

# The Unwinding: An Inner History of The New America<sup>1</sup>

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*No one can say when the unwinding began—when the coil that held Americans together in its secure and sometimes stifling grip first gave way. Like any great change, the unwinding began at countless times, in countless ways—and at some moment the country, always the same country, crossed a line of history and became irretrievably different.*<sup>2</sup>

## I. Introduction

In *The Unwinding*, author George Packer argues that America is in decline. As structures that have been in place for decades “collapse[d] like pillars of salt,” other things, “harder to see but no less vital in supporting the order of everyday life, changed beyond recognition—ways and means in Washington caucus rooms, taboos on New York trading desks, manners and morals everywhere.”<sup>3</sup> But Packer relies on flimsy evidence to support his broad conclusion: anecdotal evidence from a handful of individuals he happened to interview while a staff writer for *The New Yorker*.<sup>4</sup>

*The Unwinding* is not so much an ‘inner history,’ as its title claims, as it is a compilation of unrelated articles, cobbled together into a book. As such, the book feels disjointed and unconnected: like reading a series of magazine articles rather than a book. More importantly, the stories do not support the author’s main claims, which are merely a collection of progressive talking points: (1) that the repeal of Glass-Steagall<sup>5</sup> caused the bank failures and financial crisis of the last seven years; (2) the system is rigged against ordinary Americans; (3) Wal-Mart is evil; (4) Elizabeth Warren is good; and (5) more government regulation could save America from the greedy one-percenters that are destroying it. *The Unwinding* would be of great use to Elizabeth Warren as a piece of campaign literature. Unfortunately, it is of less use to professional military officers, whose time would probably be better spent reading Packer’s other book, *The Assassins’ Gate*.<sup>6</sup>

## I. *The Unwinding’s* Heroes and Villains.

Packer claims that America is changing beyond recognition, but focuses mainly on the financial crisis of the last seven years. He presents the image of a changing America by telling the stories of Americans who either caused that change or were swept away by it. His characters are easily classified as stereotypical heroes or villains.

The hero side starts with Tammy Thomas. She grew up in Youngstown, Ohio, and witnessed the town’s decline over the past few decades as union jobs in the steel plants and factories either evaporated or were shipped overseas.<sup>7</sup> She held on longer than most. For ten years she was the sole support for her three children, earning close to twenty-five dollars an hour working on an assembly line for a company that manufactured auto parts.<sup>8</sup> But in 2006, after the company went through a series of mergers and “aggressive cost reduction” steps, she was forced to accept either a forty percent pay cut (to \$13.50 an hour) or a buyout that would eliminate her job and cause her to lose most of her pension.<sup>9</sup> She chose the latter. When the money from the buyout ran out, she got a job as a community organizer for a non-profit, advocating for pro-union and other progressive causes, and participating in the group’s get-out-the-vote campaign to help elect Barack Obama in 2008.<sup>10</sup>

Dean Price grew up in the Piedmont region of North Carolina during the golden age of tobacco farming when the best that a young man could hope for was to get a job making cigarettes at the R.J. Reynolds factory and be “set for life, with good pay and benefits plus two cartons of cigarettes a week.”<sup>11</sup> Dean attended college, earned a degree in political science, and went to work for Johnson & Johnson selling pharmaceuticals,<sup>12</sup> But he hated it and soon quit.<sup>13</sup> “He decided to start over and do things his own way. He would become an entrepreneur.”<sup>14</sup> After a failed attempt at

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<sup>1</sup> GEORGE PACKER, *THE UNWINDING: AN INNER HISTORY OF THE NEW AMERICA* (2013).

<sup>2</sup> *Id.* at 3.

<sup>3</sup> *Id.*

<sup>4</sup> See Dwight Garner, *A Nation, Its Seams Fraying*, N.Y. Times, May 29, 2013, at C1 (noting that *The Unwinding* began as a series of pieces in *The New Yorker*).

