MISSING OUT ON THE AMERICAN DREAM: HOW CULTURE AND SPECIAL INTEREST POLITICS PROMOTE POVERTY AND INEQUALITY IN THE ERA OF GLOBALIZATION

A Thesis
submitted to the Faculty of
The School of Continuing Studies
and of
The Graduate School of Arts and Sciences
in partial fulfillment of the requirements for the
degree of
Master of Arts in Liberal Studies

By

Mary Selina Moran, B.A.

Georgetown University
Washington, D.C.
August 10, 2011
MISSING OUT ON THE AMERICAN DREAM: HOW CULTURE AND SPECIAL INTEREST POLITICS PROMOTE POVERTY AND INEQUALITY IN THE ERA OF GLOBALIZATION

Mary Selina Moran, B.A.
MALS Mentor: Kazuko Uchimura, Ph.D.

ABSTRACT

Despite its wealth and dynamic market economy, advanced democratic political and civic institutions, and a diverse and vibrant culture, the United States suffers from wide-spread poverty and socio-economic inequalities, much more so than other advanced liberal democracies around the world. A certain degree of disparities of income, wealth, status, and power are inherent in a free market economic system. But the problem of the gaps in means and influence between the social classes in America has grown more pronounced since the 1970s and has been exacerbated in the modern era of globalization; causing many Americans to miss out on the American dream of upward social mobility.

This thesis will explore the cultural and political factors that foster economic hardship and class differences in the United States and undermine efforts to create a more egalitarian society. Certain unique cultural traits imbedded in the American national character, such as the values of individualism and laissez-faire endorsed by the "American creed" and the tendency of poor and moderate-income citizens to be mistrustful of government, confused and ill-informed about important issues, and to disengage from politics, all promote indifference towards the poor and ambivalence about redistributive social policy while serving to uphold the political status quo in Washington. The institutionalization of interest groups in the American political system also impedes attempts at reform because the vast numbers of special interest lobbies tie up the legislative process, sap the federal government’s limited resources, and restrict government’s ability to solve
serious national problems. Further, the imbalance in representation in the policy process between the wealthy and the less privileged in society hinders efforts to reduce poverty and inequality because in an electoral system that depends on private funding of campaigns, the policy preferences of the wealthy donor elite take precedence over the concerns of ordinary citizens.

The paper will also analyze the economic, social, psychological, and political consequences of growing poverty and socio-economic inequalities in the United States, and will explore some policy alternatives recommended by scholars in the field to alleviate these problems. I conclude that in order to democratize the American political process and make possible economic and social renewal, the most important reform proposed will be a radical change to the system of campaign finance, from the current privately-funded arrangement to a plan of public financing.
## CONTENTS

<table>
<thead>
<tr>
<th>ABSTRACT</th>
<th>CHAPTER 1</th>
<th>INTRODUCTION</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>America Unequal</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Did Globalization Do It?</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Plan of the Paper</td>
<td>7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CHAPTER 2</th>
<th>CULTURAL DIMENSIONS OF POVERTY AND INEQUALITY IN AMERICA</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>American Exceptionalism and The American Creed</td>
</tr>
<tr>
<td></td>
<td>The Average American: Conservative Egalitarian, Operational Liberal?</td>
</tr>
<tr>
<td></td>
<td>Traditional Views of Work and Morality</td>
</tr>
<tr>
<td></td>
<td>Racial Bias and the Racialization of Poverty</td>
</tr>
<tr>
<td></td>
<td>Class and the Culture of Contentment</td>
</tr>
<tr>
<td></td>
<td>Mistrust of Government, Confusion, and Disengagement</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CHAPTER 3</th>
<th>POLITICAL DIMENSIONS OF POVERTY AND INEQUALITY IN AMERICA</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Government of the Special Interests, For the Special Interests, By the Special Interests</td>
</tr>
<tr>
<td></td>
<td>Let’s Make A Deal: Corporate and Wealthy Dominance in American Politics</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CHAPTER 4</th>
<th>WHO CARES? CONSEQUENCES OF POVERTY AND INEQUALITY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Downward Mobility, Economic Insecurity, and the Decline of the American Dream</td>
</tr>
<tr>
<td></td>
<td>Psychological Distress and Poor Health</td>
</tr>
</tbody>
</table>
Economic, Social, and Political Consequences ......................... 70
American Education: Unequal and Inadequate ......................... 77

CHAPTER 5 REDUCING POVERTY AND INEQUALITY
WITH GOOD POLICY .................................................. 85
Fair Wages and Progressive Taxes ...................................... 86
Rethinking the Social Agenda ......................................... 94
Shoring Up Democracy: A Case for Public Financing of Elections .................................................. 106

CHAPTER 6 CONCLUSION ................................................... 114
Time for A New Direction .................................................. 114

REFERENCE LIST .................................................................. 133
CHAPTER 1
INTRODUCTION

America Unequal

There’s no American Dream anymore.
--Jean Reynolds

Jean Reynolds is a 51-year old nursing assistant from New Jersey whose story is profiled in *Who Cares? Public Ambivalence and Government Activism from the New Deal to the Second Gilded Age* by Katherine S. Newman and Elisabeth S. Jacobs (Newman and Jacobs 2010, 112) and who is also one of the subjects of the 2005 documentary film, *Waging a Living: Working Overtime in Pursuit of the Elusive American Dream*. Jean is a single parent supporting three grown children, one of whom is terminally ill with cancer, and four grandchildren on a $1,200 per month salary and no health insurance. She works hard in an important and honorable occupation and is dedicated to her job, yet she struggles daily to provide her family with the basic necessities of life and is constantly worried about where the next meal will come from and how the rent will be paid. Eventually the family of seven is evicted from their home and Jean, even with a full time job, is forced to go on public assistance. At the other end of the socio-economic spectrum is Lloyd Blankfein, CEO of Goldman Sachs. In 2007, Lloyd’s income was $68 million. That same year the top twenty-five hedge fund managers earned a reported $892 million (Hacker and Pierson 2010, 1).

This is an astonishing level of differential of income, given the fact that lower-skilled workers like Jean Reynolds constitute the majority of the U.S. labor force and have seen close to zero and even negative real-wage growth compared to higher-skilled workers in the last three decades (Scheve and Slaughter 2001, 10), all while the cost of living has risen sharply and vital employer-provided benefits, such as health insurance and defined-benefit pension plans, have been
drastically reduced (Hacker 2008). What is more, in the service sector that is now the foundation of the American economy, the average American worker is facing increasingly risky and deteriorating working conditions. A number of companies have made mistreatment of workers routine business practice. Wal-Mart, the nation’s largest private sector employer, admitted in a lawsuit filed against the company to locking employees in stores during the night shift when workers clean and stock shelves, and according to a former employee, installed secret cameras in some departments to spy on personnel who supported unions. Other companies, including Pep Boys, Toys R Us, and Family Dollar, regularly tamper with employees' time cards, erasing hours worked. After a mass layoff of its staff in 2006, Northwest Airlines gave the dismissed employees a pamphlet, “101 Ways to Save Money” with helpful tips on how to survive unemployment. Such valuable suggestions include “borrow a dress for a big night out,” “shop at auctions or pawn shops for jewelry,” and my personal favorite, “don't be shy about pulling something you like out of the trash” (Greenhouse 2009, 146, 149, 10-13). For more and more Americans, the American dream is looking more like a pipe dream.

A certain degree of poverty and inequality in income, wealth, status, and power are to be expected in a capitalist system. However, the fact that a corporate CEO can make $68 million a year but an estimated thirty million American workers toil at wages as low as the current federal minimum wage of $7.25 per hour attests to a trend of increasing socio-economic disparity that has been taking place in the United States for the last three decades. This trend sets the U.S. apart from other rich liberal democracies. The Gini coefficient increased 20 percent in the United States between 1969 and 1995, due in large part to ballooning incomes at the very top of the distribution gage (Hansen 2006, 119). On a scale of 0 to 100, in which a value of 0 equals total equality and a
value of 100 means total inequality, the Gini index for the United States in 2007 was 45, up from 40.8 in 1997. By comparison, the Gini coefficient for Canada in 2005 was 32.1; 27 for Germany in 2006; 38.1 for Japan in 2002; and 23 for Sweden in 2005 (U.S. Central Intelligence Agency – The World Factbook).

Such wide disparities in income in the United States were unusual in the post-World War II economic boom years, when, as President John F. Kennedy declared in 1963, a rising tide lifts all boats. Between 1947 and 1973, the income of the average American family nearly doubled in real terms (The Economist 2010, 29, ProQuest Research Library). But the past few decades have witnessed a number of changes in the economy that has radically transformed the American workplace and created huge gaps in income and wealth accumulation, beginning with de-industrialization in the 1970s; corporate downsizing and mergers, government de-regulation and the decline of organized labor in the 1980s; and job losses, corporate flight, and competition from foreign imports due to technological advances and globalization in the 1990s.

All of these transformations in the market have contributed to a huge increase in inequality in America that many economists and scholars believe has not been seen since the Gilded Age of the late nineteenth century. Drawing on data from the Economic Policy Institute, The Economist reports that between 1979 and 2000, the real income of households in the bottom 20 percent of wage earners grew by just 6.4 percent, while that of households in the top 20 percent of earners grew by 70 percent. Further, the family income of the top 1 percent grew by 184 percent, and that of the top 0.1 and 0.01 percent grew even faster. In 1979 the average income of the wealthiest Americans was 133 times that of the poorest workers; by 2000 the income of the richest of the rich had risen to 189 times that of those on the bottom of the income scale. Thirty years ago the
average annual compensation of the top 100 corporate CEOs in America was $1.3 million; 39 times the pay of the average worker. Today, the average yearly reparation of those same CEOs is $37.5 million; over 1,000 times the pay of the average worker (The Economist 2005, 35, ProQuest Research Library). And it is not just income but accumulated wealth that has skyrocketed for the nation’s elite. In 2001, the richest 5 percent of American households owned approximately 59 percent of the nation’s wealth, while the bottom 40 percent controlled just 0.3 percent. In 1983 the top 1 percent held 1,500 times the assets of the bottom 40 percent; by 2001 the superrich owned almost 4,400 times the wealth of the 40 percent at the bottom of the income range (Boushey and Weller 2005, 36).

Did Globalization Do It?

Are market forces to blame for the rise of poverty and inequality in the United States? Most economists agree that economic globalization, defined as increased trade, foreign direct investment (FDI), and immigration, has benefited America’s economy overall and enriched the lives of many people. Cheaper modes of transportation and increased trade and imports have given the American consumer more product choices and lower prices. For those who are highly educated, highly-skilled, and live and work in a globally-connected city or town, globalization has been a windfall of opportunity, opening doors to lucrative job prospects, primarily in high-level management and specialized professional producer services in the business and financial sector, and access to numerous cultural and recreational amenities (Sassen 2006). But globalization has also left a good number of Americans behind. Off-shoring of jobs and increased competition from foreign imports and labor have furthered the upswing in poverty, inequality, and downward mobility that began in the 1970s.
The degree to which globalization has harmed the average American worker is debated among scholars and economists. Jay R. Mandle and Richard C. Longworth contend that globalization is hurting the already besieged working class and squeezing the middle class (Longworth 2008; Mandle 2008). However, according to economists Kenneth F. Scheve and Matthew J. Slaughter of the Institute for International Economics, international trade and immigration account for only about 15 percent in the rise of wage inequality in America. The major culprit, the authors maintain, is technological change, which they conclude is liable for 45 percent of the widening gaps in income (Scheve and Slaughter 2001, 86, 92). The shift to a knowledge-based economy has caused significant job displacement for lower-skilled workers. Many of them have not been retrained for the new higher skilled jobs and cannot find compatible employment in the new high-tech global marketplace. The Trade Adjustment Assistance Program (TAA), one of a handful of government programs intended to offset job loss due to shifts in the market by retraining workers, is underfunded. Furthermore, benefits are restricted to displaced workers from the manufacturing sector; thereby excluding 80 percent of the workforce employed in service industries (Mandle 2008, 34-35). The “technology did it” theme is echoed by Claudia Goldin and Lawrence F. Katz, who argue that America’s public education system, once the envy of the world, has fallen behind rapid advances in technology, leading to huge differences in income between the tech-savvy have’s and the tech-deficient have not’s (Goldin and Katz 2009).

Even if the overall negative consequences of globalization appear minimal from a macroeconomic perspective, they are not inconsequential for individuals in the work force, particularly for workers in the manufacturing sector who once enjoyed the good secure job with benefits and union protection that was the ticket for entry into the American middle class. Writing
about how the forces of globalization have adversely impacted the Midwest, Richard Longworth observes that “...when economies change, everything else changes, too. How we earn our living determines how we live and who we are. This is true for people, and it’s true for towns and regions, and countries. The Midwest does two big things for a living – farming and heavy industry – and globalization has turned both upside down” (Longworth 2008, 2).

But economist and Nobel Laureate Paul Krugman argues that globalization and technological change are not the driving forces behind rising rates of poverty and inequality in the United States. Krugman believes that American economists and analysts prefer “safe explanations” and so reason that the unequal distribution of income is just an inevitable outcome of impersonal market forces and “technology, working through the invisible hand” (Krugman 2009, 131-132). But as Krugman correctly points out, every advanced liberal democracy on the planet has been shaken by the economic pressures produced by globalization and high-tech advances, yet other nations have not experienced the surge in poverty and inequality seen in the United States. So something other than the invisible hand is at work. Political scientists Jacob S. Hacker and Paul Pierson expand on Krugman’s opinion in their latest book on the political economy. The authors engagingly investigate the problem of growing inequality in the United States as a crime mystery that involves interrogation of various economic “suspects” accused of causing inequality in America, including globalization and technological change. They conclude that globalization and technological advances are to some degree at fault of being “accessories” to the crime of increased inequality in the U.S., but these market trends are cleared of direct responsibility because every nation that participates in the global economy is impacted by the same economic pressures, except
other nations have managed to avoid dramatic increases in inequality (Hacker and Pierson 2010, 11-40).

If globalization, or any other revolution in the market that occurred before it, is not primarily responsible for the unusually high rates of poverty and inequality in the United States, what is? My thesis is that certain unique traits in the American national character and the American political system promote these trends, creating a political culture that makes it difficult to deal effectively with serious social and economic problems or enact fair and more just redistributive policies. The objective of the paper is to explore and elaborate on how certain dimensions of the American character and political culture have promoted poverty and inequality in the United States.

**Plan of the Paper**

**Culture**

Politics does not operate in isolation from society. Culture plays a pivotal role in determining how policies are fashioned and how they are perceived. In Chapter 2 I will explore some of the unique national traits that make Americans different from other cultures and shape attitudes about poverty, inequality, and redistribution. “American exceptionalism” includes a national devotion to the five principles of the “American creed” that are inscribed in the nation’s legitimizing documents: liberty, egalitarianism through equal opportunity, individualism, populism, and laissez-faire (Lipset 1996, 17-19). All of these values inhibit enactment of policies that could help poor, working, and middle class Americans because the American creed is an individual-centered belief system that differs markedly from the collective-oriented ideals of other liberal democracies around the world. The emphasis on individualism in the American national character helps explain the long history of citizen opposition to government redistributive policy, beginning
with the reforms of the Progressive era, continuing through the New Deal years and Lyndon
Johnson’s Great Society, and enduring to this day with the current legislative battles over healthcare
and tax reform (Newman and Jacobs 2010). Furthermore, Americans tend to moralize poverty and
differentiate between the “deserving” and “underserving” poor (Iceland 2006). Racism is also a
factor; an outcome of the nation’s unusual history of slavery and a predisposition that some scholars
believe was the basis of a backlash against many of the social justice programs of the War on
Poverty initiated in the 1960s (Gilens 1999; Krugman 2009).

By tradition, Americans are mistrustful of government and lack confidence in government’s
ability to solve serious problems; hence, they “retreat” from the political process (Mandle 2008, 100-
105). As a consequence, many citizens are ill-informed and confused about how government
policies impact their lives. Jacob Hacker and Paul Pierson cite Larry M. Bartels’ study on economic
inequality and political representation among income groups, reckoning that many voters are
inclined to “misperceptions, myopia, and missing connections” when taking a stand on issues. This
misunderstanding about what is in the economic best interest of the majority of the electorate
enables politicians to avoid accountability for their legislative track record, particularly when it comes
to fiscal and monetary policy, which tends to favor large corporations and wealthy individuals
(Hacker and Pierson 2010, 151-152; Bartels 2008).

Moreover, although they discredit the notion of a European-style social class structure
(Fussell 1983; Lipset 1996), Americans are indeed class conscious. In fact, many in the middle
class, out of insecurity and fear of falling backwards, exaggerate their socio-economic status in
order to “keep up with the Joneses.” The well-off are the most active politically and as many
scholars have noted, their policy preferences do not ordinarily include matters of redistributive
justice (Domhoff 2010; Galbraith 1992; Hacker and Pierson 2010; Mandle 2008). John Kenneth
Galbraith writes in his wonderful book, *The Culture of Contentment*, that as Americans enjoyed
almost universal prosperity in the post-World War II years, they also grew more indifferent to the
poor and unresponsive to serious national issues like rising rates of poverty and inequality. Even
though many in the contented class profess conviction in liberal, egalitarian values, their voting
patterns reflect a keen interest in maintaining their privileged status at the expense of the collective
good (Galbraith 1992). All of the cultural traits aforementioned are important when considering the
causes of increasing poverty and inequality in America because cultural values shape voting
patterns.

