abuses that once existed — and which they may well have been right to castigate a quarter century ago — were addressed.

That rightsizing of the welfare state, after all, was done by none other than Bill Clinton, a Democrat, from a humble background.

If there is a resurgence of the level of transfer payments to welfare recipients now, that is not due to any relaxation of the standards under which people qualify for welfare.

Indeed, the bar to obtain and keep benefits remains quite high. It is not a welfare state fantasyland.

Nor is it the result of some sweeping cultural degradation foisted upon the good and hardworking American people by "progressives," as Will ultimately insists. There is little to suggest struggling Americans have become newly enthusiastic about being compelled to seek help — including from the government — to make ends meet.

Rather, a regrowth of transfer payments is a pure function of some obvious and adverse economic developments.

It takes real will and determination not to see the facts for what they are.

Sadly, like Will, the new Republican Congressional majorities are more likely to operate on poverty theories grounded in such avoidances than to confront the challenges with real solutions.

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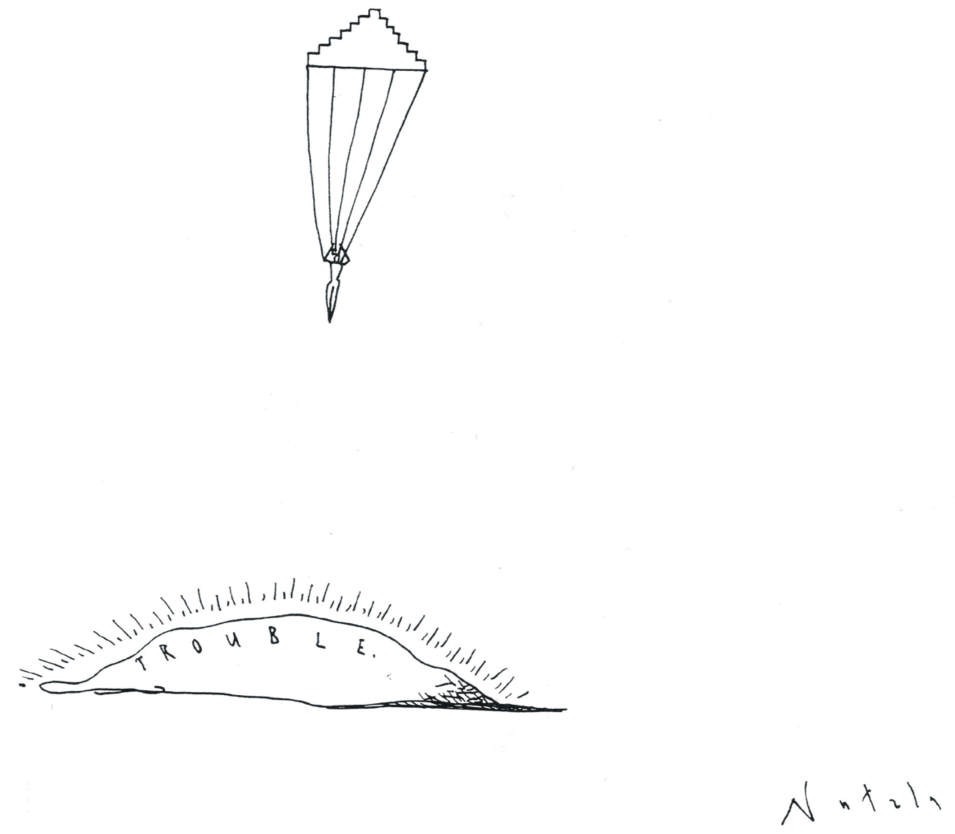
China fights deflation on its own

Yao Yang
Berlin



In his speech at the 2015 World Economic Forum meeting in Davos, Chinese Premier Li Keqiang acknowledged that China's economy is facing strong headwinds. Annual GDP growth in 2014 was 7.4 percent, the lowest rate since 1990. But to stabilize economic growth, he pledged that China will "continue to pursue a proactive fiscal policy and a prudent monetary policy."

China's current economic slowdown was policy-induced. During the last two years, the government has tightened fiscal and monetary policy, in the hope of offsetting the adverse effects of the large stimulus package implemented in response to the 2008 global financial crisis. Li's Davos speech was intended to signal that the Chinese government will not allow the growth rate to slip further.

