

Disconnect: *Why our politics is so out of touch and what it means for our future*

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Election 2006 was a watershed. With the Democrats retaking the House and Senate, many pundits are predicting the end of the conservative revolution and the resurgence of the Democratic party. But just two years ago, when George W. Bush rode to victory in 2004, pundits and political commentators proclaimed the emergence of a new political order and governing majority. The President himself referred to Karl Rove as “the architect” of this victory, and presumably of an enduring Republican political majority similar to that of nearly a century earlier.

In our view, American politics today is distinguished by one feature: *instability*. In place of an enduring political force such as post-1896 Republican dominance or the Democrats after Roosevelt in 1932, American politics in recent years has see-sawed back and forth. Twelve years of Reagan-Bush were followed by 8 of Bill Clinton, and then Bush and Rove, now this. And, only 6 of those years saw one party with simultaneous control of the presidency and Congress.

This instability, in our view, stems from one primary source: Our economic system has undergone a tectonic shift, to which the political system is still trying to adapt. Just as our politics was recast a century ago by the forces of the Industrial Revolution, so is it being reshaped today by the rise of the technology, innovation and creativity as economic forces. The rise of this innovative, knowledge-based Creative Economy is even more significant and more challenging to politics as the Industrial Economy. Today, this sector accounts roughly a third of the American workforce -- or roughly 40 million workers -- nearly three times the industrial sector and blue-collar working class. What's more, these creative occupations account for the lion's share of all wealth generation, accounting for nearly *half* of all wages and salaries paid in the United States. That's nearly \$2 trillion, or as much as the manufacturing and service sectors combined.

But the creative economy doesn't just generate phenomenal wealth. It also sorts people across new economic and geographical boundaries and generates inequality between and within states and regions as great as that of the early Industrial Revolution. As a result, we're living through a period of tumultuous political adjustment.

While deep and enduring changes in political life can indeed be triggered by sudden events such as the war in Iraq or natural disasters like Katrina, in order for them to have any permanence, they must reflect forces bigger than a natural disaster, however large, or a foreign war, however controversial.

Throughout history, those deeper causes have always had economic roots. As Marx noted, economic change far outpaces a political system's ability to keep up with it. Such periods of political adjustment to economic change can run an incredibly long cycle, and while time appears compressed through the lens of history, there are no automatic solutions or instant realignments. The economic shift caused by the Industrial Revolution

and played out through the 1950s spanned over 7 decades, two World Wars, the rise and fall of fascism and communism, and all sorts of global political unrest.

The eventual alignment between economics and politics is never a *fait accompli*. Our political order is being seriously shaken by a tectonic economic shift, but where the pieces fall remains an open question.

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Political scientists think in terms of “critical” or “realigning” elections, – events which alter and shift political history, bringing to the fore stable electoral coalitions and making one party dominant for a period of time. In our view, the reason these critical elections have often altered the course of American history is not political, but economic; whatever individuals may think – or claim – they’re voting for, taken in the aggregate they choose the party that has adapted to a new economic reality. Not necessarily their own economic interest, but the regional, national, or global economic playing field.

The major critical elections are those of 1860, 1896, and 1932. The 1860 election ushered in the first era of Republican dominance, shaped by the conflict over slavery and federalism. During that first era, only one Democrat took the White House, and the Congress and judiciary were almost as Republican. The 1896 election renewed Republican control, though on different economic grounds – industrial rather than agrarian. The 1932 election brought the belated Democratic response to the industrial revolution, and the great depression which was seen then as the natural outgrowth of a political system dominated by one economic class, industrialists.

The New Deal Coalition of Roosevelt persisted until 1968, and during that period only one Republican, Dwight Eisenhower, took the White House. Even Eisenhower was the exception that proved the rule of Democratic dominance, since it took an unpopular war combined with his unmatched stature as a military hero to defeat the Democrats. During the New Deal Era, Democrats controlled Congress almost every year, sometimes by extraordinary margins, and appointed most members of the judiciary.

