
Angry Americans: How the 2008 Crash Fueled a Political Rebellion

by



Victoria

[toristilva](#)



Sarah McGregor

[sarahinnairobi](#)

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Democratic presidential candidate Bernie Sanders speaks on Feb. 29, 2016, in Minneapolis. *Photographer: Stephen Maturen/Getty Images*

- ▶ Great Recession looms large over primary-season insurgencies
- ▶ U.S. economy outpaces peers but falls short of past rebounds

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The one story about the U.S. economy that has virtually no traction among American voters right now is that it's doing OK.

Anyone inclined to tell that story, as President Barack Obama did in his final State of the Union [address](#) in January, can find headline data to back it up. But primary-season revolts -- the Donald Trump mutiny against the Republican establishment, and the fiercer-than-expected challenge from Bernie Sanders against a Democratic frontrunner with all the advantages -- are driven by fed-up Americans saying it isn't so. And looking behind the headlines, the numbers might be on their side.

Unemployment at an eight-year low? Yes, but by most measures of the labor force, participation is down. More than six years of almost uninterrupted growth? Better than much of the industrialized world, for sure, but at a pace that won't see the economy closing its output gap until 2026 at the earliest. Wage growth finally edging higher? Maybe so, in the aggregate, but not by much -- and anyway, whose wages?



Glass-half-empty statistics like these explain why the recession that ended in 2009 still towers over the electoral landscape. The Sanders critique of skewed wealth distribution, or the Trump diatribe against the job-draining impact of trade, are arguments that have been heard before in American politics. Now, after the worst slump and feeblest recovery in generations, millions seem eager to listen.

“For families who are hearing everyone say, ‘The recession is over, we’ve recovered, it’s all good,’ they’re like, ‘Wait a minute, I haven’t recovered at all -- in fact it’s

gotten worse’,” said Doug Holtz-Eakin, president of the center-right American Action Forum and a former director of the Congressional Budget Office. “That’s a big inconsistency between what they’re seeing in their day-to-day lives and what they’re hearing. That’s the kind of thing that makes people angry.”

Trump and Sanders are drawing on that anger to challenge the way America’s economy has been managed at a more fundamental level than other candidates. They’re promising to drive in a different direction, rather than tune the engine. While there’s some overlap, the two men have distinctive explanations of what’s gone wrong, who’s to blame, and how to fix it.

‘Rings True’

Sanders, a self-proclaimed democratic socialist, zeroes in on internal imbalances. He’s promised to break up the largest banks, raise taxes at the top and provide more health care and education for free -- remedies for an economy he says is rigged in favor of the rich.

Since at least the 1970s, the gap between high-income and low-income American households has been widening, according to the U.S. Census Bureau. Enough unease has gathered around the issue to turn a 700-page theoretical work by a hitherto obscure French economist -- Thomas Piketty’s ‘Capital in the Twenty-First Century’ -- into an unlikely bestseller.

“For lots of Americans, that income inequality story rings true,” said [Richard Parker](#), a lecturer in public policy at the Harvard Kennedy School. Such long-term trends take time to reverse, he said. “Turning that story around doesn’t happen in a year, or even a single presidential term.”

Sanders may not get the chance to try: he lags Hillary Clinton in delegates already in the bag and in polls for upcoming primaries, including most of today’s Super Tuesday contests. But the Vermont senator has already confounded most pundits, and his influence may outlast his campaign.

‘Sucking Sound’

He tapped a wellspring of support, especially among the poor, for an economic agenda that’s reminiscent of the New Deal of the 1930s. In New Hampshire, where [Sanders won](#) a landslide, his strongest support came from voters earning less than \$30,000 a year, according to an exit poll by Edison Research published by the New York Times. The only income group Clinton carried was those pulling in \$200,000 or more.

At a Sanders rally in Kansas City, Missouri on Feb. 24, 59-year-old property manager Manolete Garcia said he's making less than \$50,000 a year now -- about half of his 1985 income -- and isn't feeling the recovery.

"There's been a giant sucking sound and it's sucked everything away from the middle class and right up to the one percent," he said. He's backing Sanders because "I think he can reverse that."