China's stimulus package was by far the world's largest and most effectively implemented. It stabilized growth in China and moderated the global economic contraction. But it left in its wake some serious problems for the Chinese economy.

Most important, the country's economy has become highly leveraged. Housing prices shot up, real estate developers borrowed recklessly, and local governments became heavily indebted. As a result, broad money (M2) increased rapidly, and now stands at more than two times China's GDP — one of the highest levels in the world.

This flood of money rang alarm bells for Li and President Xi Jinping when they took office in early 2013. The government has since reined in money-supply growth and started to impose limits on local governments' borrowing. Monetary expansion has decelerated. The budget law has been revised to allow local governments to issue government bonds, and their borrowing from commercial banks is being closely monitored.

These policies have raised capital costs, with monetary tightening, in particular, taking a large toll on local governments and real estate developers. Because slower growth forces them to borrow new money to pay their maturing debts, interest rates are bid up, and businesses in the real economy are crowded out, creating a further drag on growth.

Meanwhile, producer prices have been falling, while consumer prices are flat. So, like much of the rest of the world, China is facing the risk of deflation. Indeed, global deflationary pressure would have emerged much sooner had China not launched its two-year stimulus plan in 2008, which boosted investment demand and thus delayed the fall in world commodity prices. Now that the fall has arrived, domestic deflation has become a real threat, particularly given slower domestic fiscal expansion.

That is why China's government would do well to recall the Asian financial crisis of 1997. In response to Deng Xiaoping's famous tour to the south, which provided a needed boost to the reform process, investment increased rapidly in the first half of the 1990s. As a result, China's annual inflation rate soared to an all-time high of 24 percent in 1994. The government's subsequent measures to curb inflation might have engineered a soft landing; but the financial crisis hit China severely, leading to six years of deflation.

The main lesson of the Asian financial crisis — or, for that matter, of any financial crisis — is that deflation is the ultimate threat to recovery. Because the 1997 crisis was confined to East Asia, China was able to escape deflation after it joined the World Trade Organization.

But today is different. The entire world is in the grip of deflationary forces. If China enters the vortex, its trade partners will not be able to pull it out this time. So the key question for China's government is whether the country can do so on its own.

The proactive fiscal policy that Li pledged at Davos will help, but monetary policy also needs to change. The conundrum facing China's authorities is that monetary expansion would merely fuel a run-up in asset prices, rather than resulting in higher credit flows to the real economy.

The blockages used to be local governments and zombie real-estate developers. But that is likely to change this year. Borrowing by local governments will be strictly monitored, and their new debt financing will come mainly from government bonds.

And though most observers believe that China's first-tier cities (Beijing, Shanghai, Guangzhou and Shenzhen) will still struggle in 2015 to digest the huge housing stock they built up in recent years, some second- and third-tier cities have already reached the bottom, and have started to recover.

China is the largest trading country in the world, prompting calls for Chinese leaders to assume greater responsibility for the overall health of the global economy. China's post-crisis stimulus package demonstrated the authorities' willingness to do so.

Likewise, the government's anti-deflation effort will help not only China, but the rest of the world as well.

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Welfare state rises as exceptionalism declines

GEORGE WILL

Washington

America's national character will have to be changed if progressives are going to implement their agenda.

So, changing social norms is the progressive agenda. To understand how far this has advanced, and how difficult it will be to reverse the inculcation of dependency, consider the data Nicholas Eberstadt deploys in National Affairs quarterly:

America's welfare state transfers more than 14 percent of gross domestic product to recipients, with more than a third of Americans taking "need-based" payments. In our wealthy society, the government treats an unprecedented portion of the population as "needy."

Transfers of benefits to individuals through social welfare programs have increased from less than 1 federal dollar in 4 (24 percent) in 1963 to almost 3 out of 5 (59 percent) in 2013.

In that half-century, entitlement payments were, Eberstadt says, America's "fastest growing source of personal income," growing twice as fast as all other real per capita personal income.

It is probable that this year a majority of Americans will seek and receive payments.

This is not primarily because of Social Security and Medicare transfers to an aging population. Rather, the growth is overwhelmingly in means-tested entitlements.

