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Before the Senate Committee on Finance

Innovative Ideas to Strengthen and Expand the Middle Class

March 13, 2014

Chairman Wyden and Ranking Member Hatch, I am honored to have been asked to testify before the Senate Finance Committee today. I am a staff writer at *The New Yorker Magazine*, and last year I published a book called *The Unwinding: An Inner History of the New America*. I conceived it as a thirty-year history of the political and economic upheavals that have transformed America during my adult lifetime. I might have added another policy book to the long shelf of such tomes, or written a more conventional work of American history, but I didn't feel very qualified to do either. I'm a journalist, and I wanted to write about this generational change through the lives and stories of a handful of unknown Americans in some of the more forgotten corners of the country. From 2009 to 2012 I spent a lot of time in the Piedmont region of North Carolina; in Youngstown, Ohio; and in the unincorporated subdivisions around Tampa Bay. Here is what I learned from some of the people with whom I spent many weeks and months.

First, everywhere I went, I heard again and again: there's no more middle class here. There's just rich and poor. Even if this wasn't statistically true, it felt true to the people I talked with. The disappearance of jobs in manufacturing, small-scale agriculture, or construction (depending on where I was) has been going on for a long time—since the late seventies in the case of the steel industry in Youngstown—and any long-term trend can begin to seem normal, even unnoticeable. But the financial crisis and the Great Recession seemed to focus people's minds on how far things had gone. I remember walking along Main Street in Madison, North Carolina with Dean Price, the son of tobacco farmers and a native of the area. He had grown up thinking of himself as middle class, but just about every store he'd known as a kid was closed down, and he said, "If you think about it, the people that ran the hardware store, the shoe store, the little restaurant that was here, they were the fabric of the community. They were the leaders. They were the Little League baseball coaches, they were the town council members, they were the people everybody looked up to. We lost that."

How many Madison, North Carolinas are there around America? When you leave the more prosperous areas of the country, it becomes almost routine to see deserted main streets in town after town. In Rockingham County, North Carolina, population 93,000, three Walmarts opened up in one six-month period a few years back, with almost ten applicants for every position, which paid an average of \$16,108 a year. Those were just about the only jobs available to workers who had once held manufacturing jobs in the textile mills and furniture factories before those moved overseas. Dean Price told me that, with the housing bust, a lot of people in his area had to choose between paying the mortgage and putting gas in the car to drive ever-longer distances to ever-lower-paid

work. Again, this is not the exceptional case—it felt to me closer to the norm. It's the economic success stories that we hear about in the media, in Silicon Valley and on Wall Street, that felt like the exceptions. As Dean Price said to me, "How many investment bankers and software designers are there around the country? Then think of how many farmers."

The second thing I kept hearing was that the game is rigged. People who were trying to play by the rules found that, no matter how hard they tried, they couldn't get out of debt or lift themselves out of an impoverished life, while they watched more fortunate people, with the right educations and connections, pull away, be granted second or third chances, even get away with murder. I heard this from people of all races, backgrounds, and political views, and while they had different explanations and placed the blame in different ways—some blamed big business, some blamed big government, some blamed Wall Street, some blamed all of you—this widespread cynicism struck me as a dangerous sign about the health of American democracy. The idea that hard work and effort can lead to better prospects for oneself and one's children is at the heart of the American dream. It's one thing to read statistics about income inequality and social immobility; it's another to see the dream vanishing in the minds of ordinary Americans.

For example, in Tampa I met the Hartzell family—Danny and Ronale, and their young kids Brent and Danielle. Danny worked as a welder, then at a packaging plant, but when those jobs disappeared with the recession, he spent months looking for work with no luck. Then the Hartzells' daughter Danielle was diagnosed with bone cancer, and the parents put all their energy into her treatment and recovery, made possible by the charity of local hospitals. Finally, Danny got a job stocking produce at Walmart for \$8.50 an

hour, which—because the store had him working part-time—put Danny at about ten thousand dollars a year. Try supporting a family on that. By the end of the month, they had as little as five dollars on hand. The only time they had extra cash for any purchases beyond the basics was when they received their Earned Income Tax Credit.

And yet the Hartzells weren't doing any of the things that poor people are rumored to do. They didn't drink or do drugs; they obeyed the law. The kids were loving and respectful. The family stayed together through everything—even three periods of homelessness. The parents continue to put their kids—who bounce between schools and miss out on their education because of the family's instability—ahead of every other consideration. The last time I saw the Hartzells, Danny said to me, “My view on everything—if you want to change this country, you have to put a person in office who has never done it for a day. Put a regular old guy like me, someone who's lived it and never done nothing else but live it.” I think Danny was saying something like the game is rigged.

The Hartzells have made their share of mistakes, but they are the kind of people who used to do O.K. in America—not rich, but O.K. There was a place of dignity for them in our society. Today, without good educations or successful connections or other resources, the Hartzells are barely surviving. They feel themselves to be disposable, and it's hard to be optimistic about their or their children's future. Just last week, Ronale Hartzell e-mailed to tell me that they've left Tampa, where they lived most of their lives, to try their luck in Orlando. “We just want a little happiness, just a little,” she wrote. “We are trying so hard since day one.” How many people like the Hartzells are there in America?

I'm not the policy expert in this room. You will hear from others who are. But I've become a sort of expert on the people I wrote about in *The Unwinding*. I can tell you that the institutions that used to support the aspirations of middle-class Americans—from federal, state, and local governments to corporations, banks, public schools, and the media—are no longer seen as positive forces in the lives of the people I spent time with. These institutions are either very distant, to the point of irrelevance, or else they are seen as negative. There is no simple or single solution to this state of affairs, but it's real, it's out there, and every day it corrodes the sense of fairness and opportunity that's essential to our democracy. The people I wrote about don't have lobbyists or trade associations or public affairs firms to represent their interests in Washington. The only voice they have is yours. For that reason, I hope that the members of this committee will put the Americans I've been describing, and others like them, at the center of all the legislative work you do.

Thank you very much.