The Once and Future Worker:
A Vision for the Renewal of Work in America
Oren Cass
New York: Encounter Books, 2018, 258 pp.

In *The Once and Future Worker*, Oren Cass of the Manhattan Institute has written an ambitious, erudite, and timely book on an issue central to our economy and politics: the well-being of American workers, their families, and communities. He deserves high marks for the concept and effort, even though the final execution is ultimately less than convincing.

The central argument for the book, what Cass calls the "Working Hypothesis," is that U.S. policy has wrongly focused on increased consumption and aggregate economic growth. He proposes to reorient that policy to focus on "creating an economy in which workers of all kinds can . . . build fulfilling lives around productive work, strong families, and healthy communities."

Cass flatly rejects Adam Smith's fundamental observation that "consumption is the sole end and purpose of all production; and the interest of the producer ought to be attended to, only so far as it may be necessary for promoting that of the consumer." He argues instead that production comes first: "Production without consumption creates options; consumption without production creates dependence and debt."

The author also rejects the notion that "expanding the pie" through economic growth is key to providing meaningful work, an approach he brands "Economic Piety." He argues that growth is necessary but not sufficient for a healthy society. He attributes the rise of Donald Trump in large part to his "emphasis on the way markets have failed large segments of society." In response, Cass advocates a range of government actions to ensure that work pays for the mass of Americans.

As insightful and nuanced as some of Cass's arguments can be, the book suffers from hyperbole, lapses in basic economic understanding, and heavy-handed policy prescriptions that are mismatched to the needs of American workers.

Cass paints an unduly pessimistic picture of working-class America today. He argues that "a significant share of the population, perhaps even a majority, has seen no gains at all and may now be going backwards." He points to stagnant real wages and household incomes, rising suicides, and falling life expectancy as evidence of "social collapse." American society today certainly has its problems, including the opioid epidemic, but it is misleading to argue that our society is on the verge of collapse or that a majority of Americans, or even a large minority, are falling behind.

As President Trump's own Council of Economic Advisers (CEA) noted in a 2018 report, official statistics on real wages tend to understate the gains of American workers in recent decades. The real wage numbers Cass and others cite suffer from overstating inflation, underaccounting for changing patterns of consumption, and ignoring the growth of nonwage benefits as a share of worker compensation. The CEA also notes that the wages of individual workers tend to rise faster over their working careers than the overall average based on their accumulated skills and experience. Far from stagnating, most American workers have experienced significant gains in earnings over their lifetimes.

The same phenomenon applies to median household income. In a recent *Cato Journal*, William Cline adjusts the historical numbers by using the more accurate personal consumption expenditures as the measure of inflation and by accounting for the shrinking number of people per household. Again, far from stagnation, he calculates that in the past 50 years, real median household income has risen by 50 percent, a record high. In Cline's summary, "The overall implication is that it is a mistake to judge that American capitalism is broken because the middle- and lower-middle classes have seen no gains for decades."

As for broader social disintegration, the real damage inflicted by the opioid epidemic needs to be weighed against the more positive trends of the past quarter century, including declining crime rates, the plummeting rate of teen pregnancies, and the revitalization of many urban centers, such as New York City.

Central to the author's thesis is that American workers are being hammered by imports and immigrants, and therein lies a big part of his solution: "if we acknowledge that while the influx of foreign persons and products can greatly benefit consumers, it can also harm workers, we can even rethink our embrace of effectively open borders."

The problem with blaming the straw man of open borders for the problems of blue collar America is that the facts don't really fit the narrative. First, the number of Americans who compete directly against immigrants and imports is relatively small. Research cited by the National Academies of Sciences, Engineering, and Mathematics in a comprehensive 2016 report on immigration confirms that for native-born Americans with at least a high school degree—that is, for the large majority of workers—immigrants exert modest upward pressure on wages.

Cass is much more sanguine about technology, even though it is far more disruptive of work and production than trade or immigration. Studies by the Center for Business and Economic Research at Ball State University and others have shown that the large majority of lost manufacturing jobs that Cass laments have disappeared not because of imports but because of automation.

Cass's argument suffers from a certain detachment from the actual experience of workers in the economy in mid-2019. Like the late 1990s, the U.S. economy under President Trump has reached full employment after a long economic expansion. The result of the expanded economic pie has been rising real wages up and down the income spectrum. The current phase of the expansion has been especially good for blue collar and minority workers. "Economic piety" once again appears to be lifting most if not all boats.

Prompted by his more pessimistic assessment of working America, Cass lays out an ambitious agenda for government action. Among his more thoughtful proposals: rework environmental regulations so that new plants face the same regulations as old plants, giving producers greater incentives to invest in the nation's productive capacity; emphasize technical training and apprentice programs rather than an exclusive focus on four-year colleges; and reform labor unions into cooperatives that are more like gym memberships than adversarial sidewalk picketing.

Yet the book's exaggerated premises and misidentified causes lead inevitably to a series of wrong and heavy-handed policy prescriptions. Cass approves of the multi-billion-dollar subsidies for such foreign investment as Foxconn in Wisconsin. He wants the U.S. government to flatly forbid companies such as Tesla from setting up production in China and to forbid imports from China that contain U.S. technology (hello, $2,000 iPhones!). He wants millions of illegal low-skilled immigrants to be rounded up and deported.

The book's most sweeping proposal is a "wage subsidy" for lower skilled Americans. The plan would pay workers a subsidy amounting to half the difference between their market wage and $15 an hour. For a worker whose productivity would only justify $9 an hour in the labor market, the subsidy would be $3 an hour, bringing the worker's wage to $12. The worker would have a greater incentive to enter the labor force, without reducing the incentive of employers to hire the worker. Left undeveloped in the book is a funding mechanism for what is sure to be an expensive program, and no research or real-world examples are offered indicating how the plan would work.

Ultimately, the book's emphasis on production over consumption reflects a common mistake that can easily warp public policy. Of course, production is a prerequisite of consumption, but consumption is the ultimate aim of production. Production detached from consumption is a form of servitude. If goods and services become more expensive because of restrictions on trade and competition, real wages will be reduced for tens of millions of American households. To favor the producer over the consumer is a recipe for cartels, cronyism, inefficiencies, and exploitation.

Just consider: Should the health care industry exist primarily for the benefit of the providers—the doctors, nurses, the hospital administrators—or for the patients? Should the education system exist primarily for the benefit of teachers, principals, and librarians, or for the students? Ask the same for the automobile, steel, and oil and gas industries, or the retail and restaurant sectors, and the answer should be obvious: public policy should serve the interest of the consumer. And if that is true for each sector, it is true for the whole economy.

The American system of relatively free, open, and competitive markets has delivered opportunity and higher living standards to the large majority of workers over generations. Granted, the system can be improved, and Cass puts forward some useful ideas. But it would be a mistake to fundamentally alter the policy mix of tax reform, deregulation, stable monetary policy—and expanding trade and immigration—that appear to be working for the large majority of American workers.

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A Century of Federal Reserve Monetary Policy: Issues and Implications for the Future
Thomas R. Saving
Hackensack, N.J.: World Scientific, 2019, 294 pp.

To students of monetary theory and policy, especially those working in the monetarist tradition, Thomas Saving stands as one of the