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OPINION | THE WEEKEND INTERVIEW

Conservatives and the Politics of Work

Oren Cass, Mitt Romney's former domestic-policy director, says wage subsidies are an alternative to the current welfare state and the left's universal basic income.

By Jason Willick

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Since election night 2016, liberal pundits have debated whether Donald Trump won because of “economic anxiety” or “cultural resentment.” According to Oren Cass, “these aren’t different things.” The real issue, the Manhattan Institute scholar says, is work. Whether and how people are employed—what their role is in society’s productive system—“is both an economic and cultural question.”

Karl Marx speculated that workers with leisure time would “hunt in the morning, fish in the afternoon, rear cattle in the evening, criticise after dinner.” He was wrong. People out of the labor force—especially men—are more likely to be “sleeping and watching TV” than hunting or fishing, Mr. Cass says. Unemployment, more than any of life’s other rough patches, leads to unhappiness and family breakdown. People want to “know what our obligations are, and feel that we’re fulfilling them,” he adds. When this foundation of society starts to crumble, political upheaval tends to follow.

Those who pin Mr. Trump’s victory on “economic anxiety” often advocate directing more government spending to people the economy has left behind. But, says Mr. Cass, the “further down the income ladder you go, generally speaking, the less enthusiasm there is for redistribution as a solution. People will tell you they want to work.” He adds: “It’s when you get to the top of the income distribution that you find a whole lot of people are basically like, ‘Why can’t I just write a check?’ ”

The most extreme version of this impulse is the idea of a universal basic income—a regular government outlay for every citizen, whether they are working or not. Hillary Clinton’s 2016 campaign workshopped a version of the UBI, and California Sen. Kamala Harris has proposed an expansion of the earned-income tax credit that would have a similar effect. Mr. Cass expects more policy proposals along these lines “once the bidding war among the 2020 Democrats heats up.” He says the UBI trend reflects an ideology that has gained traction in Silicon Valley and among the “technocratic elite” generally, which professes that “we can engineer away all our problems” without political choices that may be uncomfortable for the upper-middle class.



Mr. Cass, 35, has spent most of his life among that technocratic elite. He started as a junior consultant at Bain & Company out of Williams College. A few years later he took a six-month leave to work on Mitt Romney's 2008 campaign for the Republican presidential nomination.

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Afterward, Mr. Cass enrolled in Harvard Law School to deepen his understanding of public policy. “Law school is a lot of fun if you’re not there to be a lawyer,” he quips. He worked for the next Romney operation in 2011 between his second and third years at Harvard, and ended up with so much in his portfolio that at the end of the summer “they sort of said, well, you have to stay.” He became domestic-policy director while still in law school.

Returning to Bain after the election, Mr. Cass started writing on environmental and labor policy for National Review. His work caught the attention of the Manhattan Institute, which hired him as a senior fellow in 2015. His new book, “The Once and Future Worker,” grew out of responses to Mr. Trump’s 2016 victory.

Many public-policy experts, Mr. Cass said, saw the defeat of both party establishments as a marketing issue: “Maybe we haven’t done a good enough job explaining how great everything is.” Mr. Cass disagrees. Can working-class Americans “buy more cheap stuff? Absolutely. And do we now transfer more money to them, so they can buy even more cheap stuff? Yes,” he says. “But their ability to participate meaningfully in the labor market, and to become self-sufficient supporters of families has eroded badly.”

Mr. Cass believes the problems of wage stagnation and low labor-force participation “predate the slow growth” of the Obama years. Since the 1970s, he argues, both parties have shifted away from prioritizing work

and adopted a “grow and redistribute” economic model that leaves low-skilled Americans with fewer opportunities and incentives to secure well-paid jobs.

And no, it isn't because all the jobs are becoming automated. “In almost all cases, technology is a complement” to work, not a substitute—in fact, it increases workers' value. Cases like toll collectors, where machines obviate the need for a human worker, “turn out to be really hard to come up with.” Moreover, new technologies may take decades to be adopted widely. Computers were first developed in the 1940s, he notes, and yet “we're just now figuring out how to actually deploy them effectively in, like, your local HR organization.”

Nor is the decline of less-skilled work a result of the “knowledge economy” and “service economy” crowding out demand for physical goods. “We can see what the richest Americans consume,” Mr. Cass says, “and that marginal income doesn't go to digital downloads and yoga lessons.” Or at least, it “also goes to bigger houses and bigger cars, and more furniture, and more clothes, and more electronic devices.” As society gets wealthier, there will still be demand for physical things. In health care, for example, there has been a well-publicized growth in services, Mr. Cass says, “but there's also a tremendous amount in complex devices, in new and more complex drugs that are more difficult to manufacture.”