More than twice as many households receive "anti-poverty" benefits than receive Social Security or Medicare. Between 1983 and 2012, the population increased by almost 83 million — and people accepting means-tested benefits increased by 67 million.

So, for every 100-person increase in the population there was an 80-person increase in the recipients of means-tested payments. Food stamp recipients increased from 19 million to 51 million, more than the combined populations of 24 states.

What has changed?

Not the portion of the estimated population below the poverty line (15.2 percent in 1983; 15 percent in 2012). Rather, poverty programs have become untethered from the official designation of poverty: In 2012, more than half the recipients were not classified as poor but accepted being treated as needy.

Expanding dependency requires erasing Americans' traditional distinction between the deserving and the undeserving poor.

This distinction was rooted in this nation's exceptional sense that poverty is not the unalterable accident of birth and is related to traditions of generosity arising from immigrant and settler experiences.

Eberstadt's essay, "American Exceptionalism and the Entitlement State," argues that this state is extinguishing the former.

America "arrived late to the 20th-century's entitlement party," although the welfare state's European pedigree traces from post-1945 Britain, back through Sweden's interwar "social democracy," to Bismarck's late-19th-century social insurance.

European welfare states reflected European beliefs about poverty: Rigid class structures rooted in a feudal past meant meager opportunities for upward mobility based on merit.

People were thought to be stuck in neediness through no fault of their own, and welfare states would reconcile people to intractable social structures.

Eberstadt notes that the structure of U.S. government spending "has been completely overturned within living memory," resulting in the "remolding of daily life for ordinary Americans under the shadow of the entitlement state."

In two generations, the American family budget has been recast: In 1963, entitlement transfers were less than $1 out of every $15; by 2012, they were more than $1 out of every $6.

Causation works both ways between the rapid increase in family disintegration (from 1964 to 2012, the percentage of children born to unmarried women increased from 7 to 41) and the fact that, Eberstadt says, for many women, children and even working-age men, "the entitlement state is now the breadwinner of the household."

In the past 50 years, the fraction of civilian men ages 25 to 34 who were neither working nor looking for work approximately quadrupled.

Eberstadt believes that the entitlement state poses "character challenges" because it powerfully promotes certain habits, including habits of mind. These include corruption.

Since 1970, Americans have become healthier, their work less physically stressful, the workplace has become safer — and claims from Social Security Disability Insurance have increased almost sixfold.

Such claims (including fraudulent ones) are gateways to a plethora of other payments.

Daniel Patrick Moynihan, a lifelong New Deal liberal and accomplished social scientist, warned that "the issue of welfare is not what it costs those who provide it but what it costs those who receive it."

As a growing portion of the population succumbs to the entitlement state's ever-expanding menu of temptations, the costs, Eberstadt concludes, include a transformation of the nation's "political culture, sensibilities and tradition," the weakening of America's distinctive "conceptions of self-reliance, personal responsibility and self-advancement," and perhaps a "rending of the national fabric." As a result, "America today does not look exceptional at all."

George F. Will writes a column on politics and domestic and foreign affairs. He received the Pulitzer Prize for commentary in 1977.

'Selma' and the biopic perversion of history

TED RALL

New York

Movies are the historical record. Americans experience the Vietnam War by watching "Apocalypse Now," slavery in "12 Years a Slave," and D-Day through "Saving Private Ryan." A lot more Americans watch historical movies than read history books. Which, when done well, is not a bad thing.

I've read countless books about the collapse of Nazi Germany, but the brilliantly acted and directed reenactment of Hitler's last days in his Berlin bunker depicted in the masterful 2004 German film "Downfall" can't be beat.

When a film purports to depict a historical event, it becomes the only version of what most people believe really happened.

So, as we move further into a post-literate society, misleading historical filmmaking isn't just a waste of 2½ hours. It's a crime against the truth.

The Ava DuVernay-directed film "Selma" is at the center of controversy due to its semi-snubbing by the Oscars — viewed as backtracking from last year's relatively racially diverse choice of nominees — and accusations that it plays loose with history.

