



American Amnesia: How the War on Government Led Us to Forget What Made America Prosper

By Jacob S. Hacker, Paul Pierson

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A “provocative” (*Kirkus Reviews*), timely, and topical work that examines what’s good for American business and what’s good for Americans—and why those interests are misaligned.

In *American Amnesia*, bestselling political scientists Jacob S. Hacker and Paul Pierson trace the economic and political history of the United States over the last century and show how a viable mixed economy has long been the dominant engine of America’s prosperity. We have largely forgotten this reliance, as many political circles and corporate actors have come to mistakenly see government as a hindrance rather than the propeller it once was. “American Amnesia” is more than a rhetorical phrase; elites have literally forgotten, or at least forgotten to talk about, the essential role of public authority in achieving big positive-sum bargains in advanced societies.

The mixed economy was the most important social innovation of the twentieth century. It spread a previously unimaginable level of broad prosperity. It enabled steep increases in education, health, longevity, and economic security. And yet, extraordinarily, it is anathema to many current economic and political elites. Looking at this record of remarkable accomplishment, they recoil in horror. And as the advocates of anti-government free market fundamentalist have gained power, they are hell-bent on scrapping the instrument of nearly a century of unprecedented economic and social progress. In the *American Amnesia*, Hacker and Pierson explain the full “story of how government helped make America great, how the enthusiasm for bashing government is behind its current malaise, and how a return to effective government is the answer the nation is looking for” (*The New York Times*).

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Editorial Review

Review

In this lively, engaging, and persuasive book, Hacker and Pierson explain how much of our health and prosperity rests on what governments have done. *American Amnesia* will help slow the intellectual pendulum that is currently swinging towards an anarchic libertarianism that threatens more than a century of American progress.”—**Angus Deaton, winner of the Nobel Memorial Prize for Economics in 2015**

“The best business book of the year on the economy.”—**Brad DeLong, *strategy+business***

“This is a fascinating and much needed book. America once invented universal public education and sharply progressive taxation of income and inherited wealth, and has shown to the world that strong government and efficient markets are complementary—not substitutes. But since 1980 a new wave of anti government ideology has prospered, and is about to make America more unequal and plutocratic than Europe on the eve of World War I. If you want to understand why this great amnesia occurred, and how it can be reversed, read this book!”—**Thomas Piketty, author of *Capital in the Twenty First Century***

American Amnesia provides chapter and verse on why the public has good reason to be angry...”—**The New York Times**

If you are curious about why our infrastructure, our roads and bridges and water systems, is falling apart—then read *American Amnesia*. Curious about why the U.S. spends almost 18 percent of our GDP on medical care, but has health outcomes that are at levels of many developing countries—then read *American Amnesia*.”—**Inside Higher Ed**

Progress and prosperity in the United States, they demonstrate, have rested in no small measure on a constructive relationship between an effective public authority and dynamic private markets. We are now paying a terrible price for “forgetting this essential truth.”—**The Philadelphia Inquirer**

About the Author

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Jacob S. Hacker is the Stanley B. Resor Professor of Political Science at Yale University. A Fellow at the New America Foundation in Washington, DC, he is the author of *The Great Risk Shift: The New Economic Insecurity and the Decline of the American Dream*, *The Divided Welfare State*, and, with Paul Pierson, of *American Amnesia: The Forgotten Roots of Our Prosperity*; *Winner-Take-All Politics: How Washington Made the Rich Richer—and Turned Its Back on the Middle Class*; *Off Center: The Republican Revolution and the Erosion of American Democracy*. He has appeared recently on *The NewsHour*, *MSNBC*, *All Things Considered*, and *Marketplace*. He lives in New Haven, Connecticut.

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American Amnesia

ONE



Coming Up Short

AMERICANS PRIDE themselves on standing tall: rising to the challenge, achieving the once unattainable, raising the bar of social success. Yet as we have faltered in harnessing the enormous positive potential of public authority, we have also fallen behind the pace of social improvement in other rich nations, as well as the pace we set in our own past. In area after area where we once dominated, we are falling down the rankings of social success. In area after area where new threats loom, we are failing to rise up to the challenge. We are not standing tall—literally, we shall see—and our malign neglect of the mixed economy bears a great deal of the blame.

Losing Ground

For much of US history, Americans were the tallest people in the world by a large margin. When the thirteen colonies that occupied the Atlantic seaboard broke from the British Empire, adult American men were on average three inches taller than their counterparts in England, and they were almost that much taller than men in the Netherlands, the great economic power before Britain.¹ Revolutionary soldiers looked up to General George Washington, but not, as often assumed, because he was a giant among Lilliputians. David McCullough, in his popular biography of John Adams, describes Washington as “nearly a head taller than Adams—six feet four in his boots, taller than almost anyone of the day.”² Those must have been some boots, for Washington was six feet two.³ At five foot seven, Adams was just an inch below the average for American soldiers and significantly taller than a typical European soldier.⁴

Americans were tall because Americans were healthy. “Poor as they were,” notes the colonial historian William Polk, “Americans ate and were housed better than Englishmen.”⁵ Sickness and premature death were common, of course, especially outside the privileged circle of white men. Still, European visitors like Tocqueville marveled at the fertility of the land and the robustness of its settlers, the relative equality of male citizens and the strong civic bonds among them.⁶ J. Hector St. John de Crèvecoeur wrote in 1782 of the American settler in *Letters from an American Farmer*, “Instead of starving he will be fed, instead of being idle he will have employment, and there are riches enough for such men as come over here.”⁷