**Politics**

In Chapter 3 I will analyze the problems of the institutionalization of interest groups in the
American political system and the imbalance of representation in the policy process between the
elite and the less privileged in society and how these institutional factors foster poverty and
inequality by impeding efforts to adopt progressive and redistributive policies. The proliferation of
interest groups in the United States over the last several decades poses a dilemma for democracy.
On the one hand, interest groups, particularly public interest groups, offer citizens the opportunity to
participate in the political process (Berry and Wilcox 2009). However, as Jonathan Rauch argues,
the unfettered expansion and competition amongst special interest lobbies in Washington that focus
on narrow issues that appeal to a minority, often at the expense of the collective good, has resulted
in a legislative structure that is stagnant, financially bankrupt, and unable to undertake serious
reform of the nation’s most pressing problems (Rauch 1999). But it is not just the sheer numbers of
special interest lobbies that is of concern but who these groups represent. Interest group politics in
America is dominated by organizations that represent corporations and wealthy individuals, constituencies that have the power, interest, and financial resources to make sure their views are spoken for in Washington. Even the liberal-leaning citizen interest groups that have come into existence since the 1970 tend to represent the elite. Jeffrey M. Berry explains that the “new liberalism” that is the foundation of many of the public interest lobbies in Washington supported by wealthy and middle class progressives focus not on bread and butter economic issues but on “postmaterial” quality of life concerns, such as the environment, consumer protection, and women’s rights (Berry 1999). This has implications for poor and average income citizens because the issue of economic justice has few takers amongst the special interest lobbies in Washington.

The power of the rich in interest group politics is complemented by their dominance of the electoral system, which in present-day America is a privately-funded arrangement dependent on the largess of wealthy donors. So it makes sense that the policy preferences of the affluent donor elite take priority over those of ordinary, non-affluent citizens who are not in a position to contribute large amounts of cash to a campaign or interest group. The well-off are also more politically active, engaged, and informed than the general public. These factors combined give the wealthy extraordinary leverage over both the electoral and the legislative process and ensures that the legislative agenda will include policies that are advantageous to the privileged minority, such as low taxes, reduced government spending on social welfare programs, and limited intervention in the market, and exclude policy considerations that would benefit the majority of citizens. Under pressure from their wealthy benefactors, Congress routinely ignores economic and social issues that impact a majority of Americans and has fallen into “policy drift,” which Jacob Hacker and Paul Pierson explain as “the deliberate failure to adapt public policies to the shifting realities of a dynamic
economy” (Hacker and Pierson 2010, 52). Policy drift is detrimental for average Americans who have been adversely affected by transformations in the market because their economic concerns, such as healthcare, job displacement assistance, and the minimum wage, are habitually ignored, and average Americans lack adequate economic and political wherewithal to pressure policymakers (Mandle 2008). But drift works just fine for one constituency: corporations and wealthy individuals, who have much to gain by limiting the legislative agenda to issues that uphold the status quo, like tax cuts and de-regulation, and much to lose if and when the Congress considers redistribution (Domhoff 2010; Hacker and Pierson 2010; Mandle 2008).

**Consequences**

Do poverty and inequality really matter? In Chapter 4 I will investigate the psychological impact of poverty and inequality on those who have experienced economic hardship and downward mobility; emotional fallout that includes depression, family breakdown and divorce, loss of friendships and professional contacts, and workers’ loss of identity and sense of place in the community (Newman 1999; Wilkinson 2005). I will also scrutinize the economic, social, and political penalties of depressed wages and poverty and inequality for the nation, which include a decline in upward mobility relative to other nations (Boushey and Weller 2005; Sawhill and Morton 2007); decreased productivity and economic growth; rising rates of crime, domestic violence, and alcohol and drug abuse; poor health; family instability and divorce; low educational attainment and bad schools; a decline in social and community involvement; and political disengagement (Hansen 2006, 113-120). America’s education system, once the model of public education emulated throughout the world and the mainstay of American commitment to equality through opportunity, is
both a casualty and an unwitting facilitator of inequality in the high-tech global age (Goldin and Katz 2009).

Jay Mandle makes the case that rampant poverty and inequalities compromise American democracy and calls into question the national commitment to egalitarianism and equal opportunity (Mandle 2008). Likewise, a number of scholars have found that since government ignores the poor, the poor ignore government and don’t vote. The lack of political activism prevents enactment of just policies that would benefit not just the poor but also working and middle class Americans as well (Hacker and Pierson 2010; Hansen 2006; Mandle 2008). Observers of recent trends are concluding that the outcome from rising rates of poverty and inequality is creating a permanent underclass of the poor in America (Hansen 2006), and a growing genre of financially exposed and vulnerable middle class citizens who are becoming more and more marginalized in the political process (Hacker 2008). This is not the picture of a healthy society. Clearly, poverty and inequality matter.

**Policy Options**

In Chapter 5 I will review what I think are some good policy options, both short and long-term, that could command popular support and have potential to reverse the decades-long trend of rising poverty and inequity. In economic policy, government can increase the federal minimum wage to keep pace with inflation, a move that would help millions of low-wage full-time workers move up the economic ladder and break free of poverty (Krugman 2009; Newman 2006). In lieu of an increase in the federal minimum wage, lawmakers at the local and state level can implement living wage ordinances that would also greatly assist low-income workers by establishing a wage floor above the prevailing federal minimum wage for a limited number of workers and thus improve their standard of living (Bernstein 2005).
Another area where government can be responsive to poor and average income citizens is through reform of the tax code. Income tax policy in the United States is in theory progressive. Yet the reality is that it is increasingly regressive and favors corporations and wealthy individuals. Government can make tax policy more egalitarian by increasing income tax rates on the wealthiest Americans and closing tax loopholes that enable large multinational corporations to avoid billions of dollars in tax obligations each year. The additional revenue brought in with a more progressive tax system could be put to good use funding government programs and services to reduce poverty and inequality (Krugman 2009). An improved social safety net is extremely important for middle class families, and new and improved social services, combined with increased tax credits and rebates for low-income workers would greatly increase chances for mobility for the working poor (Newman 2006).

For the social agenda, government has an important role helping poor and average income citizens improve their prospects for mobility by supporting current and new initiatives that promote economic security and expand opportunity for young working families (Hacker 2008; Haskins and Sawhill 2009). And education reform is a must if youngsters from disadvantaged backgrounds are to achieve upward mobility (Haskins and Sawhill 2009; Kirp 2010; Miller 2003; Newman 2006) and if young people from all socio-economic classes are to succeed in the high-tech, knowledge-based global economy (Goldin and Katz 2009).

Reform of the political system, particularly the electoral system, is of the utmost importance if the economic and social policy recommendations analyzed in the chapter are to take hold and if poverty and inequality are to be alleviated in American society. A few of the scholars I have studied have made interesting suggestions for the government to undertake in the short-term (Page and
Jacobs 2009; Miller 2003) but as a long-term goal, I will argue that the privately-funded system of campaign finance will need to be restructured to allow for public funding of elections (Lessig 2010; Mandle 2008). This radical reform to the American political system will make it more egalitarian, representative, and responsive to the needs of ordinary citizens and will usher in legislation to deal effectively with rising rates of poverty and inequality.

Conclusion

In conclusion, I hope to show in this thesis that when it comes to the issues of poverty and inequality in America, government policy and citizen values matter. In the high-tech, knowledge-based global economy, government policy has not kept pace with the radical changes market forces have wrought; changes that demand an appropriate and fair response because they have severely impacted many average American workers and have serious consequences for the nation’s economic, social, and political welfare. Citizen values are important because personal attitudes influence opinions on policy matters; judgments that voters take with them to the polls on Election Day. In the modern era of globalization and technological change, America has chosen to be more unequal than other advanced liberal democracies and as a result, the American dream is in crisis for many. That said, in Chapter 6 I will argue that a transformation in national priorities as well as a change in citizen values is what is needed to reverse current trends of rising rates of poverty and socio-economic inequalities in American society and move the country forward in a positive direction.
CHAPTER 2
CULTURAL DIMENSIONS OF POVERTY AND INEQUALITY IN AMERICA

There is some debate among scholars about how Americans feel about poverty and inequality and what actions they feel government can or should take to alleviate these problems. As we will see in Chapter 3 on political dimensions of poverty and inequality, policymakers in Washington are without a doubt more responsive to the interests of corporations and wealthy individuals than they are to the concerns of the poor and moderate-income voters. This is due in large part to the institutionalization of interest groups, which ties up the legislative process and hinders chances for reform, and the dominance of the policy preferences of the business community and the affluent donor elite on the legislative agenda, which is unfriendly to redistribution. But politics does not operate in isolation from society. Culture plays a fundamental role in determining how policies are shaped and how they are perceived.

America is a nation of immigrants, and unlike citizens of other countries, Americans share no common history but are instead bound by ideology (Lipset 1996, 18). As a result, they differ in many ways from other cultures in terms of their collective values and how they view themselves, their government, and their fellow citizens. Some of these differences can be attributed to “American exceptionalism” and the values espoused by the “American creed,” particularly individualism. Other distinctions are associated with the complexity of race and class in American society; the Protestant work ethic that throughout the nation’s history has shaped citizens’ moral outlook on poverty and inequality; and the tendency of voters to be wary of expansive government, to disengage from politics, and to be confused about public policies. In this chapter I will address the cultural dimensions of poverty and inequality in the United States, and will argue that many of the qualities
imbedded in the American national character pose challenges for efforts to create a more
egalitarian society and serve to uphold the status quo in Washington.

**American Exceptionalism and The American Creed**

The French aristocrat and author of the classic work, *Democracy in America*, Alexis de Tocqueville, is credited with coining the term “American exceptionalism” to describe how Americans are different from other cultures and to explain the success of the American experiment with democracy (Lipset 1996, 17-18). Central to American exceptionalism is the national devotion to the five core beliefs of the “American creed,” principles that are an upshot of the nation’s beginnings as an open frontier founded on revolution and inscribed in the nation’s legitimizing documents: liberty, egalitarianism through equal opportunity, individualism, populism, and laissez-faire (Ibid., 19).

Among these values, individualism stands out as an important influence that has shaped American views about poverty and inequality and the government’s role in addressing these types of issues. As many of the first immigrants who fled from authoritarian regimes in Europe had concluded by the time they reached the new colony’s shores, the state is inherently oppressive, and so citizens must “demand and protect their rights on a personal basis” (Ibid., 20). The founders and the early settlers not only believed that citizens need to be vigilant about protecting their own individual liberty and freedom from an innately crooked and repressive governmental authority, but that success and chances for upward social mobility are the responsibility of the individual as well. The American creed stipulates that the role of the state is limited to ensuring equal opportunity for individual mobility and personal achievement through mass public education (Ibid., 21).

In his book, *American Exceptionalism: A Double-Edged Sword*, the late political sociologist Seymour Martin Lipset argues that one of the most distinguishing features of American culture that
sets it apart from other advanced democracies is the lack of the appeal of socialism in the United States and the relative weakness of organized labor compared to other industrialized countries (Lipset 1996, 23); circumstances that are based in the broad acceptance of the ideologies of the American creed, particularly individualism and laissez-faire. The fact that socialism has never taken hold in America, even during the Great Depression years when economic conditions were ripe for a viable socialist movement, has limited the political power of the poor and works against working-class solidarity (Alesina, Glaeser, and Sacerdote 2001, 2, 26). Further, in the United States, the standard of living under capitalism has provided a majority of citizens with enough material comforts to secure the mass acceptance of the free enterprise system and limit the appeal of socialism. Seymour Martin Lipset, citing several theorists, concludes that “socialism as a political movement is weak in the United States because …. Americans believe they already have most of what [socialism] promises” (Lipset 1996, 87).

The strength of organized labor in the United States, which no doubt has been curtailed by anti-union corporate and government policies over the years, has also never really benefitted from consistent and enthusiastic support among large numbers of workers. Many American workers simply don’t feel they “need” unions or they are not aware of how union power can impact both the workplace and the political environment. Lastly, the intricacy of race relations and racial and ethnic fragmentation throughout American history has prevented the formation of a state of class-consciousness among the masses and prevents unity among workers (Alesina, Glaeser, and Sacerdote 2001, 26). In other words, American workers have never expressed much interest in heeding Karl Marx’s call for workers of the world to unite. Americans’ perceptions of class, a factor l
will address later in the chapter, is another reason why they have dismissed socialism and held back broad support for unions.

Except for populism (which in modern-day America is stronger among the elite on the right with a clear anti-government message), the principles of the American creed inhibit enactment of government programs that could help poor, working, and middle class Americans because the American creed is an individual-centered value system that differs considerably from the collective-oriented ideals of other advanced liberal democracies. For many native born Americans, the underlying acceptance of individualism may result in opposition to government activism, and faith in laissez-faire economics discourages government intervention in the market. But even though many citizens may oppose government aid to the poor, Americans are not mean-spirited or stingy. In fact, they are usually very generous in their private donations to charity compared to Europeans, and prefer private philanthropy over public assistance to help the needy (Alesina, Glaeser, and Sacerdote 2001, 12).

Despite the emphasis on the merits of individual responsibility and self-sufficiency in American culture, some scholars maintain that the degree to which Americans are true to the spirit of individualism is exaggerated. Far from being self-reliant purists who are ambivalent about poverty and inequality or who think government should remain on the sidelines, Americans are actually what the political scientists Benjamin I. Page and Lawrence R. Jacobs describe as “conservative egalitarians and operational liberals” who care deeply about economic injustice and believe government should take an active role in creating a more equal society (Page and Jacobs 2009, 2-3; Jacobs and Skocpol 2005, 24-25). Jacob Hacker, Paul Pierson, and Jay Mandle concur that Americans are indeed more egalitarian than current public policies suggests, but as we will see
in the next chapter, politicians are more attentive to the policy preferences of corporations and wealthy individuals than they are to the concerns of average voters (Hacker and Pierson 2010; Mandle 2008). Martin Gilens also stresses that Americans are generally supportive of the welfare state, but their opinions are complicated by race and media portrayals of the poor (Gilens 1999, 2-3), aspects I will take up later in the chapter. But before I address the other cultural dimensions of poverty and inequality in the United States, I will first briefly examine the question of Americans’ egalitarian inclinations.

**The Average American: Conservative Egalitarian, Operational Liberal?**

In their in-depth analysis, *Class War? What Americans Really Think About Economic Inequality*, Benjamin Page and Lawrence Jacobs affirm that, despite popular belief, Americans are not indifferent to problems like poverty and inequality. On the contrary, they may be philosophically conservative, but they are also pragmatically liberal, are very much aware of and concerned about inequality, are supportive of a wide range of government programs to create economic opportunity and assist the poor, and are willing to pay higher taxes to support such programs (Page and Jacobs 2009). Page and Jacobs found that in the abstract, Americans “believe in the American Dream, individual initiative, and free markets” (Ibid., xi). Although circumspect about government activism in theory, most Americans are also practical persons who believe that government can and should take steps to empower individuals by facilitating economic security and opportunities for upward social mobility. Americans, Page and Jacobs point out, recognize that “opportunity does not grow on trees” (Ibid., 56-57). This is true of citizens at all income levels, including the rich, and transcends the political spectrum, from conservative Republican to liberal Democrat (Ibid., 2). Americans of all socio-economic backgrounds overwhelmingly favor the private market and accept a certain level of
inequality as inherent in the system. But their fidelity to capitalism is more often than not tempered by their pragmatism and sense of fairness. When inequality gets too high and compromises genuinely equal opportunity for individuals to pursue the American dream, they expect government to do something about it (Ibid., 31-33). For Page and Jacobs, the notion of a “class war” in the United States is “nonsense” (Ibid., 100) and is not a concept shared by the majority of the American public. Yet the issue of class antagonism is propped up by political and media elites to promote political careers, fill air time on the cable television networks, and sell highly partisan and sensationalized books.

As evidence of these egalitarian convictions, Page and Jacobs conducted a comprehensive inequality survey in the summer of 2007. They found that 6 out of 10 Americans believe income differentials are too high and favor having money and wealth “more evenly distributed” (Page and Jacobs 2009, 41). When asked about government expenditures on education – considered to be the gateway to opportunity in America – 87 percent of citizens surveyed believe that “Government should spend whatever is necessary to ensure that all children have really good public schools they can go to” (Ibid., 58-59). And when queried about government’s role in creating employment opportunities, support for job retraining for displaced workers, and minimum wage standards, 67 percent of people polled believe government should “see to it” that everyone who wants to work can find a job; 80 percent favor their own tax dollars being used for retraining of displaced workers; and 76 percent feel the government should set the minimum wage high enough to keep workers out of poverty (Ibid., 61-63). Most surprisingly given the recent anti-government rhetoric surrounding the healthcare debate, 73 percent of Americans questioned for Page and Jacob’s Inequality Survey said they believe “It is the responsibility of the federal government to make sure all Americans have
healthcare coverage” (Ibid., 66). Regarding their views on poverty and help for the disadvantaged, 68 percent of survey participants said that government must ensure that all citizens have food, clothing, and shelter, and 78 percent favor having their own taxes used to support food stamps and other government aid to the poor (Ibid., 72). Moreover, according to Page and Jacob’s data, a majority of Americans from all income categories, including high-income Americans, believe the wealthy should pay more in taxes than lower income earners, and 56 percent of those surveyed believe that “Our government should redistribute wealth by heavy taxes on the rich” (Ibid., 91).

This last point that the wealthy are in agreement that higher taxes should be levied on their elite group is refuted by other scholars in the field. Jacob Hacker and Paul Pierson prove in their analysis that the policy preferences of the rich are more conservative than the general public, particularly when it comes to tax policy and government regulation, and that, by and large, they are less supportive of redistributive policy and government measures to provide economic security (Hacker and Pierson 2010, 151). Jay Mandle’s review of the opinions of the wealthy political donor elite indicates clear opposition for government interventions to offset inequality, while favoring cutbacks in social spending and anti-poverty programs (Mandle 2008, 58-60). Political economists Alberto Alesina, Edward Glaeser, and Bruce Sacerdote also document in a Harvard Institute of Economic Research Discussion Paper that views on inequality and support for redistribution in the United States are predicated on income levels or the probability of upward social mobility, with higher income voters or those who expect to have greater incomes in the future most likely to oppose redistribution (Alesina, Glaeser, and Sacerdote 2001, 19). Page and Jacob’s findings also counter what I discovered in my research and which I will address in the next chapter; that is, the
rich adamantly oppose higher taxes and government spending on many social programs, and this antipathy has been reflected in public policy for the last thirty plus years.

