

Opinion & Analysis

Vincent Browne

Why the American dream is just a mirage



There is an impulse to dismiss political rhetoric as just so much blather, harmless blather. But there is much more to it, for very often such rhetoric taps into and works to legitimise certain shared ideas, helping them to achieve the status of unassailable and obvious "truths" that

generate power to persuade a populace of the "common sense" of ideas, that persuade people of the necessity to support policies that, manifestly, are against their interests. For instance, of the "necessity" for huge disparities of power, income and wealth. That "common sense" allows elites to

maintain their power not through force or coercion but through the active and willing consent of the majority of people.

There was much of this in the children's referendum debate, such as children being heard as well as seen, and the stuff about every child matters, masking the reality in our society that every child does not matter and the voices of many children will never be heard, now and when they grow out of childhood.

A striking example of such rhetoric was the victory speech of Barack Obama in Chicago on Tuesday night last week and in one crucial regard particularly.

He spoke of the American spirit, "the spirit that has triumphed over war and depression, the spirit that has lifted this country from the depths of despair to the great heights of hope, the belief that while each of us will pursue our own individual dreams, we are an American family and we rise or fall together as one nation and as one people".

The top 1 per cent of income "earners" get 24 per cent of all income. In 1915, the year of the Rockefellers and Carnegies, the top 1 per cent got just 18 per cent. One nation, one people?

Obama spoke aspirationally about solidarity and Americans looking out for each other but then came the following towards the end of the speech: "I believe

we can keep the promise of our founders, the idea that if you're willing to work hard, it doesn't matter who you are or where you come from or what you look like or where you love.

"It doesn't matter whether you're black or white or Hispanic or Asian or Native American or young or old or rich or poor, able, disabled, gay or straight, you can make it here in America if you're willing to try."

This is what is called "the American dream" and it is probably the strongest line Americans buy into, almost the ethos of the United States, the justificatory philosophy for US capitalism. It is what gives Americans the idea that the US is "the greatest nation on earth".

Several studies have shown this "American dream" is a mirage.

For instance, one (*Understanding Mobility in America*, published by the Centre for American Progress) showed that the US and the UK had the lowest intergenerational vertical social mobility of nine developed countries (the others being France, Germany, Sweden, Canada, Finland, Norway and Denmark).

It showed that children from low-income families have only a 1 per cent chance of reaching the top 5 per cent of income distribution, whereas children of the rich have a 22 per cent chance. It also

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showed that African American children who are born in the bottom quartile of income distribution are nearly twice as likely to remain there as adults than white children whose parents had identical incomes, and are four times less likely than the top quartile.

And yet most Americans believe this is "common sense", even though it is common nonsense.

How different would the US be if a majority of the population believed the American dream was just that: nonsense? Is it likely they would tolerate a system that resulted in such rigid inequalities or vote as president someone who celebrated

that system and an opponent who exemplified it? And how is it that so many Americans believe this when the facts are demonstrably different, even their own experiences, in the vast preponderance of cases, are so demonstrably different?

There is a further insidious kick to what Obama said a week ago in Chicago and it is the last tag of that paragraph: "You can make it here in America if you're willing to try."

So does that mean that for 46.2 million Americans living in poverty (according to the US census) it's simply because they were not "willing to try"? Does that mean that more and more Americans have not been "willing to try" over four consecutive years during which the numbers in poverty have risen (according to the US census)?

And how does this explain that one in five children was in poverty? Was it because they had not been "willing to try"? The great success of societies that are as spectacularly unequal as the US is not just the vast wealth that is accumulated by the rich, it is indoctrination of the populace into believing that this is the best of all possible worlds, and in so far as they are excluded from the wealth of such societies it is because of their own inadequacies.

The system is fine. Just like here.



Time for euro zone to revisit debt default option



Ashoka Mody Opinion

Forced austerity is taking us nowhere. The damage it does to debtor countries is killing EU and world trade

When a country's public debt exceeds 100 per cent of its gross domestic product it enters a zone of heightened vulnerability, says the International Monetary Fund's October 2012 *World Economic Outlook*.