The cause of the American height advantage could not have been income alone. According to most sources, the average resident of the Netherlands or England was richer than colonial Americans but also substantially shorter.⁸ Indeed, as the United States matched and then surpassed Europe economically in the nineteenth century, the average height of American men actually fell, recovering back to colonial levels only around the

dawn of the twentieth century.⁹ These ebbs and flows, which played out in other industrializing nations as well, are a reminder that economic growth and population health are not one and the same.¹⁰ (We shall unravel the mystery of their interdependence in the next chapter.) Nonetheless, Americans remained far and away the tallest people in the world throughout the nineteenth century, and average American heights rose quickly in the early decades of the twentieth.¹¹ When the United States entered World War II, young American men averaged five feet nine inches—almost two inches taller, on average, than the young Germans they were fighting.¹²

While people know that height is a strong predictor of individual achievement (test scores, occupational prestige, pay), it is also a revealing marker of population health.¹³ Height has a lot to do with genes, but height differences across nations seem to be caused mostly by social conditions, such as income, nutrition, health coverage, and social cohesion.¹⁴ Indeed, one reason for the correlation between height and achievement is that kids whose mothers are healthy during pregnancy and who grow up with sufficient food, medical care, and family support tend to be taller adults. An average US white girl born in the early 1910s could expect to reach around five foot three; an average US white girl born in the late 1950s could expect to exceed five foot five.¹⁵ Evolution just doesn't happen that fast.

So it's striking that Americans are no longer the tallest people in the world. Not even close: Once three inches taller than residents of the Old World, on average, Americans are now about three inches shorter. The average Dutch height for men is six foot one, and for women, five foot eight—versus five foot nine for American men and five foot five for American women.¹⁶ The gap is not, as might be supposed, a result of immigration: White, native-born Americans who speak English at home are significantly smaller, too, and immigration isn't substantial enough to explain the discrepancy in any case.¹⁷ Nor can the growing gap be explained by differences in how height is measured. Though some countries rely on self-reported heights for their statistics—and, yes, men tend to “round up”—Americans look shorter even when the only countries in the rankings are those that, like the United States, measure heights directly.¹⁸

Americans are not shrinking. (Overall, that is—there is some evidence that both white and black women born after 1960 are shorter than their parents.)¹⁹ But the increase in Americans' average stature has been glacial, even as heights continue to rise steadily abroad. To really see our lost height advantage, you have to break the population into age groups, or what demographers call birth cohorts. People in their twenties, after all, are as tall as they will ever be. Changes in average height come from changes in the height of the young (and deaths among older cohorts). And, indeed, the adult heights of those born during a given period provide a powerful image of the living conditions experienced by infants and adolescents at the time. The fall in average heights among those born in the mid-1800s, for example, signaled the costs as well as benefits of the country's industrial and urban shift, which brought increased infectious disease as well as higher incomes, harsher lives for the masses as well as better lives for the elite.²⁰ (The privileged American men who applied for passports in 1890 were, on average, more than an inch and a half taller than army recruits at the time.)²¹

In general, heights are converging among affluent nations, and the biggest gains have occurred in countries admitted most recently to the rich-nation club.²² Within countries, younger age groups are generally much taller than older age groups—which makes sense: Older people spent their growing years (including their growth within the womb) in poorer societies with more limited health technology and knowledge.²³ But the United States is a conspicuous exception to these patterns: Average heights have barely budged in recent decades, so young Americans—again, even when leaving out recent immigrants—are barely taller than their parents.²⁴ Older Americans are roughly on par with their counterparts abroad; younger Americans are substantially shorter. The United States is the richest populous nation in the world. Nevertheless, its young are roughly as tall as the young in Portugal, which has a per capita gross domestic product (GDP) less than half ours.²⁵

On Rankings and Ratings

Because height is a powerful indicator of social and individual health, America's relative decline should ring alarms. Our young are coming up short—relative not just to gains in stature of the past but also to gains in stature in other rich nations.

Still, if shorter kids were the only sign of trouble, we might safely ignore the alarms. For all but aspiring basketball players, tallness is not an end in itself. It can even create problems: The Dutch have had to rewrite their building codes so men don't routinely smash their heads into door frames.²⁶ Unfortunately, America's journey from tallest to smallish has played out in area after area. When it comes to health, education, and even income—still our strongest suit, though we're holding fewer high cards than in the past—we are falling down the rankings of social success.

We often miss this, and not just because triumphant cries of American exceptionalism drown out the alarms. Comparing countries on indicators of social health is tricky, and the temptation to stack the deck is strong. Moreover, our standard statistics frequently understate how poorly the United States is doing at harnessing the combined energies of government and the market. To get an accurate picture, we have to spend a little time sifting through the best available data, separating the meaningful from the misleading. We also have to focus on the experiences most relevant for understanding not how we've done in the past but how we are doing now—and unless we change course, how we are likely to do in the future.

Put another way, not all performance assessments are equally valid or instructive. Each year brings scores of scores purporting to rank almost every conceivable object of interest—schools, businesses, cities, states, regions, countries—across almost every conceivable category, from college completion, to wine consumption, to online porn viewing. (For the record, Washington, DC, tops US state rankings in all three.) But sensibly comparing states, countries, or anything else requires following a few simple ground rules. The first is to compare apples to apples. Washington, DC, isn't actually that comparable to the fifty states because it's essentially a big city (hence the porn-wine-college trifecta). For cross-national analysis, comparing apples to apples means comparing countries at similar levels of economic development. It also means using indicators that are as close to the same as possible across nations. And it requires transparency: Proprietary data and secret formulas are anathema to serious comparison (but endemic to many special-interest rankings).