The label “conservative egalitarian” seems contradictory to me, but Page and Jacobs find no inconsistency with their description. However, they do acknowledge that the explanation is uniquely American (Page and Jacobs 2009, 3) and the emphasis on the personal quest of opportunity does square with the philosophies of the American creed. But I suppose their theory is somewhat confusing and difficult to reconcile with attempts at solving larger economic and social problems like rising rates of poverty and inequality because the focus remains on the individual and leaves government off the hook. Americans are in agreement, at least in theory that as long as government ensures opportunity, the result is up to the individual. But opportunity is difficult to define and there is no broad consensus on what it entails. As long as inequality exists, access to opportunity will be uneven and the result that the individual is solely responsible for producing will be unfair and undemocratic.

Even if Americans truly are conservative in theory but practical and liberal in the specific when it comes to alleviating poverty and inequality, their views on these matters and their voting patterns are indeed influenced by other unique cultural traits which make the conservative egalitarian/operational liberal label difficult to reconcile with attempts to create a more just society. Taken together, the cultural characteristics analyzed in this chapter pose challenges to dealing with the problems of poverty and inequality in America and ensures that business as usual will continue in Washington. I now turn to Americans’ traditional and often problematic views on work, race, class, and the tendency of many to be suspicious of government, to be confused by public policy, and to retreat from the political process.
Traditional Views of Work and Morality

Americans revere work, not only for the material rewards gained from their labor but also because how hard people work has historically been viewed as an indication of their righteousness and standing with God; a consequence of the nation's Puritan religious roots and the influence of the Protestant faith in American life. As far back as the colonial period, the popular perception was that those who work hard will be rewarded with profit and material comforts in this life and with salvation in the next, while those who don't will be impoverished and denied redemption. This moralistic understanding of poverty is not as compelling as it was in earlier eras, but contemporary Americans do most definitely value individual effort and correlate work with wealth and poverty with idleness (Alesina, Glaeser, and Sacerdote 2001, 35). The way many Americans see it, if you don't have wealth, you are just not working hard enough. In other words, you are lazy, and so undeserving of public assistance. There are two exceptions to this rule: children and the elderly. Throughout American history these two groups have been viewed with compassion and deserving of support. But the able-bodied, particularly men, are not regarded favorably and are generally thought of as freeloaders taking advantage of the system (Iceland 2006, 11-12). The distinction Americans make between the worthy and unworthy poor is a cultural attribute that differs markedly from other cultures. Americans view the poor as lazy and undeserving, but Europeans see the poor as more often than not victims of bad luck or of circumstances beyond their control (Alesina, Glaeser, and Sacerdote 2001, 34, 37).

In his book about the history of poverty in America, John Iceland chronicles the development of Americans' widespread perceptions and misperceptions about work and the deserving versus undeserving poor. Common myths about poverty abound in American society,
including the belief that the poor don’t work, that poverty is rife only in urban areas, and that welfare constitutes a large portion of the federal budget – all false claims (Iceland 2006, 3-4). Iceland also emphasizes that throughout American history, from the founding days up to the Great Depression of the mid-twentieth century (when negative views of the poor were temporarily relaxed due to the commonality of want during those years), and continuing into modern times, misbehavior, not structural economic causes, has most often been blamed for poverty. Hence, throughout much of American history many citizens have been opposed to relief (Ibid., 11).

Katherine S. Newman and Elisabeth S. Jacobs detail citizen resistance to government social action in their very interesting book, *Who Cares? Public Ambivalence and Government Activism from the New Deal to the Second Gilded Age*. By reviewing the White House archives of letters from citizens during these important epochs in American history, the authors found that a significant number of voters were concerned about the overreach of government and questioned whether the poor deserved government aid (Newman and Jacobs 2010, 3, 16). During FDR’s time in office, middle class citizens who still had jobs – referred to as the “forgotten man” by critics of the New Deal, felt put-upon for having to fund New Deal programs with their taxes. Citizen Roy Eldridge from Pennsylvania wrote angrily to FDR that “The forgotten man is NOT the shiftless, indifferent individual, who believes the world owes him a living (and is now getting it). The forgotten man in your administration is the thrifty middle class who has striven to make this country worth living in – whom you are striving to wipe out of existence” (Ibid., 17-18). And when Lyndon Johnson was President, citizens generally supported the programs of the Great Society as long as they helped the deserving poor, mainly widows with children and the elderly. But everyone else, able-bodied men, unmarried women with children, and especially minorities, were deemed undeserving
In keeping with American custom, during both the New Deal and Great Society eras, aside from children and the elderly, the Brother’s Keeper sentiment was limited to people who were willing to work and “help themselves” (Ibid., 32, 55).

The ambivalence Americans had for government activism in the 1960s was aggravated by the social movements and urban riots that took place during that decade, and which ultimately led to the racialization of poverty and white backlash against the War on Poverty, the topic I turn to next.

Racial Bias and the Racialization of Poverty

The 1960s marked a turning point in American history and to this day, the decade remains controversial for all of the dramatic social changes and cultural schisms that occurred during that time. Economist and Nobel Laureate Paul Krugman describes the 1960s as a time of “troubled prosperity.” The economy was doing well, there was high growth and productivity, and with the minimum wage $1.25 per hour in 1966 (roughly $8.00 in today’s money) and health insurance covering eighty percent of workers, more Americans than ever considered themselves middle class (Krugman 2009, 79-80). But despite the economic good times, Americans were unhappy and fearful of all the social upheaval. In surveys taken during this time, a majority of citizens expressed concerns that the country was falling apart and headed in the wrong direction, despite the strong economy (Ibid., 80-81). It was indeed an unsettling time of rapid and dramatic change. There was an unpopular war in Vietnam, the Soviet empire was expanding in Europe, and communist influence was spreading around the world. At home, young people were rebelling against authority and turning their backs on social norms, and women were taking to the streets to demand equal rights. Another momentous happening during the 1960s was the Civil Rights movement, which brought to the forefront the difficult issue of race in America. Unfortunately, Americans saw for the first time in
newspapers and magazines and on television news of urban riots, as poor blacks took to the streets to protest economic and social discrimination and demand equality; images that only furthered negative opinions and stereotypes of blacks. Civil rights leaders were also for the first time in the spotlight, as was the government’s progressive policies to ensure equal legal rights for minorities and alleviate poverty. All of these factors combined to create in the minds of many white Americans a link between race, poverty, crime and violence, government action, and welfare. Paul Krugman believes that it was this negative association that led to white backlash against the War on Poverty and especially, opposition to welfare (Ibid., 82-100).

Martin Gilens elaborates on the connection between race, poverty, crime and violence, government activism, and resistance to welfare in his very informative book, Why Americans Hate Welfare: Race, Media, and the Politics of Antipoverty Policy. First, Gilens debunks the theory that Americans are devoted individualists who dismiss government anti-poverty policy as too European and a violation of the cherished American values of independence and laissez-faire (Gilens 1999, 1-2). In fact, Gilens’ study revealed that a majority of citizens are in favor of certain provisions of the welfare state for the deserving poor, such as programs for the elderly and for children, like Head Start, which since its inception in 1965 remains popular with the majority of American voters (Ibid., 4-9). Second, white Americans do not dislike black Americans just because they are a different race. The problem lies with popular views on work and the distinction Americans make between the deserving and undeserving poor, combined with historical stereotypes whites have about blacks which date back to the days of slavery. According to Gilens, many white Americans think blacks are lazy, and therefore, unworthy of public assistance (Ibid., 2-9). Prior to the 1960s, poor blacks were virtually ignored by politicians and the media. But beginning in the 1960s, with economic and social
justice at the forefront of public policy and in the news, the poor face became a black face, and since whites believed blacks were not committed to the American work ethic, they were judged unfit for tax-payer funded government assistance. Gilens concludes that it was the biased portrayal of poverty initiated in the 1960s that led to the racialization of poverty that remains prevalent in American culture to this day (Ibid., 102-134).

Gilens explains that since the 1960s, the media has promoted negative stereotypes of blacks and of the poor generally, but these images fluctuate with the general state of the economy. He investigated news stories about poverty in popular newsmagazines from 1950 to 1992 and found that at the start of this timeframe, there was a general lack of interest in poverty issues. However, in the 1960s interest in poverty spiked, mainly in response to the Kennedy and Johnson administration’s political initiatives rather than on an economic downturn or growth in poverty rates, which had actually been on the decline since 1950 (Gilens 1999, 112). But portraits of the poor during that period, including photographs Gilens uncovered from the magazines examined, were dominated by African Americans, even though African Americans were then, and still are, a minority of all people living in poverty (Ibid., 114). Critical stories of government programs, accounts that exposed “government waste” and “welfare abuse” appearing in the media during the prosperous 1960s were more likely to contain pictures of blacks (Ibid., 115). But by the mid-1970s, the economy had taken a turn for the worse leading to high unemployment, and media portrayals of the poor shifted as well. In the majority of accounts about poverty published in the mid-1970s, Gilens found that the ones which were critical of government policies and anti-poverty programs still contained more pictures of blacks, but reports that were more sympathetic and focused on the unemployed mostly featured stories and pictures of whites (Ibid., 123-124). Gilens’ analysis goes
on to show that this pattern of sympathetic coverage of the unemployed (white) middle class but critical coverage of the poor (black) urban underclass repeated itself during the economic recession of the early 1980s. Throughout the period covered, from 1950 to 1992, Gilens concludes that “The overrepresentation of blacks among the poor is found in coverage of most poverty topics and appears during most of the past three decades. Yet just as importantly, black faces are unlikely to be found in media stories on the most sympathetic subgroups of the poor, just as they are comparatively absent from the media coverage of poverty during times of heightened sympathy for the poor” (Ibid., 132).

Alberto Alesina, Edward Glaeser, and Bruce Sacerdote argue that in the United States, race is the single most important predictor of support for welfare and that race has also historically been at the root of failed attempts at redistribution (Alesina, Glaeser, and Sacerdote 2001, 4, 29). Compounding frustrations over creating a more equal society is the fact that the poor in America are geographically and socially isolated from everyone else and as a result, the non-poor have little empathy for the disadvantaged. This lack of understanding is intensified if the non-poor are of a different race. Alesina et. al cite studies showing that people have a negative and hostile reaction when they see welfare recipients of a different race, but a sympathetic reaction when they see welfare recipients of their own race (Ibid., 30).

All through the course of American history, race has been a significant factor that has influenced citizen views on poverty, inequality and redistribution; perceptions and misperceptions that Americans take with them to their polling places on Election Day. Paul Krugman argues convincingly that since the troubled 1960s, politicians have reliably exploited white voters’ resentment against the Civil Rights movement and its consequences, as well as the connection
many white voters make between government redistributive policies and race, poverty, and crime and violence. Krugman asserts that conservative politicians especially have gotten tremendous mileage out of this cultural development and is a major reason why conservatives win elections and succeed in keeping redistribution off the legislative agenda (Krugman 2009, 4, 82). Krugman also claims that politicians catering to white voters’ racism and irrational fears is what derailed attempts to pass universal healthcare by the few presidents who tried but failed to do so before a much scaled-back healthcare reform bill was passed by Congress and signed into law by President Obama last year. Racism, Krugman believes, also had a hand in the collapse of the New Deal coalition in Congress between Northern liberals and conservative Southern segregationists, as well as the broad support for the redistributive polices of the New Deal that so enriched the American middle class in the post-World War II years (Ibid., 68, 99-100).

Martin Gilens points out that politicians vilify welfare because they know welfare bashing resonates with the public (Gilens 1999, 1). One of the more famous examples of this was when Ronald Reagan, running for Governor of California in 1966, called out the “welfare queens” who were taking advantage of the system, driving around in their fancy Cadillac cars on the hard-working tax-payers’ dime. Of course, these were imaginary characters, but the images of “welfare cheats” struck a chord with the American public nonetheless. Krugman notes that Reagan and his campaign advisors did not need to clarify the race of the so-called welfare queens; everyone knew who he was talking about (Krugman 2009, 92-93).

Paul Krugman claims in his great book, *The Conscience of a Liberal* that “Race is at the heart of what has happened to the country I grew up in” (Krugman 2009, 11). Race in America is
most assuredly a major influence affecting citizens’ views on poverty, inequality, and government activism. Another important consideration is class, the subject of the next section.

Class and the Culture of Contentment

Many Americans discredit the notion that social class status exists in the United States (Fussell 1983; Lipset 1996). But class is very real in America, and is another dynamic that contributes to citizens’ outlook about poverty and inequality. The veracity of class distinction is evident in Class Matters, a book of personal stories told to correspondents from The New York Times as they traveled the country in 2003 to interview people from different socio-economic backgrounds. The reporters discovered that affluent Americans are not only richer; they are happier, healthier, get better and more frequent medical care, live longer, are better educated, live in upscale and safe neighborhoods with plentiful services and amenities, and send their kids to superior quality schools than the less fortunate (Keller et al. 2005). The authors call attention to this last detail of the disparities in education, which appears to have given rise to an inherited meritocracy. This development poses a paradox for the American commitment to equal opportunity through education because merit, which was supposed to replace the old system of inherited privilege, is now at least partially class-based, and education, “a system idealized as a great equalizer serves to reinforce the advantages of birth”(Ibid., 4, xv).

Class status in America reaches into every facet of life. More and more, class determines not just the quality of basic education and if and where people go to college, but where they live, where they shop, and what types of cultural and recreational activities they engage in (Keller et al. 2005, xi-xv). Even the organization of the federal government resembles the structure of the American social class system. If they must work in government rather than the private sector, the
well-to-do go to work for the State Department, the Department of the Treasury, the Department of Defense, and the Central Intelligence Agency. These agencies enjoy social prestige because their missions serve the upper class and hence, their employees are considered to be good and loyal public servants, not bureaucrats. On the other hand, other government agencies that serve the poor (like the Departments of Housing and Urban Development and Health and Human Services) or whose mission is to promote domestic economic and community development in underserved areas of the country (such as the Economic Development Administration and the Appalachian Regional Commission) are disregarded as useless bureaucracies and examples of wasteful government spending (Galbraith 1992, 70-72). Each year the non-elite agencies that work towards alleviating poverty and improving the quality of life for average citizens have to fight for every dollar they receive in federal funding and are regularly under threat of defunding from the Congress.

But just as Americans tend to deny the existence of a European-style social class structure, many people, particularly middle class, exaggerate their socio-economic status, either out of insecurity and fear of falling backwards or simply to “keep up with the Joneses.” The late great economist John Kenneth Galbraith believes that the American middle class, driven by fear of higher taxes, are prone to vote like rich people even though they are not rich, merely financially content (Galbraith 1992, 26-27). Journalist David Shipler argues that the non-affluent are “delusional” and lack a general understanding of economic and political issues, and as a consequence, routinely vote against their class interests. “Balloting,” Shipler states, “seems driven more by aspiration than complaint” (Shipler 2005, 288). He cites a Time magazine survey taken in 2000 shortly after the presidential election that found 19 percent of Americans erroneously thought they were in the top one percent of wage earners and another 20 percent expected to be in the future. According to this
survey then, 39 percent of the voting public during the 2000 presidential election had mistaken notions about their socio-economic standing and voted accordingly for the Republican candidate, George W. Bush, and against Democrat Al Gore because Gore was viewed as hostile to the rich (Ibid., 288-289). This tendency is even evident among the poor, whom Shipler believes can and do take reactionary positions on economic and social issues that result in policies that are harmful to their socio-economic circumstances. “When self-delusion distorts behavior at the polls,” Shipler concludes, “it has damaging consequences for those of low income” (Ibid., 289).

John Kenneth Galbraith argues in his wonderful book about contemporary American culture, *The Culture of Contentment*, that contrary to common belief, politicians do in fact represent the interests of their constituents. And it can be fairly understood that government policies reflect the priorities of the average voter; in this case, the well-off elite, or the “contented class” who are the most active in politics and often indifferent to social justice issues like rising rates of poverty and inequality. What’s more, the contented class supports policies such as regressive taxes, government de-regulation, and anti-union rules that exacerbate these problems (Galbraith 1992, 2). This has important implications for dealing with collective economic and social concerns because, as Galbraith asserts in his book, the comfortable voting majority are focused on their short-term financial interests, not on what is in the best interests of the country in the long-term; thus their dislike for taxes and programs that invest in human capital (Ibid., 6, 20-22, 40, 49). The contented class also purports to hate government; but not all government. Government intervention in the market is bad, except when bailing out financial institutions, lowering tax rates, and increasing tax breaks. Federal expenditures on most domestic social programs and assistance to the poor, like Medicaid, food stamps, and unemployment insurance, is wasteful; but Social Security, Medicare,
spending on national defense and foreign affairs, and all types of corporate subsidies and tax
breaks are worthwhile (Ibid., 23). Galbraith points out that the latter category constitutes the largest
part of the federal budget; an interesting truth since the well-off, who don’t need to rely on
government assistance or services like the poor or average income citizens, protest the most about
the overreach and burden of government and as is their custom, refuse to acknowledge the role
government has played in their good fortune (Ibid., 22-23).

