

Slaves to the wage

David Muir

Economic Dignity

Gene Sperling

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For too long progressive politicians have struggled to manage the trade-off between the politics of production and distribution. Their sterile intra-party battles have centered around the mistaken belief that you must choose between productivity and equity: that more of one leads to less of the other.

The American economist Gene Sperling started out in the 1990s as a New Democrat, a movement in which the trade-off between distribution and production was taken as a given, and had to be managed by triangulation. Unlike some from that era, Sperling has consistently shown the ability to adapt his views as the evidence changes and it was probably that intelligence that allowed him to transition seamlessly from serving President Clinton to President Obama.

In his new book, *Economic Dignity*, Sperling rejects the trade-off between production and distribution that centre-left parties imposed upon themselves. Instead he shows clearly how policies focused on creating economic dignity – paying living wages and giving people agency over their lives – can create a more dynamic economy. He argues that there is no longer a choice between dignity and dynamism, instead there is a flywheel where more begets the other.

Sperling argues that economic dignity should be “the economic North Star” for policy makers, and that it is underpinned by three pillars. First, as he puts it, “ability to care for family without economic deprivation or desperation denying us the most meaningful moments and joys in our most important loving relationships”. Second, “the capacity to pursue potential and a sense of purpose and meaning”. Third, “the ability to contribute and participate in the economy with respect, free from domination and humiliation”.

Leaning more on Martin Luther King than John Maynard Keynes, Sperling draws heavily on King’s last days in Memphis supporting striking sanitation workers, where King argued eloquently that “it is a crime for people to live in the rich nation and receive starvation wages”. Sperling makes an impassioned case for raising the US federal minimum wage from \$7.25 to \$15 and also shows how this would not impede

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economic dynamism and may in fact accelerate it, as employers benefit from a better motivated, more productive workforce.

He shows too how workers are forced to stifle their entrepreneurial desires, by remaining in jobs only because of the employer’s healthcare provision. He points towards research from Georgetown University’s Urban Institute which estimated that 1.5 million Americans would become self-employed thanks to the Obama administration’s Affordable Care Act.

Sperling underlines his point about the false choice between dignity and dynamism by looking at the impact of student loan debt: he outlines how every \$10,000 increase in student debt leads to a 7 per cent decline in the likelihood of starting a business. As student debt has swelled in the US, so has the unproductive financial activity (or “rent-seeking”) needed to pay for that debt, at the cost of long-term growth.

Perhaps the best comes towards the end of the book as the author pulls apart the case for universal basic income (UBI) – a policy beloved by the Davos-set and techtopians – while showcasing the persistence of Dickensian employment conditions in some of the dark recesses of the gig economy.

UBI’s cost is the first strike against it. Sperling claims that a UBI of \$12,000 per adult would result in an annual cost of \$3trn, whereas expansion of tax credits, childcare allowances and other components of his Universal Basic Economic Dignity programme would be \$1.2trn over a ten-year period. The second strike against UBI is the question of motive. He argues that libertarians and some conservatives such as the

political thinker Charles Murray view UBI as a means to remove and replace existing straps of the social safety net.

Like a tide going out, coronavirus has laid bare some of the ugly employment practices that have until now been concealed below the surface. Although the book was written before the crisis Sperling is on excoriating form when he reveals the actions of unscrupulous employers, especially in the meat processing industry. In the US four poultry processors account for 60 per cent of the market, and their power may help explain their employment practices. Sperling tells the story of Dolores, who works at one of those firms: she is frequently denied toilet breaks by her supervisor and ends up having to wear an adult nappy in order to meet her quota. Unsurprisingly, she felt that she had, “no worth, no right to repeal or to speak up... It made me feel ashamed.”

Workers like Dolores in the US and UK have been failed by progressive parties of late. Too often such parties have composed platforms and manifestos with dreary laundry lists of policies cloaked in clichés that speak little of fundamental human values such as decency and dignity. Sperling shows that the question of modern politics is not growth or equity, but growth *and* equity. Not only that, he shows that with a focus on economic dignity, town can be united with city; rural with urban; young with old; and North with South, as these values transcend both place and identity. It is for that reason that this book will end up as required reading this year on both sides of the Atlantic. ● *David Muir was director of strategy to the then prime minister Gordon Brown*