So we should compare apples to apples. But which apples should we be comparing? A good place to begin is the three core components of the UN's Human Development Index: health, education, and income. The index captures the idea that development is about "advancing the richness of human life"—to quote its intellectual father, the Nobel laureate Amartya Sen—and not just "the richness of the economy in which human beings live."²⁷ The index itself isn't all that useful for ranking rich nations. It often sets the bar low (can people read and write?), and it's limited to a few basic indicators available for all countries. Nonetheless, the UN's pioneering investigations provide a solid jumping-off point for asking how well the contemporary United States is doing relative to other rich nations in fostering citizens' well-being.

When asking that question, the issue isn't merely how well we are doing today. It's also whether we are pulling ahead or falling behind. One data point gives us a level; two or more give us a trend. And, in general, it's trends that reveal the most about our relative performance. To be sure, we should be careful not to read too much into short-term fluctuations. Nor should we forget that on many metrics, there is a natural process of "reversion to the mean": Relative to other countries, the highest-performing nations are more likely to fall toward other nations' performances, and the lowest performing to rise toward other nations' performances.

Still, trends matter most. And that means we should be at least as interested in the direction social indicators are heading (and at what pace) as in their level. It also means we should pay special attention to one particular group: the young. Most cross-national analyses look at countries as a whole, comparing several generations of people in one nation with several generations in another. Sometimes that's appropriate. If we want to know which countries are good at getting all citizens flu shots, we are interested in national averages. Usually, however, the experience of the young is most revealing, and not just because the young are most affected by current conditions. The young tell us about trends. If, for example, we're falling behind in getting young adults through college (and we are), looking at the average educational level of the entire population will provide false reassurance. Typically, then, the critical comparisons across nations concern the young. Unhappily, these are also the comparisons where the most troubling image of American performance emerges.

A final issue to keep in mind: Investment (or lack of investment) does not bear its (bitter) fruit immediately. Supporting science, technology, and education, for example, reaps big returns.²⁸ But it takes time—sometimes a long time—to see the payoffs. As we will see in chapters 2 and 4, the high-tech expansion of the last few decades rested on scientific and technical advances seeded more than a generation earlier.²⁹ The opposite problem arises in cases of deferred maintenance: failing to upgrade critical infrastructure, for example, or to seed technological advances that will blossom in the future. The costs, though real, won't be fully apparent for some time.

The same can be said about failing to tackle emerging challenges—an area where, we shall see, the United States is doing especially poorly. A generation ago, few worried about how well nations were addressing obesity or global warming. Now we know that the health of our society and the future of our planet depend on effective responses. The low bar for social performance is continuing to meet challenges we've met before. The high bar is doing well where we face new challenges. Unfortunately, not only is the United States having trouble clearing the low bar; it is barely even trying to clear the higher one.

The United States is still a remarkably successful nation. Over the last century, we have achieved unprecedented levels of prosperity, witnessed quantum increases in health and life expectancy, and sought to address problems that once mocked our finest traditions of democracy and opportunity, from vicious racial exclusion to grim elderly poverty to dangerously unclean air and water. And we have continued to gain ground in many of these areas over the last generation. Yet these gains have been halting and slow. Even more worrisome, they lag behind gains in other rich democracies.

Health

Among the big three of health, education, and income, none is more important than health. Those who study the economics of health and longevity find consistently that the value of physical well-being within a society vastly exceeds a nation's total income.³⁰ But even without such calculations, we all know that health is a precondition for everything else we seek to achieve. When the Declaration of Independence celebrated "life, liberty, and the pursuit of happiness," there was a reason "life" led the list.

When it comes to health—in fact, when it comes to any measure of the well-being of individual members of a society—small differences matter when summed up across large populations. Consider a seemingly trivial example: that dreaded spinning wheel that tells you your computer is spinning its wheels. In his biography of Apple founder Steve Jobs, Walter Isaacson recounts an exchange between Jobs and Larry Kenyon, an engineer whom Jobs had cornered to complain that the new Macintosh took too long to start up:

Kenyon started to explain, but Jobs cut him off. "If it could save a person's life, would you find a way to

shave ten seconds off the boot time?” he asked. Kenyon allowed that he probably could. Jobs went to a whiteboard and showed him that if there were five million people using the Mac, and it took ten seconds extra to turn it on every day, that added up to three hundred million or so hours per year that people would save, which was the equivalent of at least one hundred lifetimes saved per year. “Larry was suitably impressed, and a few weeks later he came back, and it booted up twenty-eight seconds faster,” [Apple programmer Bill] Atkinson recalled.³¹

Jobs’s point holds more generally: Even small differences in how long we live add up. An extra four months of life expectancy in a country with 321 million residents is 107 million additional years of life. Economists who are comfortable converting lives into dollars generally value a “quality-adjusted life year”—QALY, in economics jargon—in the neighborhood of \$100,000 (though estimates range from less than \$50,000 per QALY to more than \$250,000).³² That would mean those four months are worth somewhere north of \$10 trillion.