The economic outlook projects that the debt ratios of the five heavily indebted euro zone economies – Greece, Ireland, Italy, Portugal and Spain – will remain over 100 per cent into the foreseeable future, ie at least until 2017. After a decade of fiscal austerity, these nations will still be in the high-vulnerability zone.

Thus, perpetual austerity seems destined to fail. Alternatives include spreading the debt burden across the euro zone members, or asking private lenders to share the pain.

But the possibility of transparent burden-sharing within the euro zone has generated an acrimonious divide, reflected in the language of core/periphery, north/south, and creditor/debtor. And, the option of extending the pain to private lenders has apparently been closed, except as a "too-little-too-late" gesture

made necessary for Greece. So, is the answer doubling the bets on austerity, as the European Commission suggests? No, says the IMF's outlook. For the UK in the inter-war period, it reports, "The policy of fiscal austerity, pursued to pay down the debt, further limited growth. Debt continued to rise... There is no instance of sustained debt reduction without the support of modest inflation or export growth."

History is rewriting its way through the euro zone. In just 18 months (from the April 2011 IMF economic outlook to now), the projected debt ratios of the heavily indebted economies, other than Ireland, have risen. These ratios will rise further as the full extent of the austerity-induced growth damage is revealed.

European debt is spreading its woes through the global economy. The heavily-indebted nations have scaled back imports from other European countries and Asia, with cascading effects on world trade. Europe cannot export its way out of this tangle because Europe is helping drag down world trade. And the elixir of structural reforms to boost domestic growth is a policy myth. Nor are there helpful bursts of inflation on the horizon.

Thus, creditor nations face the looming prospect of sharing the pain.

Day of reckoning

With Greece, the day of reckoning is here. The delay in Greece's private debt restructuring implied that most private creditors were paid with official credit. Lee Buchheit, the attorney who oversaw the eventual Greek debt restructuring, has lamented that the strategy of delay imposed "appalling costs" on Greece and the remaining private creditors. The official sponsors of that delay must now accept they will likely not be repaid in full.

The tussle involving Ireland is more pre-emptive. The collective judgment of Europe was that the debts owed by Irish banks should become the obligation of the

Irish taxpayer. This decision was particularly egregious because a substantial fraction of those debts were incurred by an evidently rogue bank, Anglo Irish. The new government that assumed charge in March 2011 – when private creditors were still exposed to the losses incurred – chose to acquiesce with the prevailing dogma.

Now, cognisant of the high public debt burden assumed as a consequence, the Irish authorities are engaged in a debt-restructuring negotiation with the European Central Bank, offering to repay an obligation to the ECB over 40 years.

The flurry over the direct lending to banks by the European Stability Mechanism is also an argument about sharing the debt burden. The European Summit of June 29th opened up this tantalising possibility. The Irish authorities, support-

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ed by the IMF, saw an opportunity to place some of their burden on the collective shoulders of Europe. But was it a mirage?

The creditor nations now say the June 29th statement was unclear and, perhaps, "legacy" debt would not be assumed by the ESM.

The United States has federally funded deposit insurance for banks, a fiscal union, and a "no bailout" provision; bank rescues are centrally co-ordinated, and states have

historically been allowed to default.

The ECB's Outright Monetary Transactions – the bond-buying programme designed to lower interest rates for crisis-hit euro zone countries – may finesse the need for hard choices.

But if holding the taxpayers of the debtor nations liable remains the centrepiece of the debt-reduction strategy, growth will remain throttled and debt ratios will remain high. The ECB will be sucked further into burden-sharing.

Default option

It is time to revisit the default option. Stunningly little use has been made of bank resolution powers. There are well-known and orderly ways to bring banks' creditors to the table and engineer debt-equity swaps. Similarly, there exist well-established techniques for sovereign debt reprofiling. The notion that markets would be "spooked" has no good basis. True, Lehman is still fresh in the memory. But the Greek debt-restructuring was well received. And resolution of the festering Latin-American debt crisis in the 1980s required a co-ordinated restructuring.