<sup>5</sup> Named after Senator Glass and Congressman Steagall, the Banking Act of 1933 banned “commercial banks from underwriting securities, forcing banks to choose between being a simple lender or an underwriter (brokerage).” *The Long Demise of Glass-Steagall*, PUBLIC BROADCASTING SERVICE, <http://www.pbs.org/wgbh/pages/frontline/shows/wallstreet/weill/demise.html> (last visited Sep. 3, 2014). The citation for the Glass-Steagall Act is, Banking Act of 1933, Pub. L. No. 73-66, 48 Stat. 162 (1933).

<sup>6</sup> GEORGE PACKER, *THE ASSASSINS’ GATE: AMERICA IN IRAQ* (2005).

<sup>7</sup> PACKER, *supra* note 1, at 37-56.

<sup>8</sup> *Id.* at 152.

<sup>9</sup> *Id.*

<sup>10</sup> *Id.* at 231-39.

<sup>11</sup> *Id.* at 14-15.

<sup>12</sup> *Id.* at 16-17.

<sup>13</sup> *Id.* at 17.

<sup>14</sup> *Id.*

operating a chain of truck stops and fast food restaurants, he became a spokesman for biodiesel. His vision was to create a chain of biodiesel truck stops that would use canola oil grown by local farmers and produced on site.<sup>15</sup> This vision later changed to include collecting waste cooking oil from local restaurants and turning it to biodiesel. Locally produced biodiesel would keep all the profits local and away from the big oil companies and foreign producers of oil.<sup>16</sup>

Another hero, Jeff Connaughton represents the stereotypical Washington insider. He followed Joe Biden into government and remained loyal to him over several decades.<sup>17</sup> He also worked as a lobbyist, where he made millions and came to see the corrupting influence of money and the power it had over elected officials.<sup>18</sup> He later returned to government as a staffer to Senator Ted Kaufman from 2009-2010, hoping to “go after Wall Street” and enact real financial reform, including reinstating Glass-Steagall.<sup>19</sup> But after he saw that lobbyists and Wall Street insiders were able to influence even Democrats like Vice President Joseph Biden, President Obama, and Senator Chris Dodd, and kill any chance of sweeping financial reform, he came to the “stunning realization that our government has been taken over by a financial elite that runs the government for the plutocracy.”<sup>20</sup> He eventually left Washington a jaded man to write a book called *The Payoff: Why Wall Street Always Wins*.<sup>21</sup>

Although the stories of these three individuals comprise the majority of the book, Packer also includes narratives from many others: a man struggling to support his family earning \$7.60 an hour at Wal-Mart; a small hotel owner fighting against an abusive mortgage company; a lawyer defending those facing foreclosure; an Occupy Wall Street protester; an evangelist for organic and sustainable food; a progressive Democratic congressman from Virginia; and Elizabeth Warren. Senator Warren is portrayed as a “Prairie Populist”— someone whose presence in government “made insiders uneasy because it reminded them of the cozy corruption that had become the normal way of doing business around Capitol Hill.”<sup>22</sup> According to Packer, the banks feared her because she “knew their game.”<sup>23</sup>

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<sup>15</sup> *Id.* at 180-81.

<sup>16</sup> *Id.* at 422-25.

<sup>17</sup> *Id.* at 62- 65, 280-95, 399.

<sup>18</sup> *Id.* at 163-71.

<sup>19</sup> *Id.* at 280-81.

<sup>20</sup> *Id.* at 279.

<sup>21</sup> *Id.* at 399; see also JEFF CONNAUGHTON, *THE PAYOFF: WHY WALL STREET ALWAYS WINS* (2012).

<sup>22</sup> *Id.* at 349-50.