Shorter Lives, Poorer Health

So it is more than a little disconcerting that health is also where the United States does most poorly compared with other rich nations. In 2013 the prestigious National Academy of Sciences released a mammoth report with a self-explanatory title: *U.S. Health in International Perspective: Shorter Lives, Poorer Health*. “The United States is among the wealthiest nations in the world,” the report began, “but it is far from the healthiest. . . . Americans live shorter lives and experience more injuries and illnesses than people in other high-income countries.”³³

On virtually all measures, according to the report, the United States is losing ground rapidly to other rich nations. At midcentury, Americans were generally healthier than citizens of other rich nations, and as late as 1980, they were still not far from the middle of the pack.³⁴ Since then, however, other rich countries have seen rapid health gains. The United States has not.³⁵

Take life expectancy at birth—the easiest statistic to track, since death records are generally reliable and consistent across nations. The National Academies study looked at seventeen rich nations. Among these, the United States ranked seventeenth for men in 2011 (life expectancy: 76.3 years, a full 4.2 years shorter than the top-ranking nation). It ranked an equally dismal seventeenth for women (81.1 years, 4.8 years shorter than the top-ranking nation).³⁶ The United States is home to about 163 million women and 158 million men, so ranking in the middle teens rather than at the top translates into 1.45 billion fewer years of life.³⁷

Midlife Crisis

The relative decline has been particularly steep for an unlikely group: middle-aged white adults. In a groundbreaking 2015 study, the Princeton University economists Anne Case and Angus Deaton (the latter the recipient of the Nobel Prize in Economics that same year) dug into the mortality statistics to examine how and why the American experience departed so starkly from the international norm.³⁸ Their startling result: Whites ages forty-five to fifty-four were dying at higher rates in 2013 than they had been in 1999, even as every other rich country had seen dramatic drops in mortality in this age group. Case and Deaton calculated that if this reversal had not occurred—if, that is, the decline in death rates of prior decades had continued—a half million deaths would have been avoided. The only other example of such a shocking loss of life in recent decades is the AIDS epidemic.

The trend was most devastating for whites with a high school diploma or less. In 2013 there were 736 deaths

per 100,000 people within this group, up from 601 per 100,000 in 1999. (By comparison, the death rate for people in this age group in Canada fell from around 300 per 100,000 in 1999 to just under 249 per 100,000 in 2011.) But those who had gone to college but not received a degree saw no distinguishable improvement in death rates either—even as, again, such rates plummeted abroad. Only among whites with a college degree did death rates fall substantially over this period. In 2013, white adults in the forty-five- to fifty-four-year-old age group with no more than a high school diploma were more than four times as likely to die as those with a college degree.

As this last troubling statistic suggests, there are also stark disparities in life expectancy across racial, economic, and educational groups—disparities that appear to be far larger than in most other rich nations.³⁹ Yet nearly every group of Americans—even, as we have seen, whites—fares poorly when compared with its peers in other rich nations.⁴⁰ The only area of evident success is life expectancy at age seventy-five, where Americans do quite well. Researchers speculate, however, that this anomaly reflects not just good health care for the aged (who, unlike the young, have universal insurance coverage through Medicare) but also that so many unhealthy Americans die before age seventy-five, leaving behind a hardy group.⁴¹

Falling Behind

To be clear, many measures of health are improving in the United States. But they are improving much more slowly than in other countries. One grim statistic commonly used by demographers is the chance that a fifteen-year-old will die before age fifty. For American women, it's 4 percent: four in a hundred women die between fifteen and fifty. The average for other rich nations is around 2 percent, and, on average, death rates in these nations fell below 4 percent almost forty years ago. We are more than a generation behind.⁴²

A similar story can be told about infant mortality, or deaths of children before their first birthday. In 1960 infant mortality in the United States was lower than in the majority of other rich nations. In recent decades, however, America has seen limited improvement, while death rates for infants have continued to plummet abroad.⁴³ In 2011 the average rate of infant death in other rich nations was 1 child for every 300 or so births. In the United States, it was roughly twice that—1 child for every 164 births. That year, the only countries in the Organization for Economic Cooperation and Development (OECD) with higher rates of infant mortality were Chile, Mexico, and Turkey.⁴⁴

This unimpressive performance is particularly striking because the United States spends so much more on health care than other rich nations do—roughly twice as much per person.⁴⁵ Of course, medical care is not the only or even the most important determinant of health. But the United States does poorly even where health care matters most. For almost every cause—from injuries to diseases—death rates are the highest or nearly the highest in the United States.⁴⁶ And we have the highest rate of what health experts call “amenable mortality”: deaths that could have been prevented with the provision of timely and effective care.⁴⁷ Despite high spending, we are falling behind other rich nations in reducing such preventable deaths. We don't see our relative decline because we are getting better at preventing death. But we're getting better far too slowly for a rich nation.