Former Lyndon B. Johnson aide and Democratic Party stalwart Joe Califano fired the first shot with a Washington Post op-ed. "Selma," wrote Califano, "falsely portrays President Lyndon B. Johnson as being at odds with Martin Luther King Jr. and even using the FBI to discredit him, as only reluctantly behind the Voting Rights Act of 1965 and as opposed to the Selma march itself."

He's right.

Robert Caro's magisterial four-volume biography of Johnson portrays him as a deeply flawed man, but one whose passion to push for desegregation and an end to discrimination against blacks informed his political career throughout his life, though it wasn't always obvious to his detractors.

It was only after John F. Kennedy's assassination brought Johnson to power — actually, a movie portraying Kennedy as reluctant to support civil rights would have been accurate — that he had the chance to push through both the Civil Rights Act of 1964 and the Voting Rights Act of 1965, which he did aggressively and quickly, despite what he famously predicted would be the loss of the South to the Democratic Party for a generation or more.

Johnson gave J. Edgar Hoover's FBI too much latitude, which Hoover used to harass King, but there's no evidence that, as the movie depicts, it was LBJ who ordered Hoover to send audiotapes of King having sex with other women to his wife. And let's be clear: every important conversation in the Oval Office was being taped. We have the transcripts. We would know if that had happened.

Califano takes his defense of his former boss too far when he says "[the march on] Selma was LBJ's idea." Otherwise, the facts are on his side: The LBJ in "Selma" is not the LBJ whom King knew. Fans of the film argue it doesn't matter.

"Did 'Selma' cut some corners and perhaps tilt characters to suit the needs of the story? Why yes — just like almost every other Hollywood biopic and historical film that has been made," the media writer David Carr writes in The New York Times.

Yes, in a movie the story is the thing. It's hard to imagine "The Queen" — about the inner workings of the British monarchy and its relationship to then-Prime Minister Tony Blair in the aftermath of the death of Princess Diana — working without a lot of made-up dialogue between the principals. However, the great detail of these obviously private conversations signals to the audience that they don't come out of a transcript, and that we must be witnessing a fictionalized account.

There comes a point, on the other hand, where so many corners get cut and so many characters get tilted that a film ceases to resemble history and enters the territory of complete fabulism and, in the case of "Selma" and LBJ, retroactive character assassination.

The clash between MLK and LBJ — King pushing, Johnson resisting — isn't merely some extraneous detail of the script in "Selma." It's the main plot of the film. It didn't go down like that, yet thanks to this film, a generation of Americans will grow up thinking it did.

Alyssa Rosenberg of The Washington Post repeatedly calls "Selma" "fiction." To her, apparently, film is always fiction. But it's not. Like books, film is a medium. Film can be nonfiction. Film can be fiction.

"Califano's approach," she writes, "besides setting a odd standard for how fiction ought to work … suggests that we should check fiction for inaccuracies."

As usual, the crux of the debate boils down to an inability to agree on definitions of terms. For those like Rosenberg who believe that all movies are fiction, and movies are just for fun, it doesn't matter that "Schindler's List" depicts showers at Auschwitz spraying water rather than Zyklon B — even though that never happened, and thus serves to understate one of the horrors of the Holocaust.

To the all-movies-are-fiction crowd, "Zero Dark Thirty" is cool despite its completely false claim that torture led to the assassination of Osama bin Laden.

"This is art, this is a film," director DuVernay told PBS. "I'm not a historian. I'm not a documentarian."

That's sleazy. Truth is, her film is being marketed as fact, as she knew it would be, and doing better because of it.

Audiences need a ratings system to separate films that purport to recount actual historical events from those like "Selma," which are fictional tales using historical figures as hand puppets. I suggest that the MPAA institute the following ratings:

- Rated H for Historical: a film that makes a good faith effort to recount history accurately.
- Rated S-H for Semi-Historical: a film that relies on devices like made-up dialogue and encounters, but whose basic plot line reflects history to the best of our knowledge.
- Rated H-F for Historical Fiction: a film in which anything, including the basic plot, can be made up out of whole cloth.

If the movies are going to lie to me, I deserve to know before shelling out my $12.50.

Ted Rall, syndicated writer and cartoonist, is the author of the new critically acclaimed book "After We Kill You, We Will Welcome You Back As Honored Guests: Unembedded in Afghanistan."