Unhappy Americans Look for Culprits

WASHINGTON – The most visible impact of “The Great Stagnation”, (the title of Tyler Cowen’s book provides a good definition for this uninspiring economic era), is that many Western societies, including America, have lost whatever confidence they had in the ability of elected representatives to deliver steady economic growth, and therefore more prosperity. Hence a peculiar mix of revulsion and cynicism towards the “political establishment that failed”, and at the same time completely unrealistic confidence – almost blind faith – in would-be new, non traditional leaders who promise cost-free, total transformation – first and foremost the overnight rebirth of slow-moving economies.

Politicians do not deliver the prosperity they promised

Regarding popular sentiments in the U.S., just look at the stunning outcome of a recent NBC/Wall Street Journal poll. Only 24% of all American polled indicated that the country is moving in the right direction, while 70% believe that we are headed the wrong way.

The problem is that most people, looking for the causes of an anemic economy, now believe that their own personal economic misfortunes are almost entirely attributable to the errors and/or misbehavior of corrupt or incompetent political leaders.

Hence the delusional hope, in many cases absolute certainty, that if we finally “throw all the rascals out”, and replace them with genuine fresh talent, all will be well. Sadly, here we have a combination of bad diagnosis and delusional faith in an impossible cure.

Lack of innovation, constrained opportunities
As Tyler Cowen explains in his book referenced above, the developed world is going through a bad patch of slow growth due lack of innovation. This means that there are very few new economic opportunities created by new technologies.

In the meantime, most Western societies, the U.S. included, are suffering because of the negative consequences of globalization. With hundreds of millions of Asians willing to work for far less money, millions of steady manufacturing and services jobs held by so many Americans migrated to Asia. No chance that these jobs will be coming back. I mean not a chance. Which is to say that anybody who promises to “bring our jobs back” is dreaming, or worse.

Who is guilty of all this?

Anyway, no matter what the real facts are, this is what millions of Americans believe. **Number one:** most U.S. voters have lost confidence in the political and policy-making process as we know it, mostly because “establishment politicians” are unable to deliver improved economic standards. **Number two:** large numbers of voters – large numbers; but not majorities– are willing to take a chance on untested would-be leaders (businessman Donald Trump on the right, and Senator Bernie Sanders on the left) because they are perceived to be “good outsiders”, not tainted by the corrupt Washington establishment; even though one should note that, just like the old establishment politicians, both Trump and Sanders also promise great things at almost no cost. In fact, these brand new would-be Chief Executives promise much bigger and better things.

So, here we have a really bad combination of disgust about what exists and childish fantasies about what the next happy chapter is going to be. It is clear that there would be no **number two** (escapist fantasies about great, flawless leaders), without **number one** (excessive pessimism about the current political establishment).
Loss of confidence

Number one is serious business. Millions of Americans are now convinced that this country is run by an insiders’ game rigged by the special interests who pay for the election of candidates. Once in office, these puppets do exactly as they are told by their paymasters. The accepted story is that the innocent American people are fooled by nice stories told at election time; and then they get just a few crumbs that fell from the table, because all the goodies go to the crooks who paid for the elections of their corrupt representatives.

Disgusted voters

While this is an exaggeration, there is unfortunately enough truth in this generalization, (think of the armies of Washington lobbyists, the “revolving door” always open for retired politicians who want to go into business, the PACs, the convenient tax exemptions), to generate and justify genuine disgust about the whole political process. And this is a real problem.

Let’s not forget that the peaceful self-perpetuation of the American Republic rests on the assumption that most people believe and will continue to believe that we have a legitimate, ethical system that operates in a transparent way, and that this system is run mostly by law-abiding office holders.

People feel cheated

This is not the case anymore. People feel cheated because politicians dis not keep their promises. And there is some truth to this. Indeed, in order to get elected, most candidates for public office routinely promise that they will magically create millions of new jobs. But the honest truth is that elected officials at best can help create a more pro-business environment. No elected officials can create millions of jobs. Looking at our current predicament caused by
aggressive Asian competition and lack of innovation, it should be clear that nobody can reverse new historic trends and major global shifts through legislation.

Politicians cannot fix this problem

No U.S. Senator, Governor or President can reverse the rise of Asia, with its hundreds of millions of low-cost workers who get millions of jobs outsourced from the U.S. simply because Asian workers are happy with much lower salaries, and therefore are more cost competitive. By the same token, no U.S. President can prevent automation from killing hundreds of thousands of factory and now services jobs.

Promising the impossible is immoral. And yet all candidate do it, all the time. Voters believed those who in either party made the biggest promises. But now they do not believe them anymore, not because they understand the truth about “The Great Stagnation”, an epochal change that cannot be controlled, let alone reversed by elected officials; but because they believe that these politicians are personally responsible for their plight.

The accepted narrative is that the masses suffer because most U.S. politicians are in the pockets of the greedy 1% who want to grab everything. Unfortunately, most Americans do not really understand the true dynamics of globalization.

Rigged game

Most voters no longer believe in the establishment because now they are convinced that America is a rigged insiders’ game. According to the simplistic and yet generally accepted narrative, America is still very rich. The problem is that most of the wealth is stolen. Millions of Americans believe that Wall Street and major corporations are making huge gains by willfully sending jobs abroad, while all the cash goes to them, a tiny minority. Meanwhile, corrupt politicians paid by the special interests twist the system so that the greedy few
will keep receiving even more, thanks to customized laws and tax provisions that favor the already ultra rich elites.

**Throw everybody out**

Contemplating this ghastly picture, the disgusted voters are not asking for reforms. No, they decided that the entire establishment needs to be junked. And so, in this most unusual presidential campaign, they turned their attention and hope to outsiders, with blind faith that, once elected, these new leaders will step forward and fix everything, quickly and painlessly.

The fact is that the outsiders, if anything, make even bigger and therefore far more preposterous promises. But millions of voters are willing to believe them, because they appear to be “sincere”. Since they are outsiders, they are not tainted by Wall Street money, PACs, Washington lobbyists, and the dirty business of buying and selling votes. So, they must be real saviors.

**There are no saviors**

Well, they cannot be. And this is has nothing to do with their intentions. It has to do with the limited reach of any public policy. As indicated above, we are going through a bad patch that is only in some measure the result of poorly designed laws and regulations.

Washington cannot make productive innovation happen by legislative or regulatory fiat. Washington can and should promote and support a pro-growth, pro-innovation, pro-business environment. But even assuming that we did this tomorrow, this would be no guarantee of success. Eventual success is about the drive and the ingenuity of smart people who will come up with new technologies, new products and new services. This is a highly desirable outcome; but it cannot be mandated by law.

Aspiring “Political Saviors” cannot and will not deliver
prosperity just because they say they will. Unfortunately, this simple common sense message will not be listened to by people yearning for a panacea.

The old guard is out

At this point, the infatuation is on, and the focus is and will stay on those who promise miracle cures. Sadly the traditional political forces are too discredited. Whatever sensible message about establishing a healthy distinction between realistic and unrealistic expectations they may put forward, they will not be believed.

And why? Well, because for decades they have been in the business of making exaggerated promises they knew they could not keep. For a long time they got away with over promising, because the economy was still growing. But now it isn’t anymore, and so nobody believes them. Hence the rise of the Saviors.