

•A winning economic policy frame. Despite their failings of framing, progressives have considerable traction on economic issues because of deep-seated public anxiety about the economy. The anxiety deepened during the unbalanced last four years—a period of slow job growth, hidden chronic unemployment, stagnant or declining wages, stagnant or rising poverty rates, and further wealth and income inequality.

These unhealthy features provide the key to a winning progressive economic policy frame. That frame must restore the link between wages and productivity growth—productivity has far outstripped wages—combined with full employment. And budget and trade deficits should be discussed in terms of long-haul sustainability.

Linking wages and productivity focuses on the entire business cycle, not just recession. It also shows who grows the economy now—workers—and who benefits—not workers.

That fills the gap in present economic policy “messages” in booms. Booms that fail to deliver rising wages can be rightly criticized. Moreover, emphasizing productivity growth makes for an explicitly pro-growth mes-

sage. Lastly, the message is anchored in economic history: The “golden age” of the American economy was 1945-1973, when wages and productivity rose together and the rising economic tide lifted all boats.

•Words matter. A winning strategy substitutes “full employment” for “unemployment.” Full employment is an affirmative concept, whereas unemployment is a negative one. Full employment resonates with self-help, while unemployment can suggest welfare. And spotlighting full employment also fits with tying wages to productivity since tight labor markets help workers win a share of their productivity.

Of course, what constitutes full employment is open to debate, but that is a debate worth having and one that conservatives have shut down since the late 1960s.

Finally, the budget and trade deficit should be reframed in terms of sustainability. That escapes the prison of the “lock-box” and balanced budgets by recognizing deficits can be both good and bad. As with full employment, “sustainability” is open to debate, but once again that’s a debate worth having. There has been no such debate for years.

A productivity based wages-full employment-sustainable deficits frame embodies a powerful positive logic. And it provides an easy funnel for showcasing the “hot-button” discontents of today’s economy. Rising inequality and the CEO pay explosion are simply the flipside of today’s wage-productivity disconnect. The trade deficit drains demand from the U.S. economy, undermining full employment and manufacturing, which is key to future productivity and wage growth. GOP President George W. Bush’s tax cuts promoted bad unsustainable deficits, benefiting the rich, not the economy.

Most importantly, such a frame invites questions of what caused the disconnection between wages and productivity, and what can be done to remedy it. That opens the way for deeper discussion about the economy, and in particular the role of economic power. Once that door is

open, it’s easy to understand the role of unions in tying wages to productivity and limiting CEO excess. It’s also easy to see why globalization will not work unless accompanied by global labor standards.

By way of example, consider the debate over the minimum wage. The existing progressive policy frame emphasizes fairness, with the minimum wage helping low-paid workers make a living. Compare that with a wage-productivity view where the minimum wage is part of the system for tying wages to productivity growth. That suggests not only should the minimum wage be increased, it should also be indexed to the median wage. While the present approach—raising the minimum wage every so often by legislation—relies on charitable sentiments, a wage-productivity tie-in gives everyone

a vested interest in the minimum wage. That’s a winning political strategy.

•Lessons from history. History contains some encouraging parallels, but also shows winning will require more than just a wish list of progressive policies. In the 1940s, Keynesian economics transformed the way people thought about the economy. Absent the Great Depression, it is unlikely this revolution in thought would ever have happened.

Likewise the 1970s stagflation induced by OPEC’s oil price hikes created a window of opportunity for Milton Friedman’s *laissez-faire* idea of “a natural rate of unemployment,” taking economics back to pre-business pre-Depression modes of thought. George W. Bush’s sick and unbalanced so-called “boom” gives progressives a similar

opportunity.

But history illustrates crisis alone is not enough to change thinking. Ideas must also be ready to fill the vacuum that opens. That has important strategic implications for progressive presidential candidates.

Put bluntly, a laundry list of policy proposals is not enough to transform thinking about the economy. That is a deeper task requiring connecting practical policies to a convincing vision of how the economy works.

*Thomas Palley is the former chief economist of the AFL-CIO and former chief economist of the U.S.-China Commission, a congressionally created panel that monitors U.S.-China trade and economic relations. This and other economic analyses can be found on [www.thomaspalley.com](http://www.thomaspalley.com).*