Education

Another area where the United States was once the undisputed leader is education. As the Harvard economists Lawrence Katz and Claudia Goldin show in their revelatory *The Race Between Education and Technology*, we bolted decades ahead of other Western nations in the spread of elementary and then high schools during the twentieth century, and we were the world leader in college education in the immediate

decades after World War II.⁴⁸ No more. The United States is now a mediocre performer in international education rankings. And we would look a lot worse if we hadn't done so well in the past. The share of Americans who have completed high school, for instance, remains impressive. Yet this high average mostly reflects our big early lead. Among young adults, high school graduation rates are subpar (though they have risen in the last decade).⁴⁹ The United States now ranks twentieth out of twenty-seven OECD nations in the share of young people expected to finish high school.⁵⁰

Losing the Race

This isn't just a case of other countries racing ahead; it's also a story of American stagnation. Graduation rates in the United States have barely budged since the early 1970s, rising from 81 percent to 84 percent. At the same time, more and more kids who are counted as having finished high school actually receive a General Educational Development (GED) certificate.⁵¹ Yet GEDs confer little of the economic and social benefits of graduating from high school. (Many European countries have vocational high schools, but, unlike GEDs, these produce strong outcomes.)⁵² Another reason is that young adults behind bars disappear from the statistics. In most rich nations, this distinction makes little difference because incarceration is so rare. In the United States—which incarcerates roughly ten times as high a share of the population (eight in a thousand versus fewer than one in a thousand in most other advanced industrial democracies)—it makes a real difference, especially for demographic groups with the highest rates of incarceration.⁵³ Indeed, the high school dropout rate for young black men is more than 40 percent higher when we include in our count the incarcerated, wiping out all the apparent gains in their high school completion since the late 1980s.⁵⁴ Here again, conventional indicators present an overly sunny picture of our relative performance.

The big story, however, is our relative decline in higher education. The United States has many of the finest institutions of higher education in the world. The problem is that the share of young people getting a degree is rising much more slowly in the United States than in other OECD nations.⁵⁵ One reason is the erosion of public support through federal grants and state universities, leaving students and their families much more reliant on loans. Once without peer, the United States has fallen to nineteenth in college completion in the OECD, and the gap in completion between higher-income and lower-income students has widened.⁵⁶ Older Americans are the most educated in the world. Younger Americans, not even close.

Skills Slowdown

Indeed, despite the popular image of young Americans as digital wizards, America's youth fare particularly poorly when it comes to numerical and technological skills. The OECD assessed adult skill levels in twenty-three nations in 2011 and 2012. Across the population as a whole, the United States scores about average when it comes to reading ability and close to the bottom when it comes to mathematical ability and the capacity to work with computer technology.⁵⁷ Other international tests show us doing even better in reading, but they all show the performance of Americans as a whole to be mediocre or worse in the STEM (science, technology, engineering, math) areas so prominent in our technology-saturated economy.⁵⁸

The truly alarming results, however, emerge when looking across age groups. In all countries, the young are better at math and working with digital technology than the old. But improvements in test scores from one generation to the next are much smaller in the United States than in other rich countries. Older Americans are close to the international average for older adults. Younger Americans, while scoring slightly higher, are years behind their international peers. So, again, American math scores are improving—barely. But they are improving far faster in other nations. The same is true of the other skills measured by the OECD: The United States falls further and further in the rankings as you move down the age ladder.⁵⁹

Degrees of Inequality

And if the United States as a whole is in the breakdown lane, some Americans are barely getting on the road. At least as striking as our poor performance among the young is how unequal educational opportunities in the United States are. Decades after de jure integration of schools and the famous 1966 Coleman Report on the subpar schooling of the poor, we remain a nation with gaps in educational quality, funding, and outcomes that are far greater than the norm for developed democracies. These gaps not only thwart the upward progress of tens of millions of Americans but hold back our economy overall.

Since the 1960s, the divide in test scores between children from high-income families and those from low-income families has grown by more than a third; it is now twice as large as the gap between blacks and whites.⁶⁰ Yet the United States is one of the few nations that finances schools primarily through local property taxes, which magnifies unequal opportunity. As one OECD researcher puts it, “The vast majority of OECD countries either invest equally in every student or disproportionately more in disadvantaged students. The US is one of the few countries doing the opposite.”⁶¹

Inequality of opportunity begins early, and it costs everyone. Good pre-K education, for example, more than pays off in higher growth and tax receipts and lower public costs, from social assistance to incarceration.⁶² Yet the United States ranks twenty-fifth in the OECD in the share of three-year-olds in early childhood education, and even lower, twenty-eighth, when it comes to four-year-olds.⁶³

Income

Income, the third indicator of the big three, might seem to be an exception to the story so far. Only a few small countries surpass us in national income per head, and American productivity growth has remained comparatively strong.⁶⁴ Even here, however, the reassuring averages hide some worrisome trends.

Beyond GDP

Historically, economists have considered national income per capita the best single measure of the standard of living of middle-class citizens. For much of the twentieth century, it was. Since the early 1970s, however, the link has broken. The American economy is more and more productive, and national income has continued to grow smartly (if more slowly than before).⁶⁵ But these gains have not translated into substantially higher wages for most Americans. The typical hourly earnings of American workers—adjusting for inflation and including the escalating cost of medical benefits—rose only 10 percent between 1973 and 2011. That works out to an annual raise of 0.27 percent.