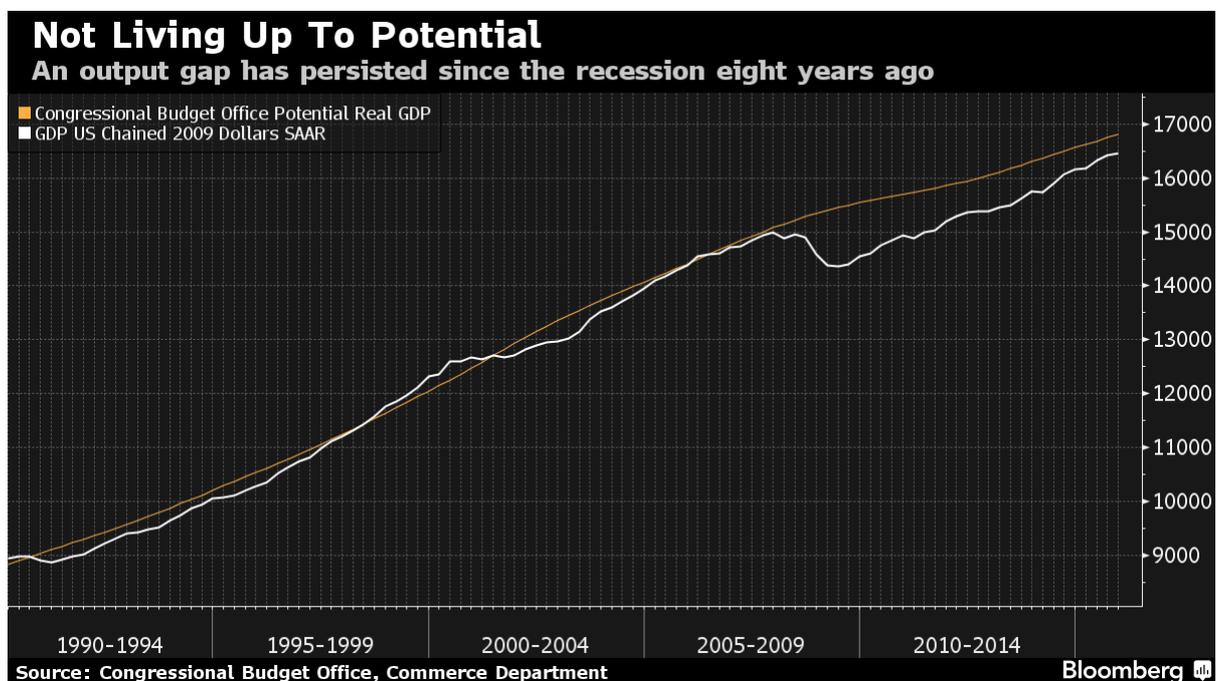
Trump, a billionaire real-estate developer, isn't really into the politics of redistribution, though he takes the odd shot at Wall Street.

'Very Fragile'

Instead, he hammers on an external imbalance: America is losing jobs and money to foreigners. He's vowed to deport undocumented immigrants, block trade pacts that encourage outsourcing, and intimidate China into giving U.S. businesses a better deal.

Trump's message resonates because "workers that are competing with the rest of the world are very nervous, they feel their situation is very fragile," said Mark Zandi, chief economist at Moody's Analytics Inc. "Their perception is that immigrants are taking their jobs, which is the wrong perception, but the perception. That also goes to the anti-trade sentiment."

Trump says his trade plans and tax cuts will "make America great again," triggering growth as fast as 6 percent. Most analysts question that projection, but they agree that the economy has underperformed since 2009. That's captured in the "output gap," a term economists use to describe the difference between actual and potential GDP. At current rates of growth, it probably won't be closed before 2026, estimates Josh Bivens, research and policy director at the left-leaning Economic Policy Institute in Washington.



Damien Donnelly, a retiree who was among 7,000 Trump fans packed into a football stadium in Madison, Alabama to watch the candidate last weekend, says he blames Obama for lackluster growth and is backing Trump to do better. America is “sick and tired of the politicians who say they’re going to fix the economy and don’t,” Donnelly said.

Trump is much better-placed to be his party’s nominee than Sanders. In recent contests, he’s won in most voter groups, and polls show him set for a near-sweep on Super Tuesday. But, like Sanders, his arguments are especially resonant among Americans at the bottom of the income ladder and those with less education, who say they’re falling behind.

Both insurgents are addressing a class that’s been neglected by party leaderships, a so-called “precarariat” lacking job security or prospects and acutely vulnerable to economic shocks, according to John Russo, visiting scholar at the Kalmanovitz Initiative for Labor and the Working Poor at Georgetown University.

“The Democrats and the Republicans, as parties, have not adequately addressed the insecurity and growing inequality in the society,” he said. “I think it’s being catered to by these politicians now -- that resentment, it’s being played out.”

