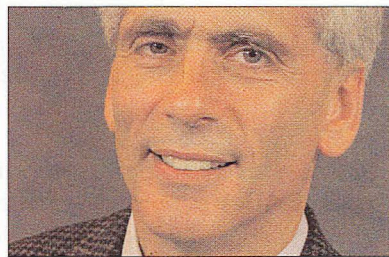


## Jared Bernstein says that we're all in this together.



**America should re-emphasize the common good and the sharing of risks,** says economist Jared Bernstein, not because it's heartwarming but because it produces better results. In *All Together Now: Common Sense for a Fair Economy* (Berrett-Koehler), Bernstein boils down today's opposing economic views into acronyms: YOYO, for "You're on Your Own," and WITT, for "We're in This Together." The pendulum, he argues, has swung too far toward YOYOism, resulting in a dysfunctional government and tattered social safety net. "There's a sense out there," he says, "that the problems of inequality and globalization and meeting the challenges of retirement and illness are too big for individuals to take on by themselves." Bernstein, 50, spoke from the Washington, D.C., offices of the liberal Economic Policy Institute, where he runs the Living Standards program. —MATTHEW BUDMAN

**You note that many Americans have "the vague sense that something is fundamentally wrong" and that the country is "headed in the wrong direction." How do you know that's due to YOYOism?**

Because I see the fingerprints of this political/economic/social philosophy everywhere I look. Once you understand this you're-on-your-own approach to governing, you see its DNA in practically every conservative initiative coming across the transom. It's not a right-wing conspiracy, though—it's more pervasive than that. There's an ongoing risk shift: The risks that we face in a market economy are being transferred from the shoulders of government and employers to workers and their families. Whether it's the challenge of retirement, illness, or a force-five hurricane, government is engaged in a massive, long-term endeavor to shrink the role that it plays in absorbing some of these risks.

I'm arguing that this is not only socially undesirable from the perspective of a majority of people—it's inefficient. There are tremendous efficiencies embedded in risk pooling. If you go the route of individual silos and private accounts, as with Social Security privatization, you will have a more expensive, more cumbersome, less efficient, and ultimately far less useful program in terms of

meeting social needs than if you pool risks.

**It seems as though YOYOs usually make the case that individualism is better not because it produces better macroeconomic outcomes but because it improves the nation's moral fiber.**

I have no idea whether individualism does that or not. Americans strongly agree with the principle that individuals should be able to realize their potential. That's a deeply held value, and it's one that I share. But the YOYO agenda actually undermines individuals; it creates huge inequalities that block opportunities for those who are not in the top 10 percent. For the bottom 90 percent, it's tough to realize your individual potential when your government is not working to solve challenges that are too large for you to face yourself, whether it's globalization, health care, the absence of enough labor demand, or natural disasters. You can't realize your individual potential if you're knee-deep in water in the New Orleans Superdome.

**It's easy to see how, say, Katrina victims would respond to the we're-in-this-together theme. But how do you convince corporate leaders and other elites that they need to change their mindset?**

You don't have to be a corporate titan, a person on the margins, a red-

stater, or a blue-stater to agree that there are tremendous inefficiencies in the way that we're operating. And those inefficiencies are an albatross around the necks of many in corporate America. Health care is a great example: The idea of universal health coverage is no longer a lefty radical issue—it's an issue of international economic competitiveness, and every single advanced economy has figured this one out except ours. Same thing with fiscal policy: It does not help corporate America to have our national accounts so out of balance—I'm talking about the federal budget deficit but also the trade deficit. It's nice to enjoy \$400 billion more government a year than we're paying for, but at some point the grownups will come home and have to set things right. Similarly, we're consuming 7 percent more of GDP than we're producing.

The inequality problem is also not advantageous to corporate America, because the best, most robust recoveries, from corporate America's viewpoint, are those that are broad-based, where growth is widely shared. That creates wage-led demand growth, where workers and families throughout the income scale are doing well and are keeping a virtuous economic cycle of recovery going; such recoveries are longer, they feel better, and they're more profitable in the long

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run. In the short run, you can do great with profits squeezing wages, but it doesn't last.