Galbraith believes this regrettable reality in modern-day America is a direct outcome of the
nearly universal prosperity of the post-World War II years that enriched the lives of so many
citizens. Ironically, the general affluence achieved during those years can be attributed to the
redistributive policies of the New Deal which lifted so many citizens out of poverty and economic
insecurity and into a secure and vibrant middle class. Americans, Galbraith maintains, have
forgotten those in need, and their voting patterns reveal a keen interest in maintaining the privileged
socio-economic status quo of the culture of contentment and, sometimes unwittingly and sadly for
Galbraith, an abandonment of the traditional liberal egalitarian values many professed to support.
Since the 1980s especially, when pro-business, anti-tax conservatives took the reins of power in
Washington (with the help of corporate special interest groups and wealthy individual campaign
donors), Americans have been allowed to “escape their consciences” (Galbraith 1992, 28).

Galbraith says too that the contented class likes to believe that the pursuit of personal fortune is not
motivated by self-interest. Rather, they insist that making money is for the common good, and of
course, well deserved. This view is consistent with the traditional American perspective on work
outlined earlier in the chapter that the poor are poor because of lack of effort and the wealthy are
wealthy because of hard work, intelligence, and dedication (Ibid., 18). The privileged may think of
themselves as selfless, clever, and hardworking patriots, but the dispirited Galbraith concludes that the contented class is just plain greedy and selfish. “Doing well,” he states, “many wish to do better. Having enough, many wish for more” (Ibid., 16).

Citizens’ perceptions and misperceptions of class status, like outlooks on work, morality, and race, are interlinked with feelings of hostility towards the federal government as well as rampant misunderstandings about how public policy is formulated and what the real world consequences are of what goes on in the halls of power in Washington; conditions that have led many average voters to give up on the process altogether. Mistrust of government, confusion about political doings, and disengagement from the political process is the topic of the next and final section of this chapter.

Mistrust of Government, Confusion, and Disengagement

It is a time-honored tradition in American culture for citizens to be mistrustful of government and its ability to solve problems. This characteristic is consistent with the emphasis placed on the supremacy of the individual and the underlying belief that governmental authority cannot be trusted to safeguard individual rights or to spend the public’s money wisely. Put in historical context, scholars attribute hostility to the federal government to America’s foundation as a nation born of revolution from a foreign governmental authority, followed by a Civil War in which half the country’s citizens went to war with the national government for the right to self-govern. The lack of confidence in government is another characteristic that differs from other cultures. A recent World Values Survey revealed that 48 percent of European respondents favored more government ownership of the economy, while only 26 percent of Americans polled would favor more government involvement in the market (Alesina, Glaeser, and Sacerdote 2001, 18). Jay Mandle reports that today, trust in government is lower than it was forty years ago, even among citizens who support redistribution but
have no faith that government can get the job done. Citing the Trust in Government Index from *The American National Election Studies Guide to Public Opinion and Electoral Behavior*, Mandle underscores the fact that citizen trust in the federal government has gone from 61 percent in 1966 to 37 percent in 2004, whereas the percentage of people who believe government is run for the benefit of a few powerful special interests rose from 33 percent in 1966 to 56 percent in 2004 (Mandle 2008, 99-101).

Mandle concludes that mistrust of government and lack of confidence in government’s capacity to address important issues has led Americans to retreat from and even renounce the political process (Mandle 2008, 104). As a consequence, many citizens are ill-informed about important issues and don’t understand how the economy works, how the public policy process operates, or how market changes and legislation affect their lives. Mandle believes the American public is in an “immobilizing contradiction” in which they harbor relatively egalitarian views, but they don’t pursue their aspirations for better policies because they are convinced government is beholden to wealthy campaign donors and special interests, a situation I take up in the next chapter. He also comments on the decline of voter participation in elections, pointing out as an example that the voter turnout rate in the nonpresidential election years of 1962 and 1966 was approximately 48.2 percent; in 1998 and 2002 it was just 38.8 percent (Ibid., 105).

Alongside the collective disinterest in political issues is the added problem of mass distraction caused by American voters’ preference for celebrity and tales of personal drama. The unfortunate truth is that many citizens are more interested in and informed about the goings-on of the latest reality-TV stars than they are about the workings of government and the important legislation that directly impacts their lives. When Americans do pay attention to politics, for many
citizens it is usually only during the campaign season, when politicians for a short time become stars and the focus of debate is not on issues but on the personalities and personal lives of the celebrity politicians (Hacker and Pierson 2010, 101-106, 171). John Kenneth Galbraith believes this state of affairs is just fine with the contented middle and upper classes because as long as average citizens are disengaged from the political process, there is no serious challenge to a legislative agenda that is strongly influenced by corporations and wealthy individuals and almost guarantees government inaction on legislation that would benefit the citizen majority (Galbraith 1992, 20, 84).

Americans are not only unaware of current events but also of their country’s history. The March 28 and April 4, 2011 combined issue of *Newsweek* magazine reported on the results of the official U.S. Citizenship Test that was given to some 1,000 randomly selected adults. 38 percent of the test takers failed the exam. 65 percent of them did not know that the Constitution was drafted at the Constitutional Convention; 80 percent were unaware of who was president during World War I; 40 percent could not identify the countries the United States was at war with in World War II; and 73 percent of Americans did not know the main concern of the United States during the Cold War, a stunning statistic considering the tremendous amount of public monies that went towards the defense build-up during the decades-long stand-off with the Soviet Union. Additionally, 61 percent of respondents could not say how many years a Senator serves in the U.S. Senate; 63 percent did not know how many justices serve on the Supreme Court; and 29 percent could not name the sitting Vice President. Most surprising, considering the pervasive and all-encompassing influence of capitalism in our market-driven and materialistic society, when respondents were asked to name the

Whether the Americans who would not pass the Citizenship Test are poorly educated or just plain stupid is up for debate. Andrew Romano, the author of the Newsweek piece that accompanied the results of the citizenship quiz, astutely observes that such witlessness is troubling because the world has changed, and the new global order will not stop and wait until Americans get up to speed on their history and current events. “The country’s future is imperiled by our ignorance,” Romano writes, “[and the world] is becoming more and more inhospitable to incurious know-nothings – like us” (Romano 2011, 56).

The general lack of interest in current and historical events and ignorance about important legislation causes much of the electorate to have “misperceptions, myopia, and missing connections” when taking a stand on policy matters, which has serious implications at the ballot box (Hacker and Pierson 2010, 151-152). I am convinced that this is the most significant cultural factor that harms chances for reform of the political process and sanctioning of more just policies because, as Jacob Hacker and Paul Pierson conclude, the mass confusion and misunderstanding among the voting public enables politicians to avoid accountability for their legislative track record (Ibid.). A good example that demonstrates the wide-spread ignorance, confusion, and the tendency of average citizens to support certain policies that actually go against their economic self-interests is the popularity but general unfamiliarity with the 2001 Bush tax cuts, recently extended by President Obama. The original 2001 tax bill provides substantially more benefits to corporations and wealthy taxpayers than to average income citizens, and ensures that the wealthy will progressively pay less in federal income tax with each passing year the bill remains in effect. Yet the tax cuts remain
popular with the masses, even though various surveys taken to ascertain the public’s position on the issue showed the majority of average income voters who expressed approval also accurately suspected the tax cuts would go mostly to the wealthy and that they personally would not benefit (Bartels 2008, 170-173). Larry Bartels believes that the disconnect here can be attributed to voters’ rudimentary support of tax cuts in theory, without really knowing the details of the proposal, combined with their misguided understanding of their own tax burdens (naively perceived as too high), as well as their mistaken notion of the tax responsibilities of the rich (which they tend to overestimate). Bartels concludes, “In the absence of any clear cues about where the tax cut came from or whose interests it served, people seem mostly to have fallen back on simple-minded self-interest in deciding what (if anything), they thought about it” (Ibid., 181).

Misguided notions about issues and how they impact voters also means that citizens have unrealistic expectations of government. In an essay appearing in the February 15, 2010 edition of *Newsweek*, “Down With the People: Who’s to blame for the political mess? You,” writer Jacob Weisberg takes Americans to task for their “collective illogic,” stressing the often contradictory views and impractical expectations Americans hold for public institutions and the representatives they send to Washington. “In trying to explain our political paralysis,” Weisberg writes, “analysts cite President Obama’s tactical missteps, the obstinacy of congressional Republicans, rising partisanship in Washington, and the Senate filibuster, which has devolved into a supermajority threshold for important legislation. These are large factors to be sure, but that list neglects what may be the biggest culprit of all: the childishness, ignorance, and growing incoherence of the public at large” (Weisberg 2010, 20). Weisberg observes that Americans dislike government in the abstract but are keen on it in the particular. Voters expect Washington to fix the nation’s problems, yet want
the federal government to shrink, spend less, and reduce taxes, even during times of economic recession, high unemployment, and when the country is overextended overseas. Americans hold to these demands despite the fact that the graying of the population means more and more baby boomers will soon be retiring and eligible for Social Security and Medicare (the two biggest expenditures in the federal budget), while the number of young workers paying into the system is shrinking.

Jacob Weisberg is spot-on that frequently how Americans behave in the public realm makes no sense. Barack Obama won the presidency in 2008 with little difficulty; an electoral victory that was ushered in by anti-establishment sentiment, desire for change, and enthusiastic goodwill among the majority of voters. For a change, Americans seemed excited about politics and optimistic about their new leadership. But the fickle American electorate was to change its mind just two short years later. The voters who did bother to go to the polls for the 2010 Congressional elections were angry once again, this time at the newly installed establishment, and sent Republicans with tea party sympathies to Congress to uncompromisingly slash government spending and oversight while simultaneously demanding resolution to the economic crisis. My guess is that many of the infuriated voters who went to the polls in 2010 didn’t really know what they were voting for or against but rather, they were acting out on some simple-minded and outdated core principles and mistaken ideas about the root causes of the current crisis. This is not a good situation since dealing effectively with the current national quandary will require rational, open-minded and well-informed thought, compromise, sacrifice, and then decisive action. But with an electorate so out of touch, it is hard to be hopeful that our elected representatives can or will legislate more fair and just public policies.
All of these cultural traits are important when considering the causes of rising poverty and inequality in America because cultural values shape voting patterns and views on policy. Combining the uniquely American national characteristics analyzed here, it appears Americans have the government they deserve. In the next chapter, I will examine some of the political dimensions of poverty and inequality in the United States, structural factors which go together with the cultural traits identified here and make it difficult to achieve the goal of reducing poverty and inequality in America.
CHAPTER 3

POLITICAL DIMENSIONS OF POVERTY AND INEQUALITY IN AMERICA

Change is hard. In the United States, transforming government is tricky; existing policy is easier to defend than new policy is to enact (Berry 1999, 115; Jacobs and Skocpol 2005, 220). There are many challenges to reform posed by the structure of the American political system, including the separation of powers between the three branches of government; the organization of federalism which disperses authority between the federal government and 50 competing states; the set-up of the two houses of Congress with different constituencies, election schedules, and procedures; and recently, the overuse of the filibuster in the Senate to block legislation. Additionally, the attention on individual politicians rather than on important policy matters further serves to hinder enactment of fair and effective policies. This is because voters frequently neglect to consider how a piece of legislation will impact their lives, focusing instead on the individual personalities involved; individuals who, in our media-fixated culture, become instantaneous celebrities (Hacker and Pierson 2010, 83-84,103).

Another significant structural factor that I believe contributes to the habitual delay and opportunity for obstruction of legislation is the institutionalization of interest groups in the American political system. This is a development that poses a dilemma for democracy because interest groups, particularly public interest groups, put average citizens in touch with their government and are a natural outcome of a free and open society (Berry 1999; Berry and Wilcox 2009). However, as I will argue in the first part of this chapter, the unyielding pressure from the some 22,000 interest groups in Washington places an undue burden on the federal government’s limited resources, further exacerbates legislative stalemate, and constricts government’s ability to solve some of the nation’s most pressing problems, such as the rise in poverty and inequality. And it is not just the
The sheer number of pressure groups that is of concern but who these groups are representing. Interest group politics is dominated by organizations that represent traditionally powerful groups in society. Thus, as we shall see, it is the elite and their policy preferences that are being seen and heard in Washington. The problem of the dominance of corporations and wealthy individuals and the resulting imbalance of representation in the policy process between the affluent and those of modest means is the subject of the second section of this chapter.

**Government of the Special Interests, For the Special Interests, By the Special Interests**

Interest groups get a bad rap. Indeed, hostility towards interest groups is part of the American political culture (Cigler and Loomis 2007, 3). Politicians denounce them during campaigns and promise to “fight” the special interests and “return government to the people” (Rauch 1999, 5). Pressure groups are frequently blamed for exerting unfair pressure on government and for contributing to the political polarization in Washington. Organized groups tend to epitomize the extreme point of view on an issue, and the relentless and uncompromising promotion of a lone perspective may push individual politicians and the political parties away from the center and from negotiation (Berry and Wilcox 2009, 68-73). As scholars of American history have noted, the founders warned against the “mischiefs of faction.” James Madison worried that as American democracy developed, people would inevitably organize to further their common interests, and these factions posed a potential threat to popular government because the more powerful groups would tyrannize the weak in society (Ibid., 3).

But proponents of the special interest process maintain that interest groups are an integral part of a democracy because organized interests empower average citizens by offering them opportunities to participate in the political process. Organized groups also give people an outlet to
petition government on specific and important issues that may not come to the attention of lawmakers otherwise (Berry 1999, 15; Berry and Wilcox 2009, 7-8). Further, interest groups often fill a void left by the two political parties. As political scientists Alan J. Cigler and Burdett A. Loomis explain, interest groups are an attractive option for voters because groups are narrowly focused and are not inclined to bargain and compromise, actions politicians are often forced to take to avoid alienating the voters back home. Citizens can’t really depend on their member of Congress because politicians must try to balance all the competing demands they receive as a routine part of the job. However, they can rely on interest groups to be a consistent and reliable activist for an important issue (Cigler and Loomis 2007, 18-21). “In an era of candidate-centered politics,” Cigler and Loomis claim, “parties are less mobilizers of a diverse electorate than service vendors to ambitious individual candidates. The weakness of political parties has helped to create a vacuum in electoral politics since 1960, and in recent years interest groups have moved aggressively to fill it” (Ibid., 21).

Interest groups not only provide a link between citizens and government, they also serve to educate the public about political matters and fulfill a watchdog role by monitoring and keeping abreast of government programs (Berry and Wilcox 2009, 7-8). As political scientist Jeffrey M. Berry maintains, for many people, interest groups are the most important mechanism by which their views are represented before the three branches of government. “These groups represent large constituencies,” Berry states, “and their success is the mark of a system that is open, democratic, and responsive to its citizens” (Berry 1999, 170).

However, as Jonathan Rauch argues in Government’s End: Why Washington Stopped Working, the unfettered expansion of and competition amongst special interest lobbies in
Washington that focus on narrow subjects that appeal to a minority, often at the expense of the collective good, has resulted in a bloated and unimaginative legislative structure that is unable to undertake serious reform of the nation's most serious problems (Rauch 1999). Rauch diagnoses this “disease” of American politics as “demosclerosis,” which he identifies as “government’s progressive loss of the ability to adapt” (Ibid., 125). Unfortunately, demosclerosis is “encoded in democracy’s DNA,” Rauch says, and the much-maligned lobby industry is in fact a rational outcome of American democracy and of the major shifts in societal values and government activism that has occurred in the United States since the 1960s (Ibid., 20). But a fair and functioning pluralistic democracy that was the promise of that era has turned into “hyper-pluralism” in which democracy is being exploited (Ibid., 62). Instead of “curing the mischiefs of faction” that Madison and the other founders had hoped would happen in a republican form of government with constitutionally-mandated checks and balances (Berry and Wilcox 2009, 3), the proliferation of organized interests since the 1960s has created a structure that is now institutionalized and cannot be changed. Despite their best efforts, many well-meaning politicians who come to Washington pledging to reform the system end up merely managing an arrangement that cannot be fixed (Rauch 1999, 5).

Rauch maintains that once formed, interest groups seldom go away (Rauch 1999, 28). Factions organize not only to lobby for a cause but also to counter an opposing group. Interest groups are in business to stay in business, and their business is to fiercely compete with each other for scarce public resources, which government perpetually assigns and reassigns. Hence, government activity feeds the very process that is disabling it. And since groups exist solely to pursue their own selfish interests, they are not inclined to support programs that don’t benefit their
constituencies specifically, even if these programs are for the common good. The self-serving special industry lobby is also a “drain on the productive economy,” Rauch claims, resulting in a “parasite economy” that is unproductive and uncreative; chronically feeding off itself in a never-ending cycle of government subsidies and benefits (Ibid., 18). Every government appropriation is defended by a professional interest group, always on grounds that the program or subsidy is critical for the health of the economy or for the benefit of the public-at-large (Ibid., 49-50).

But in reality, pressure groups are unconcerned with the general welfare of society, only in securing a larger piece of the pie for themselves. As Rauch explains, for pressure groups, the goal is to rearrange the pie, not enlarge it (Rauch 1999, 28-29). This has tremendous implications for poverty and inequality because such a rigid and inflexible system is immune to change and therefore, not conducive to reform of public policy. Citing the late political scientist Mancur Olson, Rauch points out that “by locking out competition and locking in subsidies, interest groups capture resources that could be put to better use elsewhere” (Ibid., 33). And he reiterates Olson’s conclusion that in order to deal effectively with economic and social problems, the American government needs to move towards a more productive and collective-oriented political economy. But at the moment, it appears the weight of special interest pressure in Washington is fostering a governmental structure that is inept and unable to act on the national problems that demand attention, such as rising rates of poverty and inequality. The federal government today, Rauch construes, “is swimming in molasses instead of water” (Ibid., 148).