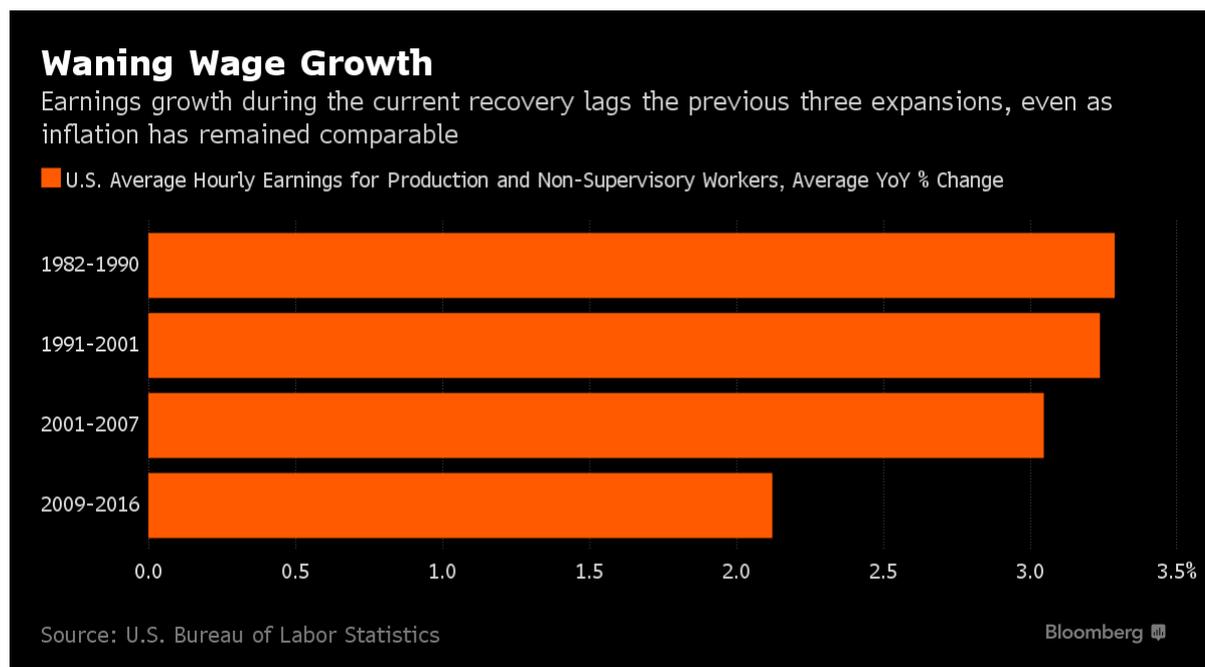
‘What We’ve Got’

What could take the edge off it? Zandi, of Moody’s, says the key is the labor market, where plenty of data suggests the improvement touted by Obama is under way. About 5.7 million workers were added to payrolls in 2014 and 2015, the best back-

to-back years of job growth since 1998-1999, and firings remain near historical lows.

“The main factor here is wage growth,” Zandi said. “It’s essentially been at the rate of inflation since the recession hit, so there’s been no increase in living standards. There are signs it’s picking up, and more indications that it will. That’s when perceptions will change.”

Average hourly earnings were up 2.5 percent in the 12 months through January, capping a five-month sequence that’s the strongest since 2009. Still, it’s not enough to bring the current recovery in line with earlier ones.



And economists surveyed by Bloomberg, looking ahead through 2018, are predicting growth rates for the economy that aren’t much higher than the 2.1 percent average achieved since the crash.

To be sure, those numbers would be envied by leaders in Europe -- where traditional parties are also under siege by insurgencies of the left and right -- or Japan. Still, they go a long way to explaining why American voters are turning away from the mainstream, said John Silvia, chief economist at Wells Fargo Securities LLC in Charlotte, North Carolina.

“They associate the establishment candidates with what we’ve got,” he said. “And what we’ve got is not very good in their view. Two to 2.5 percent growth, another seven years of that? That’s not going to accomplish the American dream for a lot of people.”

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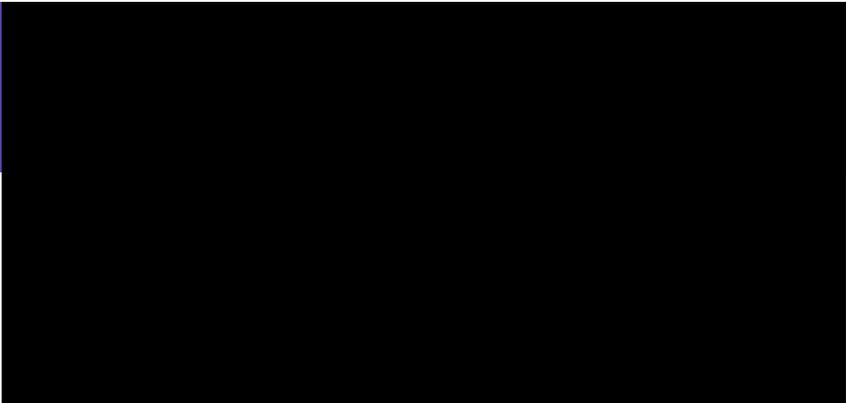
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