

The Shrinking Safety Net

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Jacob S. Hacker, a 35-year-old political science professor at Yale, has become something of an intellectual “It boy” in the Democratic Party over the last decade. In 1997, three years after graduating from Harvard College, he published a book analyzing the failure of the Clinton administration’s health care plan. The problem, he wrote, was not that the plan was too left wing, but that it was a hodgepodge of ideas without many natural allies. Hacker then set about finishing his graduate dissertation — on the history of the American welfare state — before writing another book, this one with Paul Pierson, on the Republican rise to power. Although polling data showed that Americans were no more conservative than they had ever been, according to the book, Republicans had won control of all three branches of government by shrewdly packaging their positions and gaming the electoral system.

THE GREAT RISK SHIFT

The Assault on American Jobs, Families, Health Care, and Retirement and How You Can Fight Back.

By Jacob S. Hacker.

240 pp. Oxford University Press. \$26.

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Taken as a whole, Hacker’s work has argued for a muscular Democratic Party that can win elections and improve Americans’ lives through the power of good ideas, rather than one that must triangulate its way into office. Versions of this argument began to move toward the party’s mainstream during the 2004 primaries, when Howard Dean pronounced himself to be from “the Democratic wing of the Democratic Party.” With Joe Lieberman’s defeat in this year’s Connecticut senatorial primary, the movement won its first (albeit tentative) electoral victory.

It is easy to see this intraparty fight as being one simply between the left and the center-left, since a good deal of traditional ideology is involved. But it is also about something more, a growing belief even among Democratic centrists that the economic changes of

the last few decades and the Republican Party's shift to the right demand a new toughness. Merely splitting the difference with their opponents may produce neither smart policies nor winning strategies for the Democrats. Thus, the Democratic brain trust now includes a group of lapsed moderates, like J. Bradford DeLong, Paul Krugman and Joseph Stiglitz, who have come to exhibit the sort of ferocity that helped conservatives during their years in the wilderness. In a way, the comedy of Jon Stewart and Stephen Colbert comes from the same place. It is very much Hacker's place, as well, and just in time for the agenda-setting phase of the 2008 campaign, he has delivered his most ambitious work yet.

In "The Great Risk Shift," he tells the story of the decline of economic security over the last 30 years. Each piece of the story — the slow death of guaranteed pensions, the erosion of health benefits, the time crunch faced by two-income families, the rise of layoffs — is familiar. But Hacker provides an overview, showing common causes and suggesting a solution that revolves around the simple idea of insurance. Just as groups of people, not individuals, bear the risks of hurricanes and car accidents, so should societies bear much of the cost of illness, old age and unexpected job loss. "Over the last generation," he writes, "we have witnessed a massive transfer of economic risk from broad structures of insurance, including those sponsored by the corporate sector as well as by government, onto the fragile balance sheets of American families."

The starting point for Hacker's story is the late 1970's, when global trade was starting to shock American companies out of a complacent prosperity. By the 80's, many companies claimed they could no longer afford to offer the guarantees they once had. Benefits like job security and health insurance began to wither, and with the philosophy of individualism on the rise, Ronald Reagan and subsequent politicians could stand aside without much fear of consequence.

Today, workers must compete for jobs in a "spot market" that resembles a trading floor, where their pay is determined by their skills and the economy's need for them at any given moment. As John F. Welch Jr., the chief executive of General Electric wrote in an internal memo, "If loyalty means that this company will ignore poor performance, then loyalty is off the table." In one nice example, Hacker notes that taxi drivers — like those in the old sitcom — once relied on cab companies for insurance and fuel and then split their take with the company. Today, they lease the taxis from the company, pay their own costs and, when they do not find enough fares on a given day, lose money.

New risks like this exist in nearly every corner of the economy. Families are more vulnerable to a layoff, because many depend on two incomes and the loss of either can be devastating. The proportion of Americans without health insurance has risen almost 25 percent since the late 1980's. The security of pensions has been replaced by the false promise of 401(k) plans, which leave people exposed to some of their worst instincts, like forgetting to save or overinvesting in company stock.

Hacker summarizes the new insecurity with a statistic that has helped make his name in the last few years. From one year to the next, family incomes rise and fall twice as much as they did in the mid-1970's, on average. He refers to this measure as income volatility and points out that a company with volatile profits is far less attractive to stock-market investors than a stable one. In recent months, both John Edwards, the 2004 vice presidential candidate who seems to be preparing a liberal-leaning presidential campaign, and the centrist heavyweights at the Hamilton Project in Washington, like Robert E. Rubin, have promoted this idea of volatility.

At times, "The Great Risk Shift" lapses into the kind of glass-half-emptyism that can cause Democrats to sound out of touch with a normally optimistic country. Hacker quotes one study that claims, "With the possible exception of having a larger array of entertainment and other goods to purchase, members of Generation X appear to be worse off by every measure" than their parents were at the same age. Yet some 40 pages later, he notes — correctly — that Americans live longer than ever and are healthier while alive. He also fails to grapple fully with some obvious criticisms of his ideas; the costs of expanded health care and of a "Universal Insurance" program, for instance, would be formidable.

But the book's biggest flaw is one of politics more than policy. There is little evidence that Hacker has spent much time speaking with the very people who have borne the effects of the changes he describes. Instead, he relies on anecdotes from newspapers, reports and a recent book on poverty, and they are flat in the retelling.

This shortcut matters because it helps explain why Hacker's side has been losing for so long. It still has not figured out how to talk to voters. It has not persuaded Americans, who generally expect to succeed, that they might be well served by more insurance. The antagonist throughout the "Great Risk Shift" is a cult of individualism that Hacker calls "The Personal Responsibility Crusade." As Bill Clinton understood, however, Americans

do not like to be on the opposite side of personal responsibility. This book doesn't move the newly muscular Democrats any closer to finding their happy warrior.

But they are almost certain to get more chances to do so. The changes described by Hacker seem destined to continue, as companies that offer generous benefits, like General Motors and Ford, lose out to those that do not. The patchwork safety net created in the decades after World War II truly is shriveling, and there will be rewards for the party that comes up with a convincing solution. Hacker has done the Democrats a favor by developing a story and a catchphrase — the great risk shift — to describe the problem. Perhaps the next phase of his career will be devoted to finding solutions that can win elections.

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