Political scientists have been puzzled for some time by the absence of a major realigning election since around 1968. They tend to think of our current political reality as one of “de-alignment,” in which voters no longer support parties uniformly at two or more levels of government, but rather take pride in shifting their votes over time, and splitting them among different offices. In 1968, Kevin Phillips presumed that the Republican party would inherit a “silent majority” of mostly white Democrats angered by Democratic stances on civil rights, poverty, and the unsuccessful foreign policy of Lyndon Johnson. He believed this “emerging Republican majority” would replace the old working class Democratic majority.

Since then, Republicans have had what some have labeled a Southern “electoral lock” on the White House, and have only been defeated in either razor-thin victories following a historic constitutional crisis (1976) or divided electorates pitting a Southern Democrat against a mainstream Republican and a billionaire ex-Republican populist (1992 and 1996). But the GOP has only been a majority in both houses of Congress since 1994. They have never approached the dominance in the national legislatures that characterized parts of the FDR era or the Industrial Republican era of 1896-1932. Their mastery of the judiciary since at least 1986 has been more substantial – and growing all the time; still, there has been no long-term stable Republican majority during the post-FDR period.

If the Industrial Era's primary schism was a division between business and labor, the Creative Economy is distinguished by a more complicated political arena, with no one group fully in control. (While an ever-dwindling agrarian class was also present, once McKinley had figured out a way to attract enough of the urban working class and petit bourgeoisie to ally with his industrial capitalists, the dominance of his coalition was almost guaranteed.) Today's players are the service economy, industrial workers, industrial capitalists, and the creative class, along with the miniscule but disproportionately influential agrarians. The emergence of the new creative sector causes not a bi-polar but a multi-polar class structure – one of extremely divergent political interests. The rise of the industrial economy pitted the capitalist class against workers against agricultural interests; the creative economy, as we will see, drives real wedges between the creative workforce, the service economy, the working class, and the corporate leaders of the industrial economy.

The current period is also one where social and cultural issues have moved to the fore, replacing economic issues as the focal point of politics – at least on the surface. FDR's electoral coalition aggressively avoided social issues such as racial and ethnic politics, cobbling together white southerners, African-Americans and the working class under a broad appeal to job generation, economic growth, modest regulation, mild redistribution, and an economic safety net for those displaced. The Industrial Republican coalition that McKinley and Hanna forged in 1896 was occasionally mingled with an imperial foreign policy, temperance, or anti-immigration fervor, but overall, its staying power was grounded in economics. By contrast, American politics since 1968 has been defined mainly by social and cultural issues as opposed to economic ones. Tom Edsall, perhaps the most astute chronicler of the political changes that ended the New Deal coalition, has demonstrated how race, sexual liberation, and criminal justice were central to the erosion of the Democratic majority.

Unlike the working class in the 1930s or industrialists in 1896, the creative class has not found a way – or perhaps even the will – to organize politically in a coherent fashion. Members of the creative class are more fragmented in their interests and less aware of a group identity than the classes produced by the industrial revolution. This is in part because the creative economy arrived with neither the fanfare nor the open clashes of previous large-scale technological shifts. The economic changes that presaged the realignment of 1896 were more immediately obvious to industrialists and workers alike. The creation of continental railroads, vast monopolistic trusts, and entirely new ways of living and working created social upheaval from the start. No comparable change has brought about self-consciousness in the creative sector economy or among its putative enemies. The move from the farm to the factory is simply more evident than the move from the factory to the software firm or film production studio – and the politics of the latter will be less internally coherent and more intrinsically unsettled.

Even before 1896, the industrialists and their allies wanted a political system that protected manufacturing from labor unrest and foreign imports, opened up new markets for American industrial goods abroad, and removed the looming threat of regulation by state and national political elites. They achieved most of those ends with the Republican regime that took root under McKinley. Several decades later, the industrial working class, and their liberal elite and agrarian allies, had a similarly unified agenda: a nationalized regulatory state that engaged in moderate redistribution, a minimal safety net beneath the market economy, and strong union protections. These goals were largely realized by the end of the first Truman administration. But what does the creative class want from a new political system?