In 1968, the Encyclopedia of Associations listed 10,000 membership organizations in Washington; today there are approximately 22,000 (Berry and Wilcox 2009, 17). But it is not just the multitude of factions putting pressure on government that is of concern, but also who these
groups are speaking for. With so many competitors relentlessly vying for a bigger piece of a communal pie, the outcome of the contest will depend on the resources available to each competitor. Thus, there will be habitual winners and habitual losers (Cigler and Loomis 2007, 5).

Corporations, with their vast means to hire high-priced lobbyists and lawyers, maintain Washington offices, and underwrite advertising and public relations campaigns, have the clear financial and organizational advantage; a lead that gives them easy and multiple avenues of representation before lawmakers in order to influence policy (Berry 1999, 137). In the nation’s capital today, corporate lobbyists and trade, business, and professional associations make up over seventy percent of all organized interests; groups advocating for the poor and disadvantaged constitute less than one percent of all groups in Washington (Strolovich 2007, 94).

Corporation’s command of the lobby industry and the influence they exercise over public policy is beyond question. As Dana Milbank reported in a *Washington Post* story on January 12, 2011, former Education Secretary Margaret Spellings, now a senior advisor at the powerful pro-business lobby, the U.S. Chamber of Commerce, recently lauded the business group for their fundraising prowess, which helped to elect several pro-business politicians to the new Congress. She also congratulated the lobbyists for their string of legislative victories in Washington, where “thanks to the chamber, the American business community always has a seat at the table” (Milbank 2011). This seat at the table comes at a price: observers of the lobby industry estimate that corporations spend over $3 billion each year on lobbying activities (Hacker and Pierson 2010, 114).

The resilience of the business alliance in American interest group politics has been the reality for more than thirty years. The corporate lobby’s success can be credited not only to their riches and their standing with government, but also to the overall strategy adopted by the industry to
get what they want from Washington. As Jacob Hacker and Paul Pierson explain, beginning in the 1970s, corporations experienced a political awakening and began to mobilize, and since that time have approached politics as “organized combat” (Hacker and Pierson 2010, 102). Adoption of such a strategy was necessary, the authors reason, due to the unacceptable liberalism that came out of the Great Society years of the 1960s, when, as Pierson and Hacker say, business “got its clock cleaned” in Washington and was forced to go on the offensive. What ensued was a quiet and calculated “thirty year war” against the more liberal and egalitarian programs of that decade and a commitment to prevent any further legislation deemed anti-business (Ibid., 116-118, 6).

Commenting on the determination of the corporate lobby, former SEC chairman Arthur Levitt vividly recounted what he witnessed when government officials were considering corporate reform in the 1990s:

> During my seven and a half years in Washington...nothing astonished me more than witnessing the powerful special interest groups in full swing when they thought a proposed rule or a piece of legislation might hurt them, giving nary a thought to how the proposal might help the investing public. With laser like precision, groups representing Wall Street firms, mutual fund companies, accounting firms, or corporate managers would quickly set about to defeat even minor threats. Individual investors, with no organized labor or trade association to represent their views in Washington, never knew what hit them. (Ibid., 66)

The corporate lobbies not only have the presence in Washington to oversee their interests but also the cash to contribute to political campaigns. In 2006, corporate PACs donated $136 million to congressional candidates, and trade, health, and professional membership organizations – many of which are ideological counterparts to the larger corporate PACs and share many of the same members– gave just over $101 million, for a combined business PAC contribution of $237 million. Conversely, labor-backed groups contributed $55.8 million to the 2006 campaign and citizen
groups, only a small percentage of which even have PACs, gave a little over $70 million (Berry and Wilcox 2009, 85-86, 102). In December 2010, journalist T.W. Farnam wrote in *The Washington Post* that during the 2010 congressional elections, seventy-two newly-formed “super PACs,” comprised mostly of private-equity partners, hedge fund managers, and others in the financial industry, raised and spent $83.7 million to support candidates who were in line with their political goals, particularly in regards to tax rates, which was debated in the Congress last year (Farnam 2010). Money is clearly critical in the influence-peddling race, and politicians will undeviatingly be open to corporate interest because “that is where the money is” (Berry and Wilcox 2009, 74).

Appreciation for the value of large sums of money is mutual. As one Washington business lobbyist is quoted as saying, “talking to politicians is fine, but with a little money they hear you better” (Ibid., 87).

What is more, corporate PACs provide their favored candidates and political parties with plenty of volunteers to work on campaigns; manpower that unions used to provide in large numbers to candidates with more egalitarian views on economic policy. But with the decline of organized labor over the last several decades, corporate-backed campaign volunteer support has little counter on the left. In-kind donations, such as hosting fundraising receptions and dinners where individual contributions are “bundled” are also worthwhile (Berry and Wilcox 2009, 74, 87). Often these events coincide with the voting schedule of legislation before the Congress. A recent investigation by correspondents Carol D. Leonnig and T.W. Farnam of *The Washington Post* revealed that in September 2010, several senators held fundraisers – where they raked in a combined $469,000 from the financial industry – the day before, the day of, and the day after a key vote that took place in the Senate on September 16, 2010. The legislation before the chamber was the Small Business
Job Creation Act, a bill that provides $30 billion in loans to community banks, which has since become law. Also, in early December 2010, Senator Max Baucus, chairman of the Senate committee overseeing tax policy, held a birthday fundraiser for himself the same day the Senate voted to pass the $858 billion tax cut package which extends the huge tax breaks for corporations and wealthy individuals implemented during the George W. Bush administration. Of course, members of both parties deny any impropriety, assert that their votes cannot be bought, and insist that how they vote on a bill is motivated solely by what is in the best interest of their constituents and of the country (Leonnig and Farnam 2010).

Business interests are much better represented in Washington because they are organized, well-funded, and have a consistent and ongoing presence in Washington. However, as Jeffrey Berry argues, the “new liberalism" that is the core of the majority of citizen interest groups that have set up shop in Washington since the 1970s has presented a major challenge to the dominance of the corporate lobby. In fact, Berry claims, the liberal citizen interest groups have been dominating the legislative agenda in Congress over the course of the last few decades. Berry's analysis shows that between 1963 and 1991, public interest groups, mostly representing civil rights and environmental causes, dramatically increased their participation in Congressional hearings; a benchmark that indicates a group’s status with lawmakers. Of all groups to testify in 1963, citizen groups made up 23.5 percent and corporations 18.1 percent. By 1991, the citizen lobbies had increased their involvement to 31.8 percent, while corporations provided just 19.1 percent of the testimony on Capitol Hill (Berry 1999, 19-20).

The reasons for the success of the citizen interest lobby is that these groups, like their business lobby competitors, are well-funded, highly organized, and have a long-term strategy to
sustain influence in the process. And unlike the corporate lobby, they also often enjoy favorable media coverage and public support (Berry 1999, 123, 131). But perhaps the most important factor that has contributed to the prominence of citizen groups in politics is that these groups have transformed liberalism in America by shifting the focus of involvement away from basic pocketbook economic issues, which became less significant during the post-World War II economic boom years, to “postmaterialist” concerns, such as the environment, consumer protection, and women’s rights; quality of life issues that are important to the large number of comfortable middle class and wealthy liberals who support the public interest lobbies. I agree with Berry that the transformation of liberalism in America is not only a reflection of changing economic circumstances but also of altered cultural values (Ibid., 5). As mentioned in Chapter 2, Americans shared almost universal prosperity in the years after World War II. But as John Kenneth Galbraith asserts in his treatise on the modern American culture of contentment, at the same time affluent citizens grew more self-interested and less concerned that not all of their neighbors were sharing in the prosperity (Galbraith 1992).

On the surface the achievements of the citizen lobby appear to be a positive development for advancing public interest issues that benefit society broadly, but the power of the new liberal citizen groups has for the most part worked against average people grappling with poverty, economic hardship, and inequality. The rich liberals, like the rich conservatives they jockey with for power in Washington, have pushed aside concerns of economic justice that affect poor and average income Americans adversely affected by changes in the market. Moreover, even groups whose focal point is concern for the poor and traditionally underrepresented may end up reinforcing socio-economic class bias. Political scientist Dara Z. Strolovitch finds in her study of interest groups and advocacy for the disadvantaged that more often than not, a “mobilization of bias” occurs within a
public interest lobby in which elites and dominant subgroups manipulate the agenda to favor their own interests (Strolovitch 2007, 87). For instance, she discovered that in organizations that advocate for women’s rights, the leadership spent more time and resources working to promote affirmative action, which more likely would benefit white, college-educated women, over lobbying for welfare rights, which would more likely benefit poor, less educated, and minority women (Ibid., 95-96). Strolovitch endorses the conclusion reached by the renowned late political scientist E.E. Schattschneider that interest groups, even those that are established to be advocates for the disadvantaged, essentially exacerbate rather than ease inequalities in the political process (Ibid., 87).

American interest group politics is a double-edged sword. On the one hand, the growth of interest groups is evidence that democracy is working. But on the other hand, the overwhelming number of groups in competition with one another for limited public resources makes the system less effective for all. As Allan Cigler and Burdett Loomis assert, “more interest groups and more openness do not necessarily mean better policies or ones that genuinely represent the national interest” (Cigler and Loomis 2007, 29). Moreover, the playing field in Washington is uneven. The reality is that in a system that is reliant on a constant flow of money, information, and interaction with policymakers, there will be recurrent winners and inveterate losers. The corporate lobbies, which have a vested interest in keeping taxes low, subsides high, and redistribution off the legislative agenda, are the clear victors. Citizen interest groups, made up of wealthy liberals championing environmental causes, consumer protections, and women’s rights but not economic justice, end up in a respectable second place. With traditional New Deal liberalism that promoted economic fairness out of favor, it appears that poor and average income citizens have little
organized support in Washington and as a result, have limited access to and influence over the policy process. They are the habitual losers in American interest group politics.

“The flaw in the pluralist heaven,” E.E. Schattschneider famously wrote in 1960, “is that the heavenly chorus sings with a strong upper-class accent” (Strolovitch 2007, 87). This is certainly the case concerning both the number of interest groups in Washington that represent the elite and the extraordinary level of influence they have on the policy process. A report of the American Political Science Association’s (APSA) Task Force on Inequality and American Democracy concluded that although traditionally marginalized groups have gained legal protections in the United States since the 1960s, the widening gaps in income, wealth, and access to opportunities have created a new bias in the political system. The members of the Task Force credit this development to the fact that “citizens with lower or moderate incomes speak with a whisper that is lost on the ears of inattentive government officials, while the advantaged roar with a clarity and consistency that policy-makers hear and routinely follow” (American Political Science Association Task Force on Inequality and American Democracy 2004, 1). The consequence is an imbalance of representation in the political process that favors the wealthy elite over the interests of poor and moderate-income voters. This situation fosters the rising tide of poverty and inequality because the voices of citizens disadvantaged by economic trends are not being heard and responsive policies not enacted. It also compromises the nation’s democratic ideals and has serious repercussions for the country’s economic and social well-being, consequences which I will take up in Chapter 4.

LET'S MAKE A DEAL: CORPORATE AND WEALTHY DOMINANCE IN AMERICAN POLITICS

We saw in the last section that in order to wield influence over public policy, it helps to have an interest group in residence in Washington to lobby for the cause. And money, which is the
lifeblood of interest group politics, is also the engine that drives electoral politics in America. Accordingly, it makes sense that those with lots of money – corporations and wealthy individuals – have greater influence in the process than those without. The financial advantage of the rich is combined with more active participation in politics. The APSA study on Inequality and American Democracy aforementioned finds that nearly 9 out of 10 citizens with annual family incomes above $75,000 reported voting in presidential elections, while only half of citizens in households where the yearly family income is less than $15,000 bother to cast a ballot. And the activism goes beyond voting. According to the APSA analysis, 56 percent of individuals with incomes of $75,000 or more reported making a campaign contribution, compared to just 6 percent of Americans with incomes under $15,000. Fifty percent of the wealthier group said they had contacted a public official compared to 25 percent from the lower-income category, and of people describing an affiliation with a political organization, 73 percent were in the upper-income range and 29 percent were at the lower end (American Political Science Association Task Force on Inequality and American Democracy 2004, 5-6). The arrival of the Internet, which was supposed to democratize the process by making politics more accessible to the less privileged, may have facilitated more participation by the affluent and already well-connected. The authors of the report surmise that the Internet appears to have merely served to “activate the active” and seems to have widened the disparities between citizens who are already engaged and those who are disconnected from the process by making it easier for the involved to obtain even more political information, make additional connections, and contribute even more money (Ibid., 8).

The powerful influence that business and prosperous individuals have over the legislative agenda has been amply documented by several scholars. Jay Mandle, in his book, Democracy,
America, and the Age of Globalization, argues that the staying power of the elite in the political process is a direct result of the privately-funded system of campaign finance in the United States, an arrangement that is, not surprisingly, monopolized by wealthy donors (Mandle 2008, 52). According to Mandle’s study, the wealthiest 3 percent of Americans provide 35 percent of all political contributions to candidates, and business executives, who make up just 10 percent of the labor force, are 52 percent of the individual donor pool. Sixty percent of all campaign dollars come from corporations, funds that politicians from both major political parties depend on (Ibid., 53-57). This political activism in a money-based system gives the affluent extraordinary leverage over the process and also affects who will run for office. Mandle maintains that only those citizens who are acceptable to the donor elite will even get the chance to compete in an election because the well-to-do will finance the campaigns of candidates who are aligned with their views and simply withhold contributions from those who are not (Ibid, 96). Once in office, Mandle believes, public officials are held hostage to the policy preferences of their wealthy benefactors, whose political attitudes tend to be more conservative than the population as a whole, and who generally do not support social welfare programs or government intervention in the economy. As a result, important and often debilitating economic and social problems, such as rising rates of poverty and inequality, are not adequately addressed.

In his in-depth analysis of power and influence in American society, Who Rules America: Challenges to Corporate and Class Dominance, sociologist G. William Domhoff explains that the ascendancy of corporations and wealthy individuals in the political process, a group he identifies as the “corporate-conservative community” because the members espouse more conservative views on economic policy than the general public, is made possible not just by limitless bank accounts to
contribute to interest groups and elections, but also by a highly efficient, well-coordinated, and vastly funded policy planning network. This corporate and upper class sponsored network, comprised of charitable foundations, think tanks, policy discussion groups, public relations firms, and lobbyists, enables the elite to not only sway public opinion but also persuade government officials and shape the legislative agenda by providing policymakers with important and much sought-after information and opinion on policy matters (Domhoff 2010, 85-90). The network is strongly united because of its social cohesion and the inter-linking bonds and personal relationships formed by the members. The upper-class and the corporate class are wont to stick together; they attend the same prestigious prep schools and Ivy League colleges, belong to the same social and professional clubs, spend holidays at the same resorts (where they oftentimes mingle with policymakers), go to the same debutante and charity balls, and tend to inter-marry. But mostly they share a common interest in economic matters and in protecting their wealth and dominance (Ibid., 55-71). What is more, many corporate CEOs hold prominent positions in government and are a fixture in both Republican and Democratic presidential administrations (Ibid., 183).

The opposing liberal-labor coalition, on the other hand, is no match for the corporate-conservative alliance because the liberals, Domhoff claims, are a divergent group of people with varied and sometimes conflicting interests and unlike the wealthy, they have no social cohesion, personal bonds, or common economic interest to rally around. They also are seriously underfunded compared to the corporate-conservative network, and in contrast to their wealthy and powerful counterparts, prominent representatives of the liberal-labor community rarely have leadership roles in government (Domhoff 2010, xv-xvi, 113-115, 168-171).
G. William Domhoff and Jay Mandle make the case that the values espoused by the moneyled elite contradict the opinions of the majority of middle, working class, and poor citizens in America. The matter of redistributive justice is ordinarily not a priority for corporate leaders or the fortunate few; they prefer Congress focus on tax policy and regulation rather than on welfare or economic and social issues that impact the majority of the electorate. “Equality and inequality,” says Bill Moyers, “are words that have been all but expunged from the political vocabulary” (Moyers 2005, 3). Jacob Hacker and Paul Pierson confirm that wealthier Americans are more supportive of free trade, deregulation, and of course, tax cuts, and less keen on Medicare, Social Security, or government-sponsored healthcare (Hacker and Pierson 2010, 151). Tax policy is the area where corporations and the superrich have gained the most over the last thirty years, and the roll backs on tax rates for top wage earners is a major factor adding to the substantial rise in inequality over the last few decades. Citing the research of economists Thomas Piketty and Emmanuel Saez, Hacker and Pierson show that the wealthiest one percent of Americans currently pay tax rates that are a full third lower than they were in 1970, and the richest of the rich, the top 0.01 percent, pay less than half what they did four decades ago. In fact, those at the very top pay about the same amount in taxes as Americans with incomes that place them in the upper middle class category (Ibid., 47-49).

The wealthy have much higher incomes today, so in a purportedly progressive tax system, they should be paying more in taxes, not less. But they are not. The rich in America are richer not just because their paychecks are bigger but because government taxes them much less than it once did (Hacker and Pierson 2010, 47-51). Yet it is a tradition of the prosperous American elite to complain about their taxes and the “burdens” placed on them by a government they widely view as intrusive. But not all of the well-to-do are in denial about the valuable role government has played in
facilitating their good fortune. Multibillionaire Warren Buffet has acknowledged that if “class war” has broken out in America, “my class is winning, but they shouldn’t be,” and Bill Gates, Sr., father of the Microsoft chairman, has forthrightly disputed the claim that the elite have earned their wealth without assistance from the government. “You earned it,” Gates, Sr. states, “with the indispensible help of your government” (Page and Jacobs 2009, 84). With government so amenable to the financial interests of the wealthy, especially when it comes to taxes, Hacker and Pierson are spot-on when they say that for the rich, “for thirty years, the good times have just kept rolling” (Hacker and Pierson 2010, 17).