<sup>23</sup> *Id.*

Packer’s cast of villains is equally predictable—Newt Gingrich; Wall Street bankers; steel and manufacturing companies that sent American jobs overseas; Tampa housing developers who gobbled up swamps and farmland to inflate the housing bubble; the Tea Party; President Clinton (to the extent he sold out to Republicans and Wall Street when he agreed to repeal Glass-Steagall); a silicon valley billionaire; ignorant Glenn Beck fans who oppose funding for mass transit; and Sam Walton. Packer takes particular aim at the last figure, arguing that Wal-Mart destroyed every town in America by paving over trees and fields to create sprawl that killed towns’ main streets, crushing unions and lowering wages and prices in the process. Packer claims that Sam Walton did not care what he was doing to the country because “[t]he hollowing out of the heartland was good for the company’s bottom line.”<sup>24</sup>

## II. Packer’s Weak Case for Glass-Steagall Reforms

Packer weaves all of these narratives together to form his central thesis:

When the norms that made the old institutions useful began to unwind, and the leaders abandoned their posts, the Roosevelt Republic that had reigned for almost half a century came undone. The void was filled by the default force in American life, organized money.<sup>25</sup>

But when Packer talks generally about the Roosevelt Republic coming undone, what he really means is that the 1933 Glass-Steagall Act was repealed, leading to uncontrolled greed and financial ruin. In fact, *The Unwinding* reads as a political call to action for financial reform including Glass-Steagall restrictions. But unfortunately, the book adds little to the understanding of this complex financial issue.

Packer merely parrots accepted progressive dogma that runs as follows: (1) Congress created a wall between commercial and investment banking to prevent the type of greed that caused the Great Depression; (2) Wall Street lobbied the government to repeal that wall in 1997; (3) banks then made billions using Federal Deposit Insurance Corporation insured deposits to underwrite bad loans and then dump those bad loans back on their customers in the form of securities, causing the great recession; (4) therefore, a wall between commercial and investment banking must be rebuilt to prevent another financial meltdown.<sup>26</sup> But it makes

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<sup>24</sup> *Id.* at 102-05.

<sup>25</sup> *Id.* at 3.

<sup>26</sup> See James Rickards, *Repeal of Glass-Steagall Caused the Financial Crisis*, U.S. NEWS AND WORLD REP. (Aug. 27, 2012, 1:19 p.m.), <http://www.usnews.com/opinion/blogs/economic-intelligence /2012/08/27/>

little sense to read *The Unwinding* when Elizabeth Warren can present those same talking points in less than five minutes on *The Daily Show*.<sup>27</sup>

Additionally, Packer does not present any opposing viewpoints. Some economists had argued for years that the Glass-Steagall restrictions amounted to unnecessary interference in the markets.<sup>28</sup> Empirical data suggested that even before Glass-Steagall restrictions, commercial banks had never “succeeded in systematically fooling naïve investors into investing in low-quality securities,” which was the very activity Glass-Steagall was meant to prevent.<sup>29</sup> Markets rationally accounted for this possibility and lowered a bank’s share prices accordingly.<sup>30</sup>

Those who oppose new Glass-Steagall type government regulations also claim that the regulations actually harm America because they prevent banks from diversifying risk, thus making them more prone to fail.<sup>31</sup> They also claim that repealing Glass-Steagall did not cause the financial crisis. The law merely “prohibited commercial banks from underwriting debt and equity issues, a very safe activity; it did not prohibit banks from trading, engaging in derivatives, leveraging themselves or making bad loans.”<sup>32</sup> This view holds that the financial crisis was caused by banks’ “investments in residential mortgages and residential mortgage-backed securities—investments they had always been free to engage in.”<sup>33</sup>

Whether Glass-Steagall restrictions ought to be brought back is debatable among economists. But Packer’s book adds little to the conversation. In fact, none of the financial struggles that he outlines in the many narratives in *The Unwinding* have any connection with Glass-Steagall. Steel factories were closing in the rust-belt long before 1999.

### III. Being Cheap Is Not Bad For America

The importance Packer places on Glass-Steagall is

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repeal-of-glass-steagall-caused-the-financial-crisis. See also *The Long Demise of Glass-Steagall*, *supra* note 6. These two articles concisely explain the history of Glass-Steagall and the central thesis of Packer’s book.

<sup>27</sup> PACKER, *supra* note 1, at 348.

<sup>28</sup> Randall Kroszner and Raghuram Rajan, *Is the Glass-Steagall Act Justified? A Study of the U.S. Experience with Universal Banking Before 1933*, 84 AM. ECON. REV., No. 4, 810-32 (1994).

<sup>29</sup> *Id.* at 812.