Its agenda is deceptively simple and frustratingly vague. Creative economies thrive amid diversity, tolerance, intellectual infrastructure, globalism, and technological innovation. Creative growth occurs when government facilitates higher education and technological development, and mitigates intolerance and monoculturalism. One of the most controversial findings of *The Rise of the Creative Class* was the correlation of gay-friendly cities with economic growth. But the “tolerance” factor doesn’t stop there. Equally important to the economic prosperity of a company, region, or country is its openness to and proactive inclusion of multiple demographics – including singles and families, old people and young, racial and ethnic minorities, and new immigrants and bohemians.

Many have simply assumed that the creative class’s strong interest in such tolerance will pull it towards the more socially liberal Democratic Party. Yet much of the creative class is equally wary of the economic protectionism embodied by the Gephardt wing of the Democratic Party.

Though they’re often loathe to hear it, the very livelihood of many in the creative class depends directly on economic exploitation of the working class. The psychological wizards who create the seductive ads which egg us on into ever deeper credit card debt are members in good standing of the creative economy. The insurance administrators who author the elaborate and complex protocols through which the working poor are routinely denied benefits are also creative sector professionals. It’s not clear that the creative class as a coherent bloc would support the regulation of either the credit or health care industries; strong support for aggressive government oversight simply doesn’t typify the class as we’ve seen it so far.

So while the rise of the Creative Economy will certainly change the face of American politics, the final outcomes of this change are far from clear. Three broad scenarios seem most likely – and we believe there are reasons for sober observers to fear some of these outcomes.

Scenario 1: Stars Align

It’s entirely possible that the modern American political system will gradually and successfully adapt to the rise of the creative economy. In some ways, this process has already begun, in the U.S. and even more so abroad. Ronald Inglehart, the University of Michigan political scientist who created the World Values Surveys, believes that the Scandinavian countries and Canada have already adapted their political and economic systems to absorb what he calls “post-materialistic values.”

The political battles of the industrial era were over the distribution of the new wealth produced by economic progress, and the regulation of that progress. These battles were materialistic, and inherently economic. According to Inglehart, post-materialistic values emerge once the problem of scarcity has been largely solved. In a social contract in which widespread inequality is avoided by government regulation, the political class seeks to provide such post-materialistic (and non-economic) goods as social equality, broad civil rights, tolerance for sexual minorities, universal education, and environmental protection.

A post-materialist American politics, were it to come fully to fruition, would seem to create a near perfect template for the creative economy. Far from representing a liberal utopian pipedream, its strong elements of libertarianism could appeal to constituents across the political spectrum. The creative class has not shown a marked affinity for

unionized workplaces, nor is it eager to play the game of redistributive politics in a welfare state structure. The lean, technologically sophisticated government of this future might end up closer to Grover Norquist's fantasies than to Hubert Humphries' dreams, so long as it guaranteed civil rights and environmental quality.

While the desirability of this outcome for the emerging creative economy is clear, there are obstacles to its development. Most fundamentally, the creative class will require allies to bring about such a shift. Will the industrial and service classes be eager to assist this agenda? It's unlikely, since the very emergence of the creative class has coincided with – some would say caused – ever-increasing gaps between rich and poor, especially in the United States. Such is the nature of a heavily market-driven economic system: the stark separation between winners and losers, both individually and regionally, will prove a daunting chasm to bridge.

Indeed, it's not in the red state Bible belt of rural Arkansas, or amid the oil-wealth and urban poverty of Houston that we see the greatest divide between rich and poor, but in a city often seen as the capital of the creative economy: San Francisco. Here, liberal creative economy CEOs sip five dollar lattes in cafes cleaned by an increasingly struggling working class. Over the long term, if nothing is done to resolve this increasing gap, a post-materialist future for the U.S. will remain out of reach. And that's before we even get to the divides between urban, suburban, and rural America.

To prevent the exacerbation of such a socially unstable rift, American leaders may end up taking a page from the playbook of Franklin Roosevelt, who offered progressive capitalists the right to continue to make profits so long as they made peace with his new regulatory and redistributive policies. It will be necessary for the creative class to offer lower-income Americans some access to the burgeoning benefits of the creative economy. What form this may take is uncertain, although elements could include national health insurance, a reformed equal access educational system, or a more progressive tax code.