Procrastination is costly. The high debt ratios will perpetuate vulnerability, and episodic surprises will ignite new crises. In pursuing the elusive debt problem, European institutions will be undermined and uncertainty and slower growth will be imposed on the rest of the world.

The default option is economically efficient, it is fair, and it is politically sensible. It may be the only way to hold together an unsustainable structure that threatens to drive deeper divisions and set back the magnificent integration project on which Europe has embarked.

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Broadcasters need to rethink how they are run



Conor Brady Opinion

The newspaper model, with both an editor and manager, should be considered

There are significant contrasts between what has happened at the BBC in the wake of the Savile and *Newsnight* disasters and RTE's handling of its own recent difficulties. There are also some interesting common points in what has emerged and from which lessons might be drawn – if the political will exists.

The defamation of Tory party grandee Lord McAlpine and the misrepresentation of aspects of Seán Gallagher's fundraising for Fianna Fáil both came about through the ingestion of web-based rumour into mainstream news media.

It is difficult to believe there are still media practitioners who do not appreciate or care that this mixture is unstable and potentially combustible.

The BBC's director general, George Entwistle, resigned, acknowledging failure in his role as "editor in chief". He simply did not know what was happening at *Newsnight* when he should have.

In similar circumstances at RTE, director general Noel Curran stayed on.

Under the Broadcasting Act, he too is "editor in chief". The Carragher report makes it clear that he did not know what was going on at *Prime-time Investigates* when the programme defamed Fr Kevin Reynolds.

The contrast appears to confirm the adage that while the British are given to resigning when something goes wrong on their watch, the Irish do not. But Curran did offer to resign.

In refusing to accept his offer, the RTE board no doubt took into account that Curran had established a track record as a businesslike director general, whereas people at the BBC had already begun to question the suitability of Entwistle, just a few weeks in the job. He was already knee-deep and sinking in the Savile crisis.

With the ever-expanding influence of web-based news sources and with the increasing economic pressure on traditional media, it is certain that cases like these are going to occur with more frequency.

Broadcasting and print media have to seek to retain their traditional authority and reliability. But they cannot be oblivious to the reality that in the parallel cyber world, information – some correct and much of it incorrect – is being churned out in unimaginable volumes. The two worlds must, of necessity, interact.

When they do, the web-based media face little or no risk. The stakes are set up against the broadcaster or the newspaper. There is some irony in the fact that it is the established and accountable BBC that now pays the penalty for defaming Lord McAlpine and not the anonymous tweeters and bloggers who misidentified him in the first place.

Entwistle hardly made an effort to defend himself in his resignation statement. But he did make the point that the director general cannot be expected to be familiar with the entire news output of the BBC. Curran has not said anything similar in public. But it would be surprising if he were not to entertain similar sentiments in private.

It is time for broadcasting organisations like the BBC and RTE – and the political establishment that ultimately controls them – to rethink their fundamental structures, notwithstanding the important changes already made by RTE in response to the Fr Reynolds debacle. In particular, the combining of the role of director general with that of editor in chief ought to be examined.

The concept of having a single, identifiable and accountable individual at the top of an organisation became the norm in the 19th and 20th centuries as society became more complex and as the numbers and variety of its institutions expanded.

It was an appropriate model for national broadcasters at a time when they effectively held a market monopoly, when there were one or two broadcast channels, when the business model was simple and when technical innovation was

slow. It is questionable, however, if any one person can reasonably be expected to run the business of a modern national broadcaster, fight off the endless competition, keep pace with technical development, balance the books and at the same time – as editor in chief – be up to speed with everything going on in the newsroom.

It could be argued that the traditional structure that operates in newspapers is more suitable for news media organisations. There is an editor who is responsible solely for content and a manager for running the business. Each carries end responsibility to the board or the proprietor.

There must be the closest co-operation between them. But the structure is clear. There is full accountability.

It is a model that governments should consider when looking to the future of national broadcasters.

To pretend that the job of editor in chief is being done – when in practice this is not necessarily so – is a recipe for disaster.

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