

Why the middle class is in trouble

By RICHARD PARKER

McClatchy-News Tribune

AUSTIN, Texas — A friend is barely able to pay for a child's education. Another nearly loses her business. Yet another nearly loses his home. And for those who lose good jobs, like a woman in New York, "It's overwhelming."

GUEST COLUMN

Four years ago, Lehman Brothers was on the verge of collapse and would take with it the global financial system. For the middle class in this country, the ensuing housing crash, recession and prolonged unemployment have translated into lower household incomes and a decline in net worth. There are now more poor people in the suburbs than in the cities. And in the battle for the White House, both parties are trying to assure a battered American middle class that they really do have its interest at heart.

Which seems unlikely, frankly, seeing as how we got into this mess: the collusion of big banks and big government. If you want to know how this all happened, how it got so bad and has not become better, author Jeff Connaughton explains it in his new book, "The Payoff: Why Wall Street Always Wins." On top of everything else, the American middle class is being systematically robbed by the corruption of Washington, namely by Wall Street. This corrupt nexus of money and power is why the economy collapsed, why it isn't getting better, and why the middle class is fighting for its life.

In his book, Connaughton not only examines the roots of the financial crisis that triggered all of this in 2008 but he provides an insider's chronicle as to how Washington really works — on behalf of special interests and decidedly against the interest of American citizens. Having worked as a White House lawyer, a K Street lobbyist and then as the chief of staff to a reformist senator, Connaughton helped push through legislation in 2009 to crack down and spend money to investigate Wall Street.

And then, he and Sen. Ted Kaufman of Delaware watched with dismay as nothing was done to prevent another financial catastrophe. Congress funded just 18 cents on the dollar for investigations and prosecutions. The Obama justice Department let local U.S. attorneys try to investigate on their own. When the Securities and Exchange Commission investigated, well, it settled with the big banks.

But the fix, as Connaughton chronicles, was in from the beginning. And Connaughton, a Democrat and longtime supporter of Vice President Joe Biden, focuses most of his blame on Democrats though he heaps plenty on Republicans.

From the outset, the Obama administration's transition team was stocked with Citi and Goldman Sachs executives. Obama entrusted fixing the "the china shop to the bulls who'd helped ransack it."

While Republicans rightly get blamed for coddling to big business, it was the Democrats who coddled big banks. President Clinton signed the law in 1999 that repealed bank regulations that had stood the test of time, since the Great Depression; and that repeal helped cause the Great Recession. President Obama has endorsed proprietary trading by banks for their own accounts — but nothing has happened.

The reason? Money.

Wall Street provides a river of money to Washington. Special interests have spent \$7 billion influencing Washington just since the beginning of 2009: \$5 billion in lobbying and \$2 billion in campaign dollars.

Having pushed on the revolving door himself, Connaughton self-critically describes how Washington has gotten rich while everyone else has gotten poor. The \$100,000 monthly fees to lobbyists, regulators, congressional staff and lobbyists vacationing together. Republicans angling for Wall Street money that Democrats want to keep for themselves.

An ever-larger army of lobbyists now topping 14,000. And counting. "We have two systems in this country," Connaughton told me. "One for the rich and powerful and one for the middle class and everyone else."

Ours is the finest government that money can buy. Once the battle over financial reform faded, Obama poured his attention into health-care reform and Republicans fought over the budget. Now, banks refuse to lend. The government hasn't a clue as to what to next. The middle class, meanwhile, has to struggle with technological change, globalization — and being pillaged by banks and their pet politicians.

So, every day, middle class people live with the fear that poverty comes next for them — or know, worse, that it has. The tale of the event planner in New York comes from a website where unemployed people tell their stories with shame and fright. Writes one mother: "I am scared for my children."

On that site alone there are thousands of such stories. Across the country, there are millions of them. And counting.

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