Perhaps the disturbing socioeconomic divisions unearthed by Hurricane Katrina will spur such a grand bargain, but that is only one obstacle. Another more immediate barrier to a post-materialistic political system is the powerful cultural clashes that have already emerged. If the creative economy has produced economic haves and have-nots, much of the anger of the latter has been expressed culturally. The primary beneficiary of that anger has been the modern Republican party, which has become artful at running campaigns against an effete liberal cultural elite of wealth and snobbery. In some sense, it's a political tactic with roots reaching back to Goldwater and even before – but it has never been as polarizing as in the last ten years.

As a result, the language of "Red America, Blue America" introduces regional divisions within the United States of a strength not seen since the post Civil War era. As many political scientists have shown, this regional divide is more accurately characterized as a chasm between creative urban regions of growth and opportunity and economically depressed industrial and agrarian areas. These cultural divisions will not simply give way to the rising tide of the creative economy; in fact, they have only been fueled by the economic inequalities it generates.

Scenario 2: Cultural Polarization

Karl Rove has an impressive sense of history. His model, he says, is McKinley; and, like McKinley, his aim is to set in motion a protracted period of Republican dominance, fueled in large part by an emphasis on cultural differences in America. That this vision has already won the Republican party the 2000 and 2004 elections, and every

Congressional election since 1994 indicates the puissance of Rove's approach. Just as the nation had the option of William Jennings Bryan's religious traditionalism and nostalgic agrarianism in 1896 or 1900, it may continue to choose the polarizing politics of Karl Rove.

But the forces that Rove set in motion as a clever electoral strategy may not nestle quietly within the current Republican party for very long. They've already begun to develop a mind and voice of their own - many would say the dominant voice in the GOP. As the creative age accelerates, the divide between technology-rich, cosmopolitan, post-materialist city-regions and the places pushed to the side of our global creative economy will inexorably grow. Uneven development and economic inequality will also rise as a byproduct. The creative economy itself thus produces the perfect storm for serious political recoil: the rise of a populist, socially conservative citizenry rooted in the evangelical right. Already, the natural and necessary scapegoats of this reaction are not just gays, but libertine city-dwellers, singles who postpone or avoid marriage, and technology leaders. Even new immigrants and low-skill factory and service workers have felt the backlash resulting from this powerful appeal to a golden age of family values and American economic dominance.

It's possible to miss how significant these cultural wars have been for the Republican Party, since, by many measures, liberal values are on the march. One of the ironies of the anti-gay politics of the Christian right is that they win most battles, but are losing the overall war. They're fighting a rear guard action, and they know it. In 1972, the first time gay activists spoke at *either* convention, labor leaders jeered at the "fags and queers." Nowadays, even the Republican Party finds it advantageous to allow the occasional gay politician to speak at its convention. The same is true of racial politics; the race card may still be played by Republicans - and Democrats - in a handful of congressional districts, but it's a diminishing part of the national Republican message. The blunt appeals to white prejudice that were such prominent features of the campaigns of 1964, 1972, 1984, and 1988 are largely absent today.

Despite these limited signs of overall tolerance, one cultural divide, that between secular and religious America, is not lessening but growing - and continues to pay political dividends for the Republicans. It mirrors one of the last gasps of Bryan's traditional populism (in 1925, he was the spokesperson for creationism at the Scopes Monkey Trial). Implicated in its debate are issues ranging from stem cell research to right-to-life Terry Schiavo tragedies, abortion to school prayer -- and, yes, evolution...again.

With such hot-button issues splitting not just the two parties, but different constituencies within each, it's not likely that the necessary compromise between rich and poor that would make a post-materialistic politics possible will take place. Rove's Republican strategy has brought both the rhetoric of religious conservatism and the reality of narrow tax cuts for the wealthiest Americans. Many liberals wonder why Christian right leaders still speak as if they're losing the culture wars, but the truth is that the Christian right keeps voting for values and getting tax cuts and corporate conservatism.