<sup>30</sup> *Id.* at 811-14.

<sup>31</sup> William Harrison, Jr., *In Defense of Big Banks*, N.Y. TIMES, Aug. 23, 2012, at A25.

<sup>32</sup> *Id.*

<sup>33</sup> Yaron Brook and Don Watkins, *Why the Glass-Steagall Myth Persists*, FORBES (Nov. 12, 2012, 10:04 a.m.), <http://www.forbes.com/sites/objectivist/2012/11/12/why-the-glass-steagall-myth-persists/>.

misplaced. He claims that Glass-Steagall served us well and made us prosperous for over fifty years—we need to bring back more of those regulations. But contrary to Packer’s claim, it was not a piece of legislation enacted during the great depression that served this country well for decades. Rather, it was the people who came of age during the depression and were formed by that experience that made America great. That generation of Americans watched their parents lose everything during the depression and never forgot that experience.<sup>34</sup> As young adults, they fought a war against tyranny and were “mature beyond their years, tempered by what they had been through, disciplined by their military training and sacrifices.”<sup>35</sup> “They stayed true to their values of personal responsibility, duty, honor, and faith.”<sup>36</sup>

That generation of Americans worked hard, lived within their means, and never threw anything away. They would never take out home equity loans to go on vacation or rack up thousands of dollars in credit card debt going out to eat. Tom Brokaw also wrote a book on this era and it is depressing to compare the biographies in Brokaw’s book with those in Packer’s. For example, Packer presents Danny Hartzell as someone whose inability to make ends meet is evidence of a failing America.<sup>37</sup> But the facts indicate that Mr. Hartzell’s troubles were largely due to his own choices: he dropped out of high school; quit a job because he did not like his boss; was fired from another when he failed to show up for work; had a welding job, but hurt his back the first day he was required to do physical labor; has a wife who is obese and does not work; and, to top things off, he often spends ten hours a day playing World of Warcraft.<sup>38</sup> His family does not go to church or get involved in any civic organizations. As a result, they have no support structure to help them during hard times.

The greatest generation did not live life that way. Even if some did, they never expected America to nonetheless provide them with a comfortable middle-class life. They were hard working and frugal. They shared the same values as Sam Walton. Wal-Mart is famous for the corporate culture of frugality, even among its top executives.<sup>39</sup> Meanwhile, lawmakers attend lavish fundraisers with lobbyists and travel on private jets at taxpayer expense.<sup>40</sup>

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<sup>34</sup> TOM BROKAW, THE GREATEST GENERATION xix (1998).

<sup>35</sup> *Id.* at xx.

<sup>36</sup> *Id.*

<sup>37</sup> PACKER, *supra* note 1, at 334-44.

<sup>38</sup> *Id.*

<sup>39</sup> CHARLES FISHMAN, THE WAL-MART EFFECT: HOW THE WORLD’S MOST POWERFUL COMPANY REALLY WORKS—AND HOW IT’S TRANSFORMING THE AMERICAN ECONOMY 31 (2006) (noting among other things that the offices of senior executives are extremely spartan, often consisting of old mismatched furniture, and that executives would probably bring a pen from home, rather than go to the trouble of requesting one).

<sup>40</sup> Abby Phillip, *Senators fly high on taxpayers’ dime*, POLITICO MAG. (June 11, 2009, 4:21 a.m.), <http://www.politico.com/news/stories/0609/23615.html>.

But to Packer, Wal-Mart is the enemy and big government is the savior. He argues that America declined when it became more like Wal-Mart and got “cheap.”<sup>41</sup> But perhaps he has this wrong. The problem is not that America became cheap—it is that it stopped being cheap.

#### IV. Conclusion

The human narratives in *The Unwinding* are entertaining as stand-alone short articles. But the whole is not greater than the sum of the individual parts. It does not present any compelling arguments for enacting more government regulations like Glass-Steagall, which was probably the reason for the book in the first place. Because the book does not support any broad conclusions or lead to a greater understanding of any issue, it is of little value for a military officer’s professional development.

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<sup>41</sup> Packer, *supra* note 1 at 105.