But American families have grown significantly richer, right? Yes and no. Between the early 1970s and the late 1990s, the typical household’s income increased from around \$49,000 to almost \$57,000 (after adjusting for inflation).⁶⁶ Yet the wage stagnation of the 2000s and the financial crisis that closed out the decade wiped out all of the gains created by the strong economy of the 1990s, leaving typical households about where typical households were in 1989. True, families are smaller than they were in the early 1970s, but they aren’t appreciably smaller than they were in 1989 and, in fact, have grown since the financial crisis. Moreover, families have shrunk in other rich nations, too. Yet over the past generation, the incomes of working-age people in the middle of the distribution have grown more slowly here than in almost any other OECD nation.⁶⁷

Just as important, the overriding reason the typical family earns a little more today is not more pay per hour but more paychecks per household, as women have moved into the paid workforce. This change isn't because the United States has led the world in female employment. (In 2010 America was seventeenth in the OECD in the share of women in paid employment, down from sixth in 1990.)⁶⁸ It's because US workers, both male and female, work many more hours than workers in other countries do—and the gap is growing.⁶⁹ More paychecks per household is good in many ways. But given the strains of balancing work and parenting, more hours of work isn't necessarily a positive development. Either way, it's a different story than the one of prior decades, when wages and salaries rose smartly even though the number of hours people worked did not.⁷⁰

America Unequal

Where did all the growth go? The answer, it turns out, is simple: It went to the top, especially the very top. When it comes to inequality, the United States once looked relatively similar to other rich countries. Today it's the most unequal rich nation in the world by a large margin.⁷¹ However else that matters, the increasing concentration of income at the top drives a wedge between overall economic growth and the income gains of most households. When a rising tide lifts all boats, economic growth is a better measure of ordinary Americans' living standards than when a rising tide lifts only yachts.

You can see the disparity even more clearly when you look at wealth: housing, stocks, bonds, and all the other assets that people hold to weather economic shocks and build their future. Americans' average net wealth is an impressive \$301,000, the fourth highest in the world, behind only Switzerland, Australia, and Norway.⁷² Median net wealth—the amount held by someone exactly in the middle of the distribution—is another story. The typical American adult has just \$45,000, which places the United States nineteenth in the world, behind every rich country but Israel (including such “economic heavyweights” as Spain and Taiwan).⁷³ The obvious reason for the difference is that wealth is so unequal across American households. The richest 1 percent own more than a third of the nation's wealth; the top 10 percent, more than three-quarters.⁷⁴ No other rich country comes close to this level of concentration at the top.

Broken Ladders

So the rungs of the economic ladder are farther apart. But isn't it easier to climb the ladder in the United States than elsewhere? From Crèvecoeur to Tocqueville to the German sociologist Werner Sombart, descriptions of American society from the Founding through the early twentieth century emphasized the ease of mobility compared with Europe. Indeed, Sombart's basic answer to his famous question *Why Is There No Socialism in the United States?* (the title of his 1906 book) was that the American worker was less disgruntled because “the prospects of moving out of his class were undoubtedly greater . . . than for his counterpart in old Europe.”⁷⁵ Historians and social scientists have debated Sombart's assertion ever since. But there's little question that the United States—and other settler societies such as Canada—enjoyed a mobility advantage over Europe through the nineteenth century, especially for Americans willing to strike out for the nation's expanding frontier.⁷⁶

Today, however, the frontier is gone, and so is America's mobility advantage. Indeed, the United States now has close to the lowest level of upward mobility in the advanced industrial world: lower than in Tocqueville's France, lower than in Sombart's Germany, and lower—much lower—than in our northern neighbor, Canada.⁷⁷ Roughly two in three Americans born in the bottom fifth of incomes either stay there (42 percent) or rise just into the next fifth (23 percent). An American boy whose dad is in the bottom fifth has only a 30 percent chance of climbing into the top half. A Canadian boy has a 38 percent chance. This 8-

point difference might seem small, but it's not. With 138 million American men, 8 percentage points represent 2 million boys escaping the bottom fifth into the top half.

The Kids Aren't All Right

Again it's the youngest of the young who are most disadvantaged. The United Nations Children's Fund (UNICEF) has compiled a composite index of the "material well-being" of children in developed countries, which takes into account various measures of childhood poverty and material deprivation (lack of access to regular meals, for example). In the most recent report, the United States ranked twenty-sixth out of twenty-nine developed nations.⁷⁸ First in the standings was the Netherlands, where soon-to-be-giants are born. UNICEF has produced its index since the early 2000s. The United States was one of only five nations that were below average at that time yet failed to improve kids' material well-being in the following decade. The other four were Greece, Hungary, Italy, and Spain.

"Prediction is very difficult," the physicist Niels Bohr reportedly said, "especially about the future." But today's young are the clearest vision of the future we have. If they are falling behind—unhealthier than young people in other rich countries, less well educated, more likely to be economically marginalized—we face grim prospects. As two health researchers conclude after reviewing the international evidence on the well-being of American children, "The US stacks up relatively poorly on critical measures of child health. Similarly, the US compares unfavorably to other nations on indicators of governmental investment in children and their families. The picture that emerges is one of a powerful and immensely wealthy nation that, compared with other nations, has made a startlingly modest investment in its children."⁷⁹

Shortchanging the Future

We come then to the last of our alarming grades. Where we once led, we are losing ground. But that's better than we are doing in preparing for our future, especially when it comes to responding to newly emerging challenges, such as global warming and obesity, for which no inheritance of American leadership exists. With regard to these crucial tests of the resilience and innovative potential of our society, we are getting failing marks.

R&D RIP

Consider research and development, or R&D, a key source of fuel for the knowledge economy.⁸⁰ Leave it up to the market, and it won't be adequately supplied. That's not because corporations don't value R&D—they do, and they do a lot of it. It's because corporations will underinvest in R&D that aids many firms rather than mainly themselves because they pay the cost but receive only a small fraction of the benefit. This incentive problem is a major reason why government support for R&D became so large and so valuable as the capacities of science exploded in the twentieth century.