Abortion remains legal, stem cell research has been hampered but continues, public tolerance of gays grows, gay sex is legal nationwide, and gay marriage, adoption and military service are likely to expand in the near future. Pro-life forces won the presidency in 1980, 1984, 1988, 2000, 2004, and won Congress in 1994-2004. Their frustration at the continuing inability to get their number one agenda item passed is understandable. One might say this dynamic works all too well for Republican strategists, since if *Roe v. Wade* were ever overturned, Republicans would have to deal

with the huge portion of their electorate that is pro-choice. Instead, they've been content to play cultural politics while keeping economic politics quiet.

The economic divide between skilled and unskilled labor, and between management and labor was large throughout the industrial era, but the creative economy produces even steeper divides. We need only look at the Forbes list of wealthiest Americans to get a sense of how many of the modern economy's greatest winners are leaders of the creative class. The ratio of CEO pay to median employee salary has grown exponentially during the rise of the creative economy. Last year, at a time of wage stagnation for most Americans, CEO compensation at Forbes 500 companies grew an incredible 54%. In order to prevent such economic fissures from sparking a rebellion by the majority who do not benefit from this creative economy, the Republican strategy political system will likely continue to effectively focus on cultural and religious issues.

How long can such cultural forces be used to stave off economic realities of a new class's rise? In the past, stable party coalitions in America have always been produced by predominantly economic forces; there's no reason why this should always be true. Indeed, a cultural coalition could rule precisely because the existing political system has turned away from the need to adjust itself to deal with economic change. The longer the creative economy's rife inequalities remain politically untouchable, the more fiercely the cultural fires will have to burn.

If the American political system revolves around an increasing cultural divide between Red and Blue Americas, there will be a terrible national cost. The creative economy relies on tolerance, diversity, and freedom. Many whose brains are essential to guiding the new economy will not sit idly while evolution is besmirched, gays are denigrated, and science itself is attacked. Nor will they tolerate the nationalism or economic protectionism that flies in the face of their increasingly free-market based values system. In the new globalized world, they can easily emigrate to countries where creativity is nurtured, diversity cherished, and freedom of all sorts allowed expression. The cost of a culturally polarized America will not be solely cultural; economic growth may also be sacrificed on the altar of cultural obsession.

One last sobering observation to make the pessimism of this scenario complete: it should never be forgotten how central economic suffering has been to the foundation of new political regimes in America. As Mancur Olson observed, political change almost always lags behind economic change *because* the economic interests of the old regime hold onto political power long after they have lost their economic sway. For this reason, it has always required a depression – whether relatively short, as in 1893-4 and 1896-7, or prolonged, as in 1929-1938 – for the political system to adapt to new economic realities. Cultural politics have been so successful since 1968 that it may take a steep economic downturn to unmoor American political elites from their exploitation.

Or maybe a war would do it.

Scenario 3: Fortress America

The choice before the American political elite is not merely between post-materialism or cultural polarization. The rise of the creative economy could result in another, less intuitive alignment of forces and classes. The continuing resonance of 9-11 and global terrorism in American politics, when combined with the anger among the working and middle classes over trade politics, may produce a new American nationalism. In this

scenario, it may actually be the Democrats who emerge as the dominant party – though one that is very different from what we know today.

In hindsight, it seems inevitable that McKinley's coalition of industrial capital and labor would win in 1896, but such is not the case. If the Democrats had spoken more directly to workers, bringing into their coalition the emerging socialist and union forces, the response by the Republicans might well have been a greater emphasis on ethnic nationalism. Even as it was, the economic and social disturbances caused by the rise of the industrial class were sometimes aired through anger at immigrants, as well as imperial ventures which united workers and capitalists around their shared national identity. McKinley did not merely embrace industrialism and reject agrarianism, he also launched America into the grand game of empire. While these elements remained secondary in the Republican coalition throughout its period of dominance, they were secondary only because the economic basis of the coalition was so solid. Strident nationalism, ethnic nativism, immigrant hatermongering, and even militarism could have been the basis for the McKinley coalition, if the integration between politics and economics had been unsuccessful.