## **To address some of these larger issues, how much promise is there in public-private partnerships?**

For YOYOs, the standard public-private partnership is, "We give you a tax cut; you do what you want." That's not going to fly forever. We have great national challenges facing us. Energy independence is a perfect example of an area where the public sector and the private sector can get together to attack this, but you can't simply try to create the right incentives and hope it works. The Apollo Alliance is a public-private initiative targeted at energy independence where the private sector gets some incentives, and the cost of those incentives is making a commitment to realize a goal that's critical to society.

## **You note that "YOYOs have a reverence for corporate solutions. They reflexively believe that private firms, acting in their own interest, will promote the wider interests of society as well." Do private firms themselves believe that's true?**

There are a lot of corporate leaders who are trained economists and learned their YOYO economics in the nation's universities, and some of them do believe that left to their own devices, the optimal outcomes will prevail. But if you actually talk to these guys—and I do it as often as I can—a lot of corporate leaders say there's a role for government in creating an environment wherein we can flourish. Some are enlightened enough to recognize it; others certainly live by it. I mean, corporations are a creation of government policy where groups of people get together and are granted limited liability and other structures that are clearly advantageous to them, or they wouldn't have to form the corporation. They have access to capital markets, product markets, and international markets—all constructs that governments create to facilitate commerce. I am a card-

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carrying economist and totally uninterested in taking apart those arrangements. I want to *strengthen* them. But you can't strengthen them if you're starving the beast.

## **Regarding "starving the beast"—deliberately lowering taxes until the government lacks the resources to function—you explain the YOYO movement as having a "real agenda" of shifting risk from collective entities to individuals. But since YOYOs use the language of "the ownership society" rather than talking about shifting risk, aren't you implying that they're all deviously concealing their true goals?**

I certainly don't mean that. It's not fair to blame the YOYOs for shifting risk in the sense that they're conspiring to make life worse for a lot of people. But it's really an issue of contemporary economics. Economics over the past twenty or thirty years has shifted from an overarching goal of most effectively and efficiently utilizing resources to creating optimal incentives for individuals. It's not that big a leap for YOYOs to say, We have a healthcare problem, so we're going to give you a private account, the goal of which is to provide incentives to make you "a better healthcare shopper." I don't make up these words! And in their guts, most people recognize that when you frame things that way the power is tilted against the individual. That's why the proposals to privatize Social Security fell like a lead balloon.

To this day, you have these guys going around saying about the American economy: "What are you complaining about? GDP was 5 per-

cent in the first quarter." Well, real median earnings *fell*. The YOYO blinders are very strong.

## **YOYO policies, you argue, run counter to the shared values created by the Great Depression. Do we still have those values?**

Absolutely, but they're in a deep sleep. Historically, those values have been awakened by big disasters: We pull together when it becomes alarmingly clear that if we don't we'll sink. And if the work of myself and others is successful, it won't take a deep economic upheaval or another tragic natural disaster to remind us that there is an alternative agenda wherein we can work together and push back against these prodigious challenges while preserving and uplifting the ability of individuals to realize their potential.

## **Speaking of natural disasters, you call Hurricane Katrina "a potentially transformative moment." Do you believe it truly changed how people feel about government and the collective good?**

No, not in a fundamental way. But that doesn't mean I'm wrong! What Katrina did was lead to the sense that the folks in charge are not up to the task. It's a crack in the armor of the YOYO machine. And it's not just Katrina—there's another big debacle going on, the war in Iraq. These have led all but the most ideological to question whether the folks in charge have the competency to get the job done and to use the breadth and scope of government to protect us from forces beyond our control. Fiorello La Guardia said that there's no Democrat or Republican way to clean the streets—there's a right way. And it's the same thing with levees and even with foreign policy interventionists. Obviously, things are much more complicated there, but when you invade a country you've gotta have a plan. I do think that the YOYO agenda is hitting the wall as people see its implications, and they're wide open to hearing alternatives. ♦