Nowhere was this problem addressed more capably than in the United States. Though government promotion and funding of science has a long history, it expanded dramatically during World War II and continued afterward with the National Science Foundation (NSF), National Institutes of Health (NIH), and other public agencies that supported training in science and engineering and financed research in the private sector and academia. In the quarter century after World War II, the United States didn't just lead the world in R&D funding. It owned the field. Well into the 1960s, the federal government spent more than the combined total of all R&D spending by governments and businesses outside the United States.⁸¹ The fruits of these

investments ranged from radar and GPS, to advanced medical technology, to robotics and the computer systems that figure in nearly every modern technology. Far from crowding out private R&D, moreover, these public investments spurred additional private innovation. The computer pioneers who developed better and smaller systems not only relied on publicly fostered breakthroughs in technology; they also would have found little market for their most profitable products if not for the internet, GPS, and other government-sponsored platforms for the digital revolution.

That was then. Over the last half century, R&D spending by the federal government has plummeted as a share of the economy, falling from a peak of nearly 2 percent of GDP in the mid-1960s to around 0.7 percent in the late 1990s, before rebounding slightly in recent years.⁸² Between 1987 and 2008, federal expenditures were essentially flat once inflation is taken into account (rising 0.3 percent a year). The United States now ranks ninth in the world in government R&D expenditures as a share of the economy.⁸³ The majority of this spending, however, is for defense-related projects, which have fewer positive spillovers than nondefense R&D does. Take out defense, and the United States ranks thirty-ninth in government R&D spending as a share of the economy.

Calculating the effects of R&D spending on productivity is difficult, but the consensus among economists is that the returns to individual firms are large and the returns to society as a whole, larger still.⁸⁴ Public R&D expenditures are already at their lowest level as a share of the economy in forty years, and they are slated to fall to their lowest level—0.5 percent of GDP in 2021—since before the great mobilization of science during World War II.⁸⁵ If they were instead increased in line with the size of the economy, according to one cautious calculation, the economy would generate more than a half trillion dollars in additional income over the next nine years.⁸⁶ And, of course, this alternative scenario—ambitious given current trends—means never going back to the level of investment of just a quarter century ago. To ramp back up to that level would require tripling current spending as a share of the economy.

We are not talking just about dollars and cents. We are talking about lives. Consider one chilling example: drug-resistant infections. As America's breakthroughs in antibiotics recede into the past, bacteria are evolving to defeat current antibiotics. For more and more infections, we are plunging back into the pre-antibiotic era. In the United States alone, two million people are sickened and tens of thousands die each year from drug-resistant infections—mostly because private companies see little incentive to invest in the necessary research, and the federal government has failed to step in.⁸⁷ Though federal funding for the National Institutes of Health ramped up in the mid-1990s, it has fallen precipitously since, cutting the share of young scientists with NIH grants in half in roughly six years.⁸⁸ As one medical professor lamented recently: "In my daily work in both a university medical school and a public hospital, it's a rare month that some bright young person doesn't tell me they are quitting science because it's too hard to get funded. . . . A decade or two from now, when an antibiotic-resistant bacteria or new strain of bird flu is ravaging humanity, that generation will no longer be around to lead the scientific charge on humanity's behalf."⁸⁹

Public Disinvestment

And health research has fared better than most areas. Public investment of all sorts and by all tiers of government has reached the lowest level since demobilization after the Second World War. Until the 1970s, gross investment by the public sector—R&D plus investment in physical capital—averaged around 7 percent of GDP. It fell below 6 percent in the 1970s and 1980s, and below 4 percent in the 1990s and 2000s. It is now at 3.6 percent and falling.⁹⁰ The biggest crunch is in infrastructure: roads, bridges, water supplies, communications networks, public buildings, and the like.⁹¹ These are among the most productive investments governments make, with average rates of return that are probably several times higher than those of typical private investments.⁹² And American infrastructure was once the envy of the world: The interstate

highway system started under President Eisenhower—a Republican—eventually stretched over forty-two thousand miles, at a cost (in present dollars) of \$493 billion. But the investment paid off, accounting for almost a third of the increase in the nation’s economic productivity in the late 1950s and around a quarter in the 1960s.⁹³

American infrastructure is no longer the envy of the world. The World Economic Forum, the Davos-based center of business-oriented thinking, ranks the United States fifteenth in the quality of railway structures, sixteenth in the quality of roads, and ninth in transportation infrastructure.⁹⁴ The American Society of Civil Engineers estimates that the United States would have to spend \$3.6 trillion more than currently budgeted just to bring our infrastructure up to acceptable levels by 2020.⁹⁵ China and India are spending almost 10 percent of GDP on infrastructure; Europe, around 5 percent.⁹⁶ Even Mexico spends just over 3 percent.⁹⁷ The United States has not broken 3 percent once since the mid-1970s.⁹⁸

Both of us used to live in the Boston area, and since we study American politics, we traveled frequently to the nation’s capital. It takes seven hours to travel from Boston to Washington, DC, on the closest thing the United States has to high-speed rail, Amtrak’s Acela Express. It takes just over two hours to travel roughly the same distance between Changsha and Guangzhou on China’s high-speed rail network.⁹⁹

Not Stepping Up to the Plate

In January 2013 a blackout shut down Super Bowl XLVII for thirty-four minutes. Blamed wrongly on Beyoncé’s halftime show (which was actually powered by a generator), the exact cause is still not known.¹⁰⁰ What is known is that if the United States had invested in a “smart grid”—energy transmission guided by digital monitoring rather than the clunky analog system and manual meter reading from the age of Thomas Edison—the lights barely would have flickered in the Superdome in New Orleans. A smart grid wouldn’t just be more reliable but also more efficient, eliminating a significant amount of the roughly 150 million tons of carbon dioxide that’s spewed into the atmosphere each year by the United States just because of power losses at the grid.¹⁰¹ For some die-hard fans, saving the Super Bowl from blackouts might be reason enough to build a smart grid. Helping to save the planet ought to be reason enough for everyone.