What about today? There are reasons why nationalism may be more appealing than many who have drunk the heady wine of "flat earth globalism" can imagine. Every victim of Schumpeter's gales of creative destruction has sought scapegoats. Hence, for instance, the immigration dilemma: the influx of foreign-born workers to the United States both crucial to the continued success of its creative economy and increasingly *seen as* a threatening economic influence. Jobs are either "stolen" by foreign countries, or by the citizens of those countries who choose to relocate in the U.S. In this environment, one can imagine a merger of economic nationalism and protectionism (*a la* Gephardt) with the virulent anti-immigrant streak of a Pat Buchanan or a Tom Tancredo. The economics may be disastrous, but the politics could work. Though protecting old manufacturing industries will do little to encourage the dynamic growth America needs to stay at the cutting edge, it could generate tremendous support from displaced workers and those trapped in dead-end service industries. And even though foreign-born Americans have served as a vital component of this country's economic growth miracle since its inception, the competition for jobs from low-skill immigrants combined with the unmatched success of entrepreneurial foreigners in high-tech and other fields may well fuel such populist sentiment. If the existing split between the poor and the working classes and the creative class becomes permanent and bitter, economic nationalism is one likely outcome.

Again, though, such a phenomenon is at best a temporary fix and at worst a snake oil akin to Bryan's "free silver" economic fantasies, a popular appeal that could inhibit America's economic growth and even endanger the larger global economic system. The external implications of a new nationalism are dire for the creative class' emerging interests.

If the creative class can be said to have a shared foreign policy, it is a vague openness to the outside world. Creative people are not only immigrants born overseas; they often travel there, live abroad, or interact with foreign peers in their industry. As poll after poll confirms that America has never been as unpopular abroad as it is right now, the creative class must recoil from the fruits of American nationalism. An America that launches unprovoked preemptive wars in violation of international law is one that many in the creative class wish they didn't inhabit, and many abroad will simply choose not to inhabit. An America that no longer defends free trade, or even the Geneva Conventions, and refuses to provide leadership to the international system generally, is an America that has become inhospitable to the global creative class.

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Our three scenarios are hardly comprehensive; they represent merely what we perceive as the most likely new political regimes. If cultural polarization represents the greatest danger from a negative response among Republicans to the rise of the creative class, economic nationalism is the danger of which Democrats must beware. There is even the nightmare scenario of one party emerging that would combine economic and military nationalism with cultural regression; our latter two scenarios need not be mutually exclusive.

In a sense, a culturally polarized or nationalistic America will have decided not to address the rising creative economy. In these futures, the embryonic creative class consciousness will be repressed, and members of that class will remain alienated from the two party system. They will look at a Democratic Party committed to stale positions such as an ossified and unionized federal bureaucracy and trade protectionism, and a Republican Party tied to the most regressive religious or nationalistic elements in the nation, and decide at each election which of these backward looking coalitions represents the most evil of two lessers.

The cost to our economy will be real, if difficult to measure. What is the price of a scientific conference held in Paris as opposed to Pittsburgh, London instead of Los Angeles, simply because the organizers have developed either an antipathy to American foreign policy or a disdain for America's security measures? Fortress America, in which civil liberties are tightened under the threat of terrorism, and patriotism and nationalism are reinvigorated, will not be a positive reaction to the creative class emergence, but a sideshow distraction, a Fourth of July parade for the public so they don't worry about economic questions.

A retreat – by the creative class, the American populace as a whole, or our political leaders – from America's emerging economic realities will lead not only to a toxic political system of cultural polarization or economic nationalism, it will also inevitably contribute to slower economic growth. Unless we integrate the creative class and its political agenda into our system, through compromises with the working class and the industrial elite, other countries will reap the benefits of the global creative economy.

As in the past, there is no guarantee that our political system will evolve into the one most conducive to economic growth. America has been remarkably and unusually fortunate in its history that few truly bad ideas, aside from slavery, have won popular support. However, looking at the next three decades from the vantage point of 2005, either cultural polarization or economic nationalism seem just as likely as a post-materialistic America. What if William Jennings Bryan had been inaugurated in 1897? Who might emerge in 2008? We're not through this yet, not by any means.

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