Corporations and prosperous individuals enjoy good times regardless of which party is in control. It is conventional wisdom that when Republicans are in charge, inequality increases because the rich are a natural constituency for Republicans and more often than Democrats, support pro-business, anti-tax legislation and oppose spending on social welfare programs. But economist Robert Pollin argues in The Nation that inequality has risen under both Republicans and Democrats because the parties equally embrace neoliberal economic policies that benefit the rich. Pollin highlights evidence showing the only time between 1947 and 2005 when inequality decreased was during the Kennedy and Johnson administrations. He also points out that with an allegedly left-leaning President in the White House and a Democrat-majority in the Senate today, the legislative debate is centered on cutting social spending and reducing the deficit; not on legislation to assist the unemployed or programs that would help alleviate the suffering of citizens struggling with poverty and inequality (Pollin 2010, 23-24). Indeed, President Obama seems partial to aides who have experience and close ties to Wall Street. Many top officials in his administration come from the corporate world, including White House chief of staff William Daley, Treasury Secretary Timothy
Geithner, and Gene Sperling, director of the National Economic Council. The trustworthy relationship with big business is reciprocal. G. William Domhoff notes that the President’s most influential supporters since he first ran for the Senate in 2004 have been moderate conservatives from the corporate community (Domhoff 2010, xiii).

So who gets what they want in Washington? According to G. William Domhoff, the group that can best initiate, modify, or veto policy alternatives wins (Domhoff 2010, 18-19). In the political climate that has reigned supreme for the last thirty plus years, the corporate-conservative community wins on all three counts. As stated at the outset of this chapter, existing policies are easier to defend than new ones are to enact, and this is where the powerful and wealthy elite find their greatest success: getting policymakers to ignore alternative program considerations that could positively impact the majority of average voters. This is a relatively simple task to accomplish because the structure of the American government is not friendly to change, and with the focus of the debate on the individual politicians and not on the issues at hand, average citizens are simply not paying attention to what is and what is not going on in Washington. But the affluent and their interest groups are paying close attention. Jacob Hacker and Paul Pierson believe that for organized groups and wealthy and well-informed citizens, “the devil truly is in the details of public policy” and so governing, more so than elections, is what is important (Hacker and Pierson 2010, 44). And governing can be quite boring. A good example of what happens when powerful individuals and interest groups are tuned in and well-informed and the less powerful citizen majority is bored by detail and tuned out is the case of the gradual peeling away of the 1986 Tax Reform Act. Designed to reduce tax breaks and loopholes for corporations and wealthy Americans in order to finance lower tax rates for the majority of average income citizens without increasing the deficit,
the bill was hailed as a fair and bipartisan effort in which voters, not special interests, were the
winners. But it did not take long for the Tax Reform Act of 1986 to be completely stripped down,
eventually “vanishing without a trace,” as the corporate lobby simply went to work to add back the
loopholes, while the voting public and the media lost interest and shifted their attentions elsewhere
(Ibid., 106-107).

The penchant government officials have for ignoring economic and social problems is what
Jacob Hacker and Paul Pierson term “policy drift,” which they describe as “the deliberate failure to
adapt public policies to the shifting realities of a dynamic economy” (Hacker and Pierson 2010, 52).
They maintain that drift is an intentional strategy embraced by lawmakers influenced by elite
interests to restrict the policy agenda to issues that benefit their affluent and influential clients.
Other important issues relevant to the non-affluent citizen majority are simply left off the list of
matters in need of attention. For instance, despite the skyrocketing cost of living over the last
several decades, the federal minimum wage has only been raised three times since 1968 – in 1981,
1997, and most recently, in 2007, to seven dollars and twenty-five cents per hour. The minimum
wage is critical to many working families and low-wage workers, and a large majority of the public
consistently favor increasing it (Bartels 2008, 223-225). Yet the issue of the minimum wage is
rarely even part of the political debate in Washington. In the modern era of globalization and
technological change, the government has not adequately responded to the negative consequences
wrought by these most recent market transformations, such as the loss of jobs due to corporate
flight and competition from foreign imports and labor. Among the developed countries, as a
percentage of GDP the United States ranks near the bottom in support for job training, subsidized
employment, unemployment compensation, and early retirement (Mandle 2008, 33-34); all
government programs that could greatly assist American workers adversely affected by global market trends. Policy drift is the precise characterization of present-day government inaction. It is, as Jacob Hacker and Paul Pierson say, the “passive-aggressive” approach to policymaking; “the No Deal rather than the New Deal” (Hacker and Pierson 2010, 53).

So how do politicians who routinely dismiss issues that are important to the majority of their constituents manage to get elected to office in a democracy? This chapter has explored some of the political reasons that I believe have contributed to the rise in poverty and inequality in the United States; mainly, the institutionalization of special interest groups, which tie up the system and impedes government’s ability to pass relevant legislation, and the dominance of the wealthy and their policy preferences in the political process, which is not supportive of redistribution. And as I pointed out in Chapter 2 on the cultural dimensions of poverty and inequality, politics does not operate in isolation from society. Culture plays a big part in what happens in government. Some of the cultural traits that are unique to Americans complement the political obstacles to reform identified here. Together, the cultural and political dimensions serve to promote poverty and inequality, work to uphold the political status quo in Washington, and inhibit chances for reform. The growing ranks of the poor and unequal have serious repercussions for the nation’s economic, social, and political welfare. In the next chapter, I will focus on the consequences of poverty and inequality in America.
CHAPTER 4

WHO CARES? CONSEQUENCES OF POVERTY AND INEQUALITY

Do poverty and inequality really matter? In a free market system, a certain degree of poverty and inequality is to be expected, and most Americans have come to accept the belief that some inequity is a likely outcome of capitalism. However, since the 1970s, poverty levels and socio-economic inequalities have been on the rise in America, causing psychological harm to individuals and creating serious economic, social, and political problems for society. The American educational system, long believed to be the gateway for opportunity in America, is also a victim of persistent and rising inequality. The rise of poverty and inequality in the United States compromises the American dream of upward social mobility for many citizens and calls into question the country’s commitment to genuine democracy and equality of opportunity for all, regardless of socio-economic status.

In this chapter I will argue that poverty and inequality in America most certainly do matter. The economic and social consequences of acute financial hardship and socio-economic disparities are taking a toll on the psychological well-being of American workers and have unfortunate ramifications for families and communities across the country. Political and civic life is also on the decline, with hostility towards government on the rise, a development that has significant aftereffects as well because civic and community engagement, combined with a vibrant middle class, are key to a healthy democracy. In the pages to follow I hope to elaborate on what many economists and social scientist have concluded about the socio-economic imbalances in American society but which still seems to elude policymakers and a majority of the voting public: that the economic, social, political, and psychological penalties of poverty and inequality are mutually reinforcing and bad for the social fabric of America (Hansen 2006, 124; Krugman 2009, 245-251; Page and Jacobs 2010, 20).
Many economists, scholars, and ordinary citizens alike believe that inequality, a certain degree of which is inherent in a free market system, should not be a concern as long as there is upward economic mobility in society. However, there is evidence to show that intergenerational upward mobility in the United States has stalled over the last three decades. As a result of market volatility, economic recession, high unemployment, and the housing crisis that adversely affected many Americans earlier in the decade, working and middle class Americans are no longer financially secure. Many have experienced downward mobility and some have even fallen into poverty. According to a study conducted by Isabel V. Sawhill and John E. Morton of the Pew Charitable Trusts Economic Mobility Project, considerable drop-off in median household income growth compared to earlier generations has made the United States a less mobile society than many other advanced nations, including Canada, France, Germany, and most of Scandinavia (Sawhill and Morton 2007, 3).

Concurring on this point, economists Heather Boushey and Christian E. Weller argue that the American dream of common upward mobility no longer reflects the economic reality in America, especially for those at or near the bottom of the household income brackets. From their investigation of intergenerational mobility patterns of poor and working class men, they found that in the 1990s, sons of fathers from the bottom three-quarters of the socio-economic scale were less likely to move up than they were in the 1960s. By 1998, only 10 percent of sons of fathers in the bottom quarter had moved into the top quarter; in 1973 this figure was 23 percent. “When it comes to mobility as well as inequality,” Boushey and Weller state, “the United States in recent years has
been moving slowly away from the orbits of the rich nations of Europe and the Pacific Rim, toward the trajectories of Russia, Brazil, and Mexico” (Boushey and Weller 2005, 34, 29).

This is a troublesome development because upward mobility is the very foundation of the American immigrant story and the core of the American dream. In her study of the chances for upward mobility among the working poor, sociologist Katherine Newman demonstrates that upward mobility in America is still possible and does happen. However, in a service-oriented market where low-wages are the standard, mobility is far from certain and the climb out of poverty is an arduous uphill struggle with many roadblocks to overcome. For mobility to happen, Newman stresses, workers need to have access to a good, secure, and preferably unionized job that pays a living wage and provides benefits and opportunities for promotion; a best-case scenario that is possible but atypical in today’s low-wage labor market (Newman 2006, 84-116).

Working and middle class Americans are facing more financial risk today than ever before. An analysis by the liberal think tank Demos estimates that between 2000 and 2006, an additional 4 million Americans lost their financial security, bringing the total number of Americans in economic distress to 23 million (Billitteri 2009, 204). One of the primary reasons for this is the demise of the social contract between the American worker and her employer. As Jacob Hacker explains, since the 1970s, corporations are increasingly abandoning the social contract and passing on once guaranteed benefits, like health insurance and defined-benefit pension plans, to American workers, resulting in what he terms “the great risk shift” in American society (Hacker 2008, 54). With government unable or unwilling to come to the aid of ordinary citizens by offering more of the benefits that the private sector used to provide, middle class families are now facing a degree of financial risk and insecurity that used to be confined to the working poor (Ibid., 28). In addition to a
loss of health insurance and pension plans, the average American family nowadays faces skyrocketing prices on just about everything, from basic necessities like food, gas, and clothing, to medical care, housing, and college tuition. Because their incomes have risen only slightly since the 1970s while the cost of living has risen dramatically, a mountain of debt is sending many families into bankruptcy. In 1980, fewer than 290,000 Americans were financially insolvent; in 2005 more than 2 million people under severe economic strain filed for bankruptcy (Ibid., 13).

What is more, middle class families are losing their homes to foreclosure at an alarming rate. Since the 1970s the mortgage foreclosure rate has increased fivefold, and many homeowners are “underwater” on their mortgages (Hacker 2008, 13). Young Americans from both lower-income and middle class backgrounds, who are told from an early age that getting a good education is the key to a good job and secure future, are facing astronomical student loan debt before they even find their first job. According to Jacob Hacker’s study, between 1977 and 2003, as the number of students enrolled in college increased by 44 percent, the cash value of student loans escalated to 833 percent. Between 1993 and 2003, the number of students graduating from a four-year public university with outstanding debt rose from 25 percent to 58 percent, and for students graduating from private colleges, where tuition is even more expensive than at a public state university, the number in debt climbed from 40 percent to 70 percent (Ibid., 75).

Hacker emphasizes that the growing economic insecurity affects nearly all Americans, in good economic times and in bad, and is increasingly impacting highly-educated citizens as well. Learned and once upwardly mobile members of the middle class thought they were shoring up their financial futures by obtaining graduate and professional degrees, but advanced education is no longer a guarantee against income volatility or of falling into poverty (Hacker 2008, 15, 19).
Hacker’s data shows that in the early 1970s, just over 3 percent of workers experienced drops in family income of 50 percent or more over a two-year period. By 2002 that figure had risen to 10 percent (Ibid., 31). And the chances of falling into poverty are much greater today than 40 years ago. In the 1970s people in their 40s, usually considered the peak earning years, had about a 13 percent chance of experiencing at least one year of poverty. By the 1990s the likelihood of people in the same age group falling into poverty, even temporarily, had increased to 36 percent (Ibid., 32-33). On the importance of economic stability to the American Ideal, Hacker concludes, “Economic security is vital to economic opportunity, and economic insecurity is one of the greatest barriers between American families and the American Dream” (Ibid., 9).

Some scholars believe that the growing economic risk and insecurity besetting the middle class is being made worse by compulsory overconsumption promoted in part by rising wage disparities. Economist Robert H. Frank theorizes that huge income gains at the very top of the income scale over the last few decades have encouraged the superrich to embark on a spending spree, paying out extraordinary sums on pretty much everything, from cars to clothing and gifts, and most especially, on housing. The consequence for the middle class, whose incomes have grown only marginally over the last few decades, is that they are obliged to face the “rising costs of adequate” by buying more and more goods and services that are increasingly priced beyond their means, including larger and more posh homes, cars that used to be considered luxury but are now measured as standard, and pricey clothes and gifts. Frank argues that as the rich spend more, everyone else down the income ladder feel compelled to spend more as well, launching an “expenditure cascade” that the middle class especially, given the increase in financial risk and insecurity they currently face, are ill-equipped to handle. As Frank explains, this problem is
particularly relevant when it comes to housing, because the higher quality and better funded public schools are usually located in wealthier neighborhoods with higher-priced and more exclusive homes that the middle class cannot realistically afford (Frank 2007, 5, 43-50). But purchase these homes they do, even if it means falling deeper into debt, depleting savings, and compromising a quality and balanced life, like working longer hours with longer commutes and less sleep. Moreover, Frank believes, the exhausted, stressed, and financially fragile middle class are less likely to support additional taxes for public services which could actually improve their living standards because tax increase proposals don’t ordinarily go over well with people struggling financially (Ibid., 78-86).

Frank maintains that the middle class willingly participate in the expenditure folly for both noble practical reasons, like wanting to send their kids to good public schools, and also because psychologically, context, status, and how one is viewed by others is important in a modern and wealthy capitalist society (Frank 2007, 39-42, 49-50). In the next section I will address the significance of a person’s station in society and the health implications of poverty and inequality.

**Psychological Distress and Poor Health**

Social scientist Richard G. Wilkinson makes a strong case in his masterful book, *The Impact of Inequality: How to Make Sick Societies Healthier* that unequal societies are unhealthy societies. According to Wilkinson, during the last few decades as economic inequality has increased in the United States, health disparities between the classes have also increased. In rich countries generally, Wilkinson explains, the poor are more likely to be unhealthy, obese, and severely stressed and depressed. Consequently, they suffer and die from chronic and terminal health ailments, such as heart disease, diabetes, and cancer, at higher rates than the rich. The
middle class are better off than the poor and working class, but are in worse condition than the wealthy, who tend to be the healthiest group and live longer than the less affluent (Wilkinson 2005, 69). Wilkinson believes that the relationship between income and health and life expectancy in rich counties is a natural byproduct of a nation’s progressive economic development. He explains that in rich modern societies where true scarcity is rare and material possessions are abundant and accessible, even for the disadvantaged, poverty has been redefined, from absolute terms to relative terms. Poverty and inequality, therefore, are now understood to be the outcome of social exclusion, not material deprivation (Ibid., 11). In America, as elsewhere in the developed world, health standards are powerfully influenced by social factors, and an individual’s social surroundings are determined by socio-economic class status. In the post-industrial modern age, Wilkinson concludes, wealthy nations like the United States have achieved material success but social failure (Ibid., 5).

Because privation in advanced countries is defined in this day and age by social marginalization and rejection, and because it is human nature to care what others think, low social status in a rich country like the United States means that the poor and less affluent are more prone to worry, stress, and feelings of inadequacy and hopelessness; emotional turmoil which in turn harms quality, and ultimately, length of life (Wilkinson 2005, 13-14, 18). Wilkinson’s examination reveals that poor people living in poor communities in a rich country have a life expectancy that is twenty-five percent shorter than people living in the more affluent areas. He cites research showing that the poorest areas of the United States, such as Harlem in New York or the south side of Chicago, have death rates that are higher than in Bangladesh, one of the poorest countries in the world (Ibid., 15). Being poor and financially unstable in America is hard, and the stress and inner
pain of impoverishment and insecurity is bad for the body. The “psychosocial” problems Wilkinson identifies as contributing to physical health problems in an affluent but unequal society like the United States include depression, anxiety, helplessness, hostility, isolation, insecurity, lack of a sense of control, and alcoholism and drug addiction (Ibid., 13). The less egalitarian a society, the more unhealthy, unhappy, depressed, mean, hostile, and mistrustful its citizenry will be (Ibid., 33-56); psychosomatic aftereffects that have social repercussions, which I will take up in the next section.

Katherine Newman examines the psychological impact of financial hardship on both the working class and professional managerial class in her book, *Falling From Grace: Downward Mobility in the Age of Affluence*. To live through the loss of a livelihood and downward mobility is especially painful because Americans who lose their financial footing also experience the demise of their sense of identity and place in the community (Newman 1999, 7-12). Highly educated and once upwardly mobile professionals, or “refugees from the middle class,” as Newman refers to them, who are downsized from their high-income corporate management jobs struggle not just with loss of income but more severely with the confusion and emotional havoc that is the outcome of career loss and fall in social status. These professionals believe strongly in the American work ethic and the value of self-sufficiency, and tie their self-worth to career accomplishments and wealth. Loss of occupation means a big crisis in confidence and self-esteem, and very often leads to depression, unhappiness, and feelings of hopelessness, as former executives in the corporate world have a habit of blaming themselves for their predicament (Ibid., 42-94). The inner turmoil experienced by white collar professionals is all encompassing and has a domino effect. Newman’s individual profiles indicate that more often than not, downsized businesspeople first lose their
incomes and assets, then become alienated from friends and neighbors and disconnected from the professional network that is so critical to reentry into the professional world. Eventually, many will suffer with family instability, and more than a few marriages will end in divorce (Ibid., 12-19, 95-113, 134-135).