The United States is investing in smart-grid technology. The economic recovery bill passed in 2009 contained \$4.5 billion in federal grants, which in turn have fostered new opportunities for tech companies to pursue smart-grid projects.¹⁰² Sadly, however, this initiative is far too modest. In any case, it represents the exception rather than the rule in America’s halting effort to tackle the mounting threat of global warming. Every year, the estimated future costs of inaction increase, as the risks of extreme drought, intense storms, lost coastal land, heat-induced pandemics and wildfires, and damaged agriculture loom larger. Economists continue to debate exactly how much a robust response would slow the growth of the world economy (with more and more arguing that it would have little or no effect or even spur growth).¹⁰³ But it’s become increasingly clear that the costs of inaction are so catastrophic that substantial steps must be taken whatever the exact trade-off—the question is only what the most cost-effective and politically feasible steps would be.

And yet the United States, once the unquestioned leader in addressing pollution and other ecological risks, lags behind the rich world on most measures of environmental performance. It emits more carbon dioxide per person than any affluent country besides tiny Luxembourg—roughly twice as much as Germany and Japan, and more than three times as much as France and Sweden.¹⁰⁴ The widely respected Yale Environmental Performance Index, which assesses air and water pollution and other key environmental outcomes as well as measures relevant to climate change, ranked the United States thirty-third in the world in 2014—two spots down from its similarly uninspiring ranking of thirty-first a decade earlier.¹⁰⁵

Land of the Big

We have seen how far we have to go in tackling the dangerous warming of our planet—a challenge that cannot be addressed without the leadership of the world’s sole superpower and second-largest carbon emitter. But consider a very different emerging challenge where lack of an effective response is literally weighing down America’s future.

A larger share of Americans are obese than in any other rich country: Defined as having a body mass index of 30 or higher (roughly two hundred-plus pounds for a five-foot-eight person), obesity now afflicts more than one in three adults and one in six children, compared with around one in seven people or fewer in most European countries.¹⁰⁶ Individual medical costs associated with obesity are on par with those of smoking.¹⁰⁷ In the aggregate, obesity accounts for a tenth of health spending in the United States, generating \$270 billion in total economic cost due to medical bills, mortality, and disability.¹⁰⁸ When additional consequences of obesity are factored in—lower earnings, lost work time, reduced productivity—the costs are even more staggering.

The basic causes are no mystery: Americans have become more sedentary, and they consume more calories than they once did.¹⁰⁹ Even small differences in activity and diet can add up: One soda a day—a twelve-ounce can, not the megacups that are served at fast-food restaurants (KFC’s “Mega Jug” is sixty-four ounces)—adds up to 55,000 additional calories and fifteen extra pounds a year.¹¹⁰ And once again, adding up all these individual changes across the population leads to enormous effects (no pun intended), such as \$270 billion in higher health spending a year. It’s often said that obesity is a personal problem. But people’s basic biological desire for fat and sugar hasn’t changed in the last few decades; their environment has. And American food policy—including federal subsidies for sugar and high-fructose corn syrup—has played a major role in shaping that environment.

Want a vivid image of how American bodies have changed? The average American woman now weighs around 165 pounds. According to the US Centers for Disease Control and Prevention (CDC), that’s essentially what the average American man weighed in 1960. (Today’s average man is around 195 pounds.)¹¹¹ Americans were once the tallest people in the advanced industrial world. We are now not just among the shortest but also far and away the heaviest. Where once we towered over others when standing, now we only do so when everyone is lying down.

Still the American Century?

What makes all this the more poignant and pressing is that it wasn’t always this way. When Henry Luce, founder of *Life*, *Time*, and *Fortune* magazines, wrote of an “American Century” in 1941, the United States had by far the highest standard of living in the world across all dimensions. “At least two-thirds of us are just plain rich compared with all the rest of the human family,” Luce wrote, “rich in food, rich in clothes, rich in entertainment and amusement, rich in leisure, rich.”¹¹² Americans also had enviably good health compared with citizens of other wealthy nations. And, not coincidentally, they were much better educated, too.

After World War II, this advantage widened, and not just because of the devastation the war wrought in Europe. With the GI Bill and expansion of state and federal support for universities, the United States leapt into a dominant lead in college attendance and completion. Massive public investments in science training, communications, transportation, roads, bridges, and R&D continued after the war, emphasizing civilian as well as defense aims. These efforts supercharged US growth, bequeathing many of the scientific breakthroughs and revolutionary technologies that have driven our economy to this day. The American

Century was created, not inherited.

Of course, the United States was not alone on this remarkable journey to prosperity. Instead, it occupied the leading edge of a revolutionary economic transformation experienced by a small club of rich nations. Which raises a natural question: How did this revolution in human well-being happen?

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