Mr. Cass thinks the idea that immutable forces are hollowing out the labor market is meant in part to “absolve the economists and policy makers of any blame” for reducing the viability of less-skilled work. Take environmental policy. “The trade-off that you would strike between environmental quality and industrial activity, if you're earning \$200K in an office,” Mr. Cass says, “is very, very different from the balance that you would strike if you were earning \$35K, and trying to make ends meet in the industrial economy.” Environmental Protection Agency regulations have grown so tight “that Brussels, the capital of the EU, would be the single dirtiest city in the U.S., if it were here,” he says.

Draconian environmental policies are the result of a cost-benefit analysis that discounts the interests of workers. “Environmentalists have essentially consumerized air quality,” Mr. Cass says. “We now monetize the value of clean air as something that you essentially get to consume.” For less well-off households, “the EPA is claiming that the air quality that it is delivering is worth almost as much as all of the market income a household has.”

This is the same thinking that has led some policy makers to believe UBI can be a substitute for work; in both cases, the emphasis is on people's well-being as consumers, not the well-being that comes from having a job and doing it well.

As a result, Mr. Cass says, regulations severely undermine employment in “the segments of society that can least bear them.” Such interventions “may very well have been perfectly appropriate for the situation in the 1970s,” when the Clean Air Act was passed, but they haven't been adapted to America's current social challenges.

Mr. Cass thinks a consumerist bias has similarly led U.S. trade policy with

China astray. Policy makers rightly judge that Chinese trade boosts Americans' consumption power, but they haven't dealt with the harm to the labor market as China systematically steals intellectual property and subsidizes key industries. The Trump administration is right to make Chinese mercantilism an issue, Mr. Cass says, but its response has been ineffectual. Washington needs an international coalition to confront Beijing's bad behavior effectively, "but that becomes very hard to do when you have a Trump administration that's pulling out of the [Trans-Pacific Partnership] and then haphazardly slapping tariffs on Europe and Canada."

Labor policy also is out of sync with a pro-work agenda. Today, "organized labor is primarily a political force, not an economic one," Mr. Cass says. From Democrats' perspective, the purpose of unions is "to take the dues payments from a heterogeneous population—unionized workers are only a few points to the left of the general population—and convert it into completely homogeneous donations to Democrats."

Yet Mr. Cass's belief that private-sector unions ought to play a greater role is out of step with most conservatives' views. One reason organized labor has faded in significance, he says, is that "we make all the rules in Washington." One-size-fits all regulation leaves little room for workers to negotiate. But revamped labor organizations could set their own terms with employers, using the federal law as a default. For example, "a retailer and retail workers might agree, overtime doesn't get paid at time-and-a-half, but also, no more mandatory overtime, and no just-in-time scheduling." This would reduce the burden of federal regulations that stealthily increase the costs of employing people.

But even with such reforms, Mr. Cass says, "there is nothing in economic theory that says that when labor markets settle, we're going to be at a place where we're happy with what the outcomes look like." That's why he advocates a larger wage subsidy to increase workforce participation and low-end wages.

Unlike programs such as unemployment insurance, wage subsidies don't reduce the incentive to work. His imagined subsidy would add a percentage of workers' earnings to each paycheck up to a target amount, boosting the return on their labor. Mr. Cass would pay for this \$200 billion program mostly by redirecting funds from work-replacing safety-net programs. One source of revenue might be Medicaid, which "appears to be worth maybe 25 cents to the recipient" for every dollar the government spends.

Government benefits "can start to get pretty close to what a low-wage job provides in the market," Mr. Cass says. In contrast, a wage subsidy increases the difference in value between social programs and work so that more people choose the latter. He argues that this widened economic gap between idleness and work should be paired with a cultural one, where idleness is stigmatized and work of all kinds is valued and celebrated. Today, he says, "being an employer of less-skilled workers is sort of a straight ticket to the exposé about how your workers don't earn enough money."

Mr. Cass's critics say his laserlike focus on the labor market reflects a hostility to the creative destruction that is inherent in capitalism and

necessary for growth. Why is it the government's business if the wages or employability of a certain class of workers decline? Work determines "whether we feel that we're respected and admired," Mr. Cass says, "and whether we have something that we're good at." Technocrats haven't yet figured out how to redistribute self-esteem.

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