The displaced blue-collar workers Newman writes about in her book who have lost their once secure manufacturing jobs tend to take unemployment less personally. Typically, they are let go in groups, so unemployment is a collective and shared experience, and instead of looking inward for explanations for their unfortunate circumstances, working class factory workers will frequently cast blame on management for their misfortune. Yet they, like their white collar counterparts, are subjected to feelings of loss and alienation, as the community they call home no longer has the proud corporate identity or certain job opportunities that a large factory used to provide. They also feel like misfits in the new global economy. These sentiments may ultimately develop into a more general mood of mistrust, cynicism, and estrangement from local alliances and governmental authorities, which they may judge as having failed to prepare or protect them from the rapid changes in the economy that so dramatically altered their employment prospects (Newman 1999, 174-201).

The declining health and spirits of the American workforce are casualties of widening gaps in income, status, and access to opportunity in American society. In addition to the personal troubles caused by these inequities, rising rates of poverty and inequality also have serious economic, social, and political consequences for the nation, the topic of the next section.
Economic, Social, and Political Consequences

Poverty and socio-economic inequality wreck emotional and physical havoc on those living with financial hardship and insecurity, as Richard Wilkinson’s and Katherine Newman’s aforementioned works have shown. Despite the lack of attention paid to these issues by policymakers and pundits, they also have significant economic, social, and political costs for the nation’s well-being.

Susan Hansen documents the economic, social, and political penalties of low wages in her analysis of the impact of globalization on the American states. In addition to causing an increase in poverty and inequality and a reduction in living standards, negative economic consequences of the low-wage “race to the bottom” include a decrease in productivity and economic growth. Social costs are rising rates of crime, domestic violence, alcohol and drug abuse, poor health, low educational attainment and failing schools (which I take up in detail in the final section of the chapter), a decrease in social and community involvement, or “social capital” due in large part to the weakened influence of organized labor, political disengagement, and family instability and divorce (Hansen 2006, 113-120). Hansen challenges the position taken by business investors and the politicians that provide them with tax breaks and tax-payer funded subsidies that low wages are necessary to create jobs and that cheap labor is necessary in order to be competitive in the global marketplace. In other words, proponents of the low-wage strategy say globalization is the reason for the necessity to depress wages. But Hansen concludes from her study that globalization, albeit a “convenient scapegoat,” is not to blame for substandard wages. Domestic policies, not global influences, determine labor costs (Ibid., 109, 111-112).
Hansen argues that increased ties to the international economy have generally been beneficial for the local economies of the American states, for the national economy, and for the American worker (Hansen 2006, 109). Her analysis shows that cutting labor costs actually decreases international competitiveness because the American advantage in the global marketplace is in technology, a field which requires higher education and skill sets that command higher wages. As a result, the American states that have the better educated and skilled workforce and higher labor costs are doing better in the global economy with respect to economic growth, exports, and foreign direct investment (Ibid., 91, 94-95, 108-112). Hansen does affirm the argument made by promoters of the low-wage strategy that states with higher labor expenses have experienced higher rates of unemployment (Ibid., 92). However, she stresses that the unemployment dilemma is not as problematic as the negative economic effects of low wages. Reducing wages is bad for the economy overall, Hansen explains, because consumer confidence and spending are critical to a healthy market, and if workers don’t have money to spend, they can’t buy homes, cars, and other goods and services that keep the economy moving. Further, prices deflate when wages are substandard and personal bankruptcies and home foreclosures increase, which ultimately can lead to economic recession (Ibid., 114).

Benjamin Page and Lawrence Jacobs reinforce the claim that significant income disparities impair economic growth, and point to comparisons made between levels of inequality and growth rates in the U.S. with those of other advanced market democracies. Data collected from the State of Working America 2006/2007 indicates that during the time period examined, other countries, including the nations of the European Union, had either comparable or even higher rates of productivity and economic growth; yet at the same time experienced lower levels of inequality than
in the United States. Page and Jacobs believe that some business leaders and policymakers, concerned about the decline of the U.S. economy and the rise of other economic powers on the global stage, are beginning to question the conviction that huge differences in income are good for productivity and growth because large income gaps generate work incentive (Page and Jacobs 2009, 21). If it is true that some corporate heads and politicians doubt the accepted philosophy that extreme inequality is not only inevitable but also good for business, they are apparently in the minority. As we saw in the chapter on the political dimensions of poverty and inequality, there is yet to be any perceptible crusade from either the business community or government to adopt business practices or public policies which could reverse current trends in wage discrimination.

All of these economic factors lead to social problems that are detrimental to a modern democratic society. In her study of labor policies in the American states, Susan Hansen makes the correlation between low earnings and increased economic distress and inequality to rising rates of crime, family dysfunction, community and domestic violence, suicide, drug and alcohol addiction, and rising rates of child poverty. These negative consequences are not, Hansen emphasizes, counterbalanced by higher rates of job creation (Hansen 2006, 113). People may be working; sometimes more than one job, but with the low pay that is the norm in a service-oriented economy, workers are still poor, financially unstable, and emotionally vulnerable to the stresses caused by economic hardship and insecurity. The increase in child poverty is particularly distressing because despite the fact that the latest economic recession officially ended in 2009, the child poverty rate now stands at 18 percent, up by 2 million children in just two years. A recent episode of the CBS newsmagazine program, 60 Minutes, shed light on how the current economic crisis and lack of political resolve to respond are hurting America’s kids. Correspondent Scott Pelley interviewed
several children in the Orlando, Florida area whose formerly middle class and financially stable parents had lost their jobs, then their homes, during the most recent recession and housing crisis. The personal stories of want and hunger these kids told was heartbreaking. So many are homeless and living in cheap motels in run-down and dangerous neighborhoods that the local school system has added the motels to the school bus stop routes. Pelley reported that experts predict that if current socio-economic trends continue, the child poverty rate in America will soon reach 25 percent – “The largest generation to be raised in hard times since the Great Depression” (Scott Pelley, reporting for 60 Minutes, CBS, March 6, 2011).

The reasons for the social breakdown are elaborated on by Richard Wilkinson. Wilkinson’s study on the impact of inequality on society finds numerous troubling repercussions on the collective welfare when rich societies are unequal. At the core of these societal problems, Wilkinson explains, is the decline in trust and empathy people have for one another that is a natural consequence of socio-economic unfairness (Wilkinson 2005, 40-43). Drawing on data from a report appearing in the American Journal of Public Health, Wilkinson shows that in the American states where income differences are greater, citizens tend to be more mistrustful of one another than in states that are more egalitarian. In the more evenly balanced states, only 10 or 15 percent of respondents to a U.S. General Social Survey answered that they felt that others could not be trusted; while in the more unequal states, 35 or 40 percent of residents believed that other people “would take advantage of you if they got the chance” (Ibid., 40-41). As a result of widespread suspicion, people are more hostile and alienated from one another. These feelings are at the root of incidences of crime and violence, even homicide, as people act out their feelings of being devalued and
disrespected in a wealthy and advanced but class and status-conscious society where self-worth is tied to personal wealth and achievement (Ibid., 47-50).

Wilkinson calls attention to the fact that the United States, where interpersonal trust is low, has the highest rate of homicide in the developed world. It also has the biggest income differences of any of the rich market democracies (Wilkinson 2005, 40). The connection between violent crime and inequality is made evident by Wilkinson, who points out that there are over fifty studies showing a clear tendency for violence to be more common in societies where income differences are greater. One of the research papers cited concerns the American states, which finds that homicide is more prevalent in the more unequal states and less so in the states with smaller income differentials (Ibid., 47-48). On the unmistakable and disconcerting association between inequality and this most pernicious of crimes, Wilkinson states, “So firmly established is the relationship between inequality and homicide – at least in the research literature if not in the minds of politicians and the public – that many criminologists regard it as the most well-established relation between homicide and any environmental factor” (Ibid., 50).

Elevated levels of mistrust, along with an absence of social cohesion and sense of camaraderie and common purpose in the United States today, presents serious consequences for local communities and for national political and civic life. Ordinary citizens appear to have given up on politics and community participation, once pillars of American life and the bedrock of American democracy. In 1831 the French political thinker and observer of American culture, Alexis de Tocqueville, decided that Americans’ proclivity for joining groups was a major reason for the success of American democracy (Putnam 1995, 65). But over the last forty years as inequality has increased, there has been a significant decline in “social capital,” or civic and political association.
among Americans, especially in church-related groups, labor unions, fraternal and veterans’ organizations, and school-service groups (Ibid., 67-70). In his studies on the importance of social capital to a healthy democracy, Robert Putnam stresses the link between civic participation and overall quality of life. His research uncovered that a vibrant civic culture promotes a higher level of trust among citizens, better schools, a more productive economy, and more effective and responsive government (Ibid., 65-67).

Voluntary and civic membership organizations, which used to be at the core of middle class community life in the United States, have been replaced by professional special interest groups that claim mass memberships but offer little, if any, opportunity for personal contact or hands-on involvement (Putnam 1995, 70-71). As Jeffrey Berry has determined and as we saw in Chapter 3 on the problem of the institutionalization of interest groups in Washington, many liberal public interest lobbies appear to speak for poor and middling income Americans. But more often than not, these organizations promote “postmaterial” quality of life matters that are important to their wealthy supporters rather than basic economic concerns crucial to improving the financial standing of normal citizens (Berry 1999; Hacker and Pierson 2010, 145-146). Without the strong presence of organized labor, the non-affluent who constitute the majority of the populace not only suffer economically, but ultimately have unequal political voice in Washington.

The political scientists Lawrence Jacobs and Theda Skocpol argue that Americans believe strongly in equality of representation in the political process and that they are well aware of and increasingly worried by the fact that Washington is more responsive to the policy interests of corporations and wealthy individuals. Yet average citizens shun political participation, despite laws enacted over the last few decades to encourage more involvement by the masses. One of the
reasons for the detachment is that ordinary people, trying to cope with financial adversity and seeing little response from their government, have decided that their representatives in Washington are indifferent to their concerns and instead are beholden to the interests of a few wealthy benefactors. So rather than exercise their political freedom by participating more, average Americans have retreated from politics. Moreover, in addition to feeling marginalized by their government, Americans just don’t trust that government is capable of getting the job done (Jacobs and Skocpol 2005, 8-10; Mandle 2008, 99-105; Schlozman et al. 2005, 19-70). So why bother to vote, contact a member of Congress, or get involved in a community association or political activity that could advance a cause that is important to you and your neighbors? For many ordinary Americans political activism appears to be a waste of time and an undertaking with a foregone conclusion.

The lack of political participation by the majority of average income citizens serves to uphold the status quo in Washington and prevents enactment of just policies that could directly benefit a majority of Americans (Hacker and Pierson 2010; Hansen 2006; Jacobs and Skocpol 2005; Mandle 2008). The electorate’s disengagement complements elected officials passivity and has brought about a reciprocal and mutually reinforcing political process that is imbalanced and dysfunctional. “What the U.S. government does – and does not do – about economic disparities and insecurities,” say Lawrence Jacobs and Theda Skocpol, “influences political participation as well as social outcomes” (Jacobs and Skocpol 2005, 12). In contrast to the current state of American politics, Jacobs and Skocpol call attention to the fact that, due in large part to good and inclusive policy enacted by the federal government during the New Deal and post-World War II years, ordinary citizens were brought into the political and governmental process. Two of the most
important and lasting pieces of legislation enacted during that time, the Social Security Act and the
GI Bill, proved to ordinary Americans that government was working for them. And the relationship
was mutual. In the post-war period people were more active in politics and in civic and volunteer
organizations, and alongside this active engagement was a broader trust in government and faith in
the full authenticity of American democracy.

But that widespread confidence has gone missing in contemporary times of rising poverty
and pervasive inequality. How genuine is American democracy when the wealthy elite, who
represent a small minority of the population, are the one group in society that consistently
participates in the political process and sees a return on their investment in politics, but poor and
average income citizens are sidelined and routinely discarded by elected representatives? On
what this state of affairs holds for the future of the health of the American political system, Lawrence
Jacobs and Theda Skocpol warn, “If disparities of participation and influence become further
entrenched, and if average citizens give up on democratic government as a tool to enhance security
and opportunity for all, unequal citizenship could take on a life of its own, weakening American
democracy for a long time to come” (Jacobs and Skocpol 2005, 232).

**American Education: Unequal and Inadequate**

The nation’s education system, once the model of public education emulated throughout
the world and the mainstay of American commitment to equality through opportunity, is another
casualty of inequality. But the organization of the educational system in the U.S. has also served to
inadvertently boost inequality over the last few decades. As Claudia Goldin and Lawrence F. Katz
explain, the five “virtues” of the American educational system – public financing and provision;
separation of church and state; decentralization; openness; and gender neutrality – all contributed
to making American education so venerable and successful in shepherding the remarkable
economic advances, growth in prosperity, and widespread mobility experienced in the United States
during the great “American Century.” But these same virtues that were once revered and
efficacious have backfired in the modern era of globalization and technological change. The reliance
on public funding and provision at the local level leaves richer school districts with more revenue
from property taxes better off than poor school districts, where funds for much needed resources
and good teachers are often in scarce supply. Further, the highly decentralized structure as well as
the open and “forgiving” nature of the American educational system makes universal academic
standards and expectations of student performance and conduct difficult to enforce. These virtues,
once considered worthwhile and admired, have produced the unintended consequence of
promoting inequality (Goldin and Katz 2009, 4-8, 129-162).

Goldin and Katz argue persuasively that education policy in America has not kept pace with
technological change. Schools are now more segregated by socio-economic status, and as a
result, they are not adequately preparing young people to compete in the high-tech, knowledge-
based global economy. Education specialists interviewed for the award-winning documentary film,
Waiting for Superman predict that by the year 2020, 123 million American jobs will be high-skill and
high-pay, but only 15 million Americans will be qualified to fill these jobs (Waiting for Superman,
directed by Davis Guggenheim, Paramount Vantage, 2010). Business leaders are becoming more
and more alarmed about the dearth of skills among the workforce. A coalition of over 110 corporate
CEOs has teamed up to form Change the Equation (CTEq) to work with American educators and
policymakers to tackle the nation’s education challenge. According to CTEq’s website, the group’s
mission is to ensure higher academic standards in K-12 education and improve students’ learning in
science, technology, math, and engineering, particularly among girls and students of color, who have traditionally been underrepresented in these fields. Bill Gates, co-founder and chairman of Microsoft, is actively involved in the drive to reform American education, and has testified before Congress of his concerns as a business leader in the technology field that as a consequence of the deficiencies in education, American workers are increasingly unable to compete in the global economy (Bill Gates interview, Ibid.).

Poor kids especially are getting left behind in a globally-integrated and highly competitive world. Not only are kids in poor school districts not gaining knowledge or skills that are critically important in the high-tech global age, but many cannot read, write, or do basic math at a level that will enable them to continue on to college or be employable, even in a low-skilled job. Educator and activist Jonathan Kozol, in his important books on the inequities of the American education system, exposes the shocking achievement gaps between pupils in poor urban school districts and students in wealthier areas and the huge disparities in public funding for different school districts. For example, in 2005 the wealthy New York city suburban district of Manhasset spent more than $22,000 on each student enrolled in the public schools. That same year the per pupil spending level in the New York city public schools, which have several low-income precincts, was $11,700 – almost the same amount of money expended in Manhasset in 1987 (Kozol 2005, 45). And in 48 percent of high schools in the 100 largest school districts in the United States where the majority of students are low-income and predominantly African American and Hispanic, less than half of ninth graders enrolled graduate in four years. In some large cities that have greater numbers of poor and minority students, like New York and Chicago, the high school drop-out rate can be as high as 70 percent, compared to only about a 20 percent student non-completion rate in the wealthier and
mostly white school areas. Moreover, a Gates Foundation inquiry into achievement levels at some of the main high schools in the Bronx in New York found that 45 percent of ninth graders did not have sufficient reading, writing, or math skills to move ahead to the tenth grade (Ibid., 282).

Jonathan Kozol and other activists believe strongly that public elementary and secondary schools in America are supposed to be providing the “means of competition” to all children. But in the present-day period of rampant socio-economic discrimination and segregation, the school system in America is failing to educate all young people equally. Fair access to opportunity through education is being denied to the non-affluent and disproportionally to the non-white (Kozol 1991, 83). Social justice advocates and supporters of educational reform make a valid argument that the American public education system is on the wrong side of justice and is guilty of institutional racism.

New York educator and advocate for reform, Geoffrey Canada, who is prominently featured in the film *Waiting for Superman*, claims that too many schools in America today are “failure factories;” a fact kids are keenly aware of, particularly in the poorer urban school districts. “From the kids’ perspective,” Canada says, “the world is a cold and heartless place. They know they have been given the short end of the stick, and they don’t know why” (Geoffrey Canada interview, *Waiting for Superman*, directed by Davis Guggenheim, Paramount Vantage, 2010). Jonathan Kozol points out too that disparities in education are often passed from one generation to the next. Kids in need who don’t do well in high school tend to repeat the adverse experiences of their parents, and, like their parents, drop out. The parents of these high-risk kids are poorly educated themselves and tend to be ill-informed and less involved in the community then their better educated counterparts. As a result then, they are badly equipped to take on the system that is failing to educate their children (Kozol 1991, 60).
Unlike the more affluent kids who attend superior and much better funded schools in the suburbs, poor kids in deprived urban schools are victimized by a combination of the economic, social, and political consequences of poverty and inequality. As the journalist David Shipler forcefully argues, school is where poor and underprivileged kids need to be; yet they are at a disadvantage before they ever walk through the door. Too often, Shipler believes, the potential for these kids to succeed is stripped away by their environment. Students from disadvantaged backgrounds who are compelled to attend failing schools don’t have the luxury of focusing just on their studies. They have a multitude of worries to cope with, and bring with them to the classroom not just material deprivation but also troubling family problems, personal safety anxieties, and burdensome community challenges, like crumbling and dangerous neighborhood infrastructures and high rates of crime. Youngsters in more well-off areas can and do face personal challenges that interfere with schoolwork, but their more privileged status provides them with a safety net that the poor and disadvantaged don’t have (Shipler 2005, 231-253).

Students from wealthier backgrounds and better funded school districts with much lower drop-out rates also have a considerably better chance to attend a four-year college or university. Underprivileged pupils continue on to college at a much lower rate and if they do enroll in postsecondary education, it is usually at a community college, which for many is the only affordable option. Journalist and author Richard Longworth concludes that because of rising tuition and state budget cuts, low and increasingly, middle income students, are being “squeezed out of universities that are chartered to educate everyone” (Longworth 2008, 186). The reality that college is simply out of reach is especially relevant for minority students, some of whom come from poorer backgrounds and are products of under-performing high schools where academic attainment is low.
and the drop-out rate high. In 2004, a story in The Washington Post reported that only 350 out of
6,000 students in the freshman class at the University of Michigan were African American, down
from 500 enrolled in the first-year class at the university three years earlier (Kozol 2005, 282).

Another significant roadblock to learning for young people in poor school districts is the
challenge of attracting dedicated and quality teachers. This problem is due in part to the shortage of
funds for reasonable teacher salaries, as well as the extraordinary challenges educators face
working in dilapidated and underachieving schools in poor and troubled neighborhoods.
Disadvantaged students confronted with unqualified teachers in failing schools will usually not have
a choice to change, and if there is another option, it is limited to a handful of good charter schools
where admission is fiercely competitive and based on the luck of the draw. Such a lottery system is
played out in the film Waiting for Superman, and although I realize it is a necessary practice
because of the limited number of spots available, I feel it is cruel. Poor children should not be
forced to compete with one another for a quality education or suffer the painful and humiliating
experience of not having their number picked at a public lottery. As you might expect, the rejection
is viewed as a personal failure, as is evident from the reactions of the kids and parents profiled in
the film. Students in the more well-to-do school districts can be burdened by bad teachers as well.
But the advantage for them is that their parents can hire private tutors or pull them out of a low-
performing public school and enroll them in private school, options that are not readily available to
the poor.

The unfairness and inadequacy of American education is not just a moral outrage but also
reinforces the economic, social, and political consequences addressed here. If kids are not properly
educated, they won’t be productive, won’t be able to provide for themselves or their families, and
won’t have the opportunity to make a positive contribution to the betterment of their communities or to the nation’s economy, which desperately needs their skills and know-how. Moreover, having been treated like second class citizens and discarded by the dominant culture, young people from poor and disadvantaged backgrounds who are neglected in the public school system may be prone to what Richard Wilkinson warned about in his 2005 analysis of the psychological and social impact of inequality: hostility and interpersonal mistrust, depression, and feelings of isolation, rejection, marginalization, and hopelessness. Acting out these feelings, some may turn to drugs and alcohol, and some, perhaps, to crime and violence. Highlighting the trials and tribulations that poor students deal with in the impoverished city of East St. Louis, Illinois, Jonathan Kozol quotes the city’s former school superintendent, Dr. Lillian Parks: “Gifted children are everywhere in East St. Louis, but their gifts are lost to poverty and turmoil and the damage done by knowing they are written off by their society. Many of these children have no sense of something they belong to. They have no feeling of belonging to America....” (Kozol 1991, 33-34). In all likelihood, they will join the legion of adults who are disregarded by society, estranged from their local environment, and disconnected from government. When they come of age they will not be voting nor will they get involved in a positive way in their communities, an engagement that is critical not only for the chance to break free of poverty but also, for the health of the democracy.

Observers of recent socio-economic trends are concluding that the decline in wages and living standards for the average American worker combined with lack of involvement in the electoral process is creating a permanent underclass of the poor (Hansen 2006) and a growing genre of financially exposed and vulnerable middle class voters who are becoming more and more insignificant in the political process (Hacker and Pierson 2010). Add a failing, outdated, and
unequal educational system to the mix and you have an unhealthy society and a dysfunctional democracy that is falling further and further behind in the modern age of globalization. It is also a situation which is fostering the worrisome trend of intergenerational downward mobility, as researchers Kathryn M. Neckerman and Florencia Torche discovered in their study on the causes and consequences of inequality. The scholars decided that in all likelihood, economic disparities will be passed on to the next generation as inequality becomes more entrenched through education discrimination, disadvantages in health, growing socio-economic segregation and decline in social relations between the classes, and through the political process, as power and influence becomes more concentrated among the affluent (Neckerman and Torche 2007, 345-346). Poverty and inequality are jeopardizing the American dream of upward social mobility and the long-cherished belief that each generation will be better off than the one before.

The good news is that since we arrived at our current national predicament by choice, with better policy choices we can reverse current trends of rising rates of poverty and inequality. In the next chapter I will explore what I believe are some sound public policy options proposed by various scholars that have potential to produce a better and more balanced economy that remains strong in the global marketplace; rebuilds a social safety net that is evenhanded and an educational system that is fair, top-quality, and appropriate for the global age; and brings about a healthier and more equal democracy that will restore public confidence in government.
CHAPTER 5
REDUCING POVERTY AND INEQUALITY WITH GOOD POLICY

As we have seen in the preceding chapters, rates of poverty and socio-economic inequalities have been on the rise in the United States since the 1970s and continue to increase in the modern era of globalization, resulting in serious economic, social, and political consequences for the nation. As stated in the introductory chapter, a certain level of inequality and poverty is to be expected in a free market system and the majority of American citizens have come to accept this as an outcome of capitalism. Yet other advanced and globally-integrated market democracies around the world have not experienced the same escalation in poverty and inequality as seen in America. It would appear that the economic pressures of globalization and technological change are not primarily responsible for current trends in the United States. The problem then is rooted not in global economics but in American politics; a conclusion reached by many social and political scientists and increasingly, by economists as well. Like these scholars I have decided that poverty and inequality in America, with all of its consequences, is chiefly the result of deliberate political decisions and therefore, can be alleviated with better decisions.

Many of the experts I have become familiar with over the course of researching and writing my thesis have offered policy proposals for the federal government and states to reduce poverty and inequality. Some of the ideas presented are broad-based and fairly simple, while others are more specific and complex. Some are new and others aim to expand or modify existing government programs that work but which are overlapping, poorly targeted, or underfunded with too few beneficiaries. The scope of this paper does not allow me to address many of the policy options I came across, so I will limit this chapter to examining a few good economic, social, and political
reforms I think are sensible and have potential of passing muster with the American public and eventually, with policymakers.

**Fair Wages and Progressive Taxes**

In her studies and profiles of workers in the low-wage labor market, Sociologist Katherine Newman confirms what economists know: a strong economy is key to the fortunes of the working poor and middle class. But her research also indicates that the overall effects of a booming economy, such as was the case in the mid-1990s when economic growth was strong and jobs were plentiful, are actually modest because lower-skilled workers don’t just need a job; they need access to a good job that pays a living wage and provides benefits, training opportunities, and chances for promotion. It is unlikely that lower-skilled workers will realize all of these conditions in the foreseeable future given that the lower-wage, lower-skill service sector now forms the foundation of the American economy. As Newman states, investments in human capital require a significant commitment of public resources which policymakers have so far been unwilling to make (Newman 2006, 273-275). Such expenditures are also a hard sell in a tough economic climate and after decades of anti-tax, anti-government intervention sentiment (Krugman 2009, 260). But a few small incremental reforms can make all the difference for the working poor striving to break free of poverty and for moderate-income Americans struggling with unemployment, downward mobility, and financial insecurity in the modern era of globalization.

The matter of increasing the minimum wage, which rarely makes it on to the legislative agenda because of opposition from the business community, the strong influence of the corporate lobby in Washington, and the limited power of organized labor, is an issue I believe government can and should address at this time. According to a March 27, 2011 Op-Ed in *The New York Times,*
approximately six percent of the American labor force currently works for the federal minimum wage of $7.25 per hour, up $2.10 since 2006 but still an amount that barely keeps a family of two above the federal poverty line. And in real terms, the present-day wage is actually about $1.50 an hour less than it was in 1968. The business community and Republicans in Congress oppose a hike in the minimum wage, fearing it will lead to higher unemployment if companies cut jobs and move their operations to cheaper labor markets. But the Times editorial makes a good case against that reasoning by referring to conclusions reached by economists that moderate increases in wages have no discernable impact on joblessness. One prominent economist, Paul Krugman, challenges the theory that moderate minimum wage increases hurt business and steadfastly supports regular raises indexed for inflation. Krugman maintains that there is no empirical evidence to support the position that modest minimum wage hikes lead to job displacement. In fact, increases have proven to have modest positive effects in states that have enacted higher minimum wage laws. He concludes that opposition to an improved federal minimum wage is not based on economics but on conservative political ideology that is pro-business and anti-labor (Krugman 2009, 261-263).

Krugman emphasizes that the minimum wage matters mostly to low-wage workers, so a limited raise would not have much impact on mid-wage employees. A more comprehensive plan to reduce income inequality will need to focus on incomes higher up the scale in order to close the gap between earners in the mid-income range and top earners. To accomplish this, the federal government will need to be more accommodating of unions and pro-labor policies, a course of action that will benefit not just mid-income earners but lower-wage workers and even non-union members as well. Unions, Krugman explains, raise and equalize the wages of their members and act as a countervailing force to management. Unions can also mobilize their members to vote for
progressive political candidates who will be supportive of pro-labor policies, like raising the minimum wage (Krugman 2009, 262-264).

A wage that was sufficient in the old domestic economy is no longer realistic in the new global economy. And because the American worker is shouldering more and more responsibility for benefits that used to be provided by employers, such as health insurance and retirement plans, all while the cost of living continues to grow, wages need to be adjusted to fit new economic circumstances. Furthermore, the federal government has long indirectly subsidized the exorbitant pay of business executives through corporate tax breaks and subsidies. As the public learned from news accounts after the fact, a substantial amount of the tax-payer funded bailout of Wall Street in 2008 went towards CEO compensation and bonuses. It is time that the average worker got a raise. Even a small increase, together with the enhancements in social policy I will address in the next section, will go a long way in alleviating the financial hardship and insecurity for the working poor and middle class Americans and improving their chances to achieve the American dream of upward mobility.

In his very interesting and informative book, *The Two Percent Solution: Fixing America’s Problems in Ways Liberals and Conservatives Can Love*, scholar and commentator Matt Miller comes up with an innovative solution he believes will satisfy liberals who want regular hikes in the minimum wage to keep pace with inflation; conservatives who argue that government-mandated higher wages will harm business; and the overwhelming majority of the American people who believe that any person who works full-time and tries to do right by his family should not live in poverty (Miller 2003, xii, 161). As a compromise among the opposing viewpoints, Miller endorses a plan similar to the one devised by the economist Edmund Phelps in which the federal government
would subsidize the minimum wages paid by employers. Miller’s idea is that if the minimum wage were, say, $6.00 per hour (his book was published in 2003 when the minimum wage was actually $5.15 an hour), employers would pay their workers $6.00 and the federal government would throw in an additional $3.00 via a sliding-scale tax credit to employers, bringing the total minimum wage to $9.00 per hour for a full-time worker. The subsidy would taper off as entry-level, low-wage employees advance up the income ladder, ceasing altogether when a worker’s pay reached the median wage, which at the time Miller’s book was published was $14.00 per hour (Ibid., 162-166). Miller reckons that agreement on such a plan could be reached fairly easily between the political right and political left because each side gets some of what they want. Democrats will not miss an opportunity to increase the minimum wage, which has traditionally been one of the party’s flagship issues, and Republicans will support the policy because it is pro-free enterprise and takes the pressure off businesses to increase the pay for lower-skilled employees so they can focus on profits and (ideally) job creation. Society’s return on this bipartisan approach will also be substantial, Miller believes, making it acceptable to the general public. Workers will have more income and fewer will be in need of tax-payer funded welfare benefits (Ibid., 164-165). And the economic, social, and political problems caused by poverty and inequality will be lessened; an outcome that benefits everyone.

Miller’s minimum wage subsidy proposal is a good idea and appears to be a win-win situation that could be adopted without too much debate or delay. But critics of the plan raise a good point that it amounts to nothing more than just another government subsidy of business at tax-payer expense. Union leaders and left-leaning economists such as Jared Bernstein oppose federal wage subsidies to employers and advocate instead for government to either raise the minimum
wage or provide special subsidies directly to workers. There is also concern among detractors of potential fraud in such a program and suspicion that business will “game the system” and use the tax credit to keep low and mid-level wages depressed. But Matt Miller counters both arguments by claiming that by providing the subsidy directly to the employer, more jobs will be created and more low-wage workers will get the opportunity to enter the workforce. Moreover, Miller maintains that the sliding scale subsidy preserves wage differentials, because mid-wage employees, with their higher skills command higher salaries, and so employers will need to keep up with mid-level salary requirements in order to be competitive (Miller 2003, 168-169).

As mentioned above, well-known economist Jared Bernstein does not support the idea of a federal wage subsidy for employers. Instead, he is a strong proponent of living wage ordinances, an anti-poverty initiative directed at the state and local level establishing a wage floor above the prevailing federal minimum wage and enabling low-wage workers in a specific locality to improve their standard of living. In most cases regulations are applicable only to workers employed by city or council contracts or in private sector firms that receive public subsidies, tax breaks, and loans. Prior to the 1990s, living wage movements dedicated their efforts to improving the federal minimum wage. But with limited success getting federal officials to act, advocates switched their focus to the local level, where the movement to lift the pay of the working poor has been more successful. Today there are living wage ordinances in place in more than one hundred cities and counties across the country, and living wage campaigns continue to press the case for living wage laws in more jurisdictions (Bernstein 2005, 99-100).

Studies of the effectiveness of living wage ordinances indicate mostly positive results, with some drawbacks. On the one hand, living wages in urban areas have produced significant income
gains for low-wage workers while improving employee morale, productivity, and cutting down on turnover and absenteeism. Surveys established that in a number of cities with living wage ordinances, additional labor costs were small and easily absorbed by businesses and government contractors. Conversely, another study indicated that the costs of living wage ordinances in some jurisdictions are borne by the taxpayer through higher local taxes and fees as well as a reduction in municipal services. And even if the cost to a firm is marginal, the coverage mandated by the legislation is too narrow and specific. Therefore, the number of workers who could benefit from the larger wage is insignificant relative to the local labor force. Detractors maintain that even the threat of a living wage mandate produces a negative climate for business investment and so the area that advocates are seeking to uplift ends up with less opportunity and higher levels of unemployment (Bernstein 2002; 2005, 116-137). One critic of the living wage movement is Matt Miller, who maintains that by restricting the number of workers covered, the legislation turns out to be merely symbolic because it fails to address the true scale of the problem of insufficient wages. Living wage laws, Miller claims, are simply inadequate, and activists who support them are really not doing the working poor any justice by continuing to promote the cause because ultimately, the living wage approach is a dead-end crusade with no prospect of permanently improving the pay and living standards of the working poor (Miller 2003, 11-13). “After a decade of the living wage movement,” Miller says, “we’re operating entirely at the margins” (Ibid., 13).

Despite the shortcomings of living wage ordinances, I still think that in lieu of an increase in the federal minimum wage, living wages are a good alternative even if it means they are a temporary and short-term fix to the problem of substandard and unfair pay for lower-skilled workers. As Jared Bernstein and other supporters have documented, living wages have proven effective in
lifting thousands of American families out of poverty and have good potential to help many more. Additionally, better wages make for better workers, and better workers make for better citizens. Workers who feel empowered and valued in the workplace will likely be more engaged in civic affairs and in politics. An increase in voter turnout among the poor would benefit other segments of society, as issues that are important to the non-affluent majority may finally get a fair hearing in Washington and policies that could reduce poverty, inequality, and their ensuing consequences, would stand a chance of being enacted.

Another area where government can take an active role in mitigating poverty and inequality is through tax policy. Although the American income tax system is in theory progressive, since the 1980s the tax structure both at the federal and state levels has become increasingly regressive, strongly favoring corporations and rich individuals. Economist Paul Krugman reports that in 1979, the top tax rate on incomes of the wealthiest Americans was 70 percent; by 2006 that rate had been cut to 35 percent. Over the same period the tax rate on capital gains was cut in half, and the tax ratio on corporate profits was reduced from 48 percent to 35 percent (Krugman 2009, 257). Like the minimum wage, the rollback of taxes for the wealthy combined with minimal tax relief for citizens of modest means has been a deliberate choice by policymakers and so can be changed. Krugman argues that in order for government to support a stronger social safety net that would reduce poverty and inequality, the tax system needs to be changed to make it more progressive, and calls on government to increase taxes on the wealthy and close many of the tax loopholes that benefit the well-off and multinational corporations (Ibid., 257-258). He is right that these two steps would restore fairness to the tax system and raise significant revenue in order to pay for social services to reduce poverty and inequality. Unfortunately, President Obama, under intense pressure from
congressional Republicans, extended the Bush-era tax cuts for the rich that were set to expire in 2010, thereby missing an opportunity to raise revenue to fund government initiatives that would benefit lower and middle-income families and reduce inequality. And so far, national leaders have not moved on closing the loopholes Krugman recommends, missing a chance to recoup as much as $50 billion a year in taxes that multinationals have been able to avoid under current tax laws (Ibid., 258).

Katherine Newman also supports a more progressive income tax system. In addition, she has developed a few interesting tax credit and rebate proposals that hold promise to help move the disadvantaged out of poverty. Newman believes the federal Earned Income Tax Credit (EITC) is an invaluable tool for low-income workers; returning billions of dollars to millions of working poor families across the country each year. States may also opt to provide an EITC of their own, but Newman reports that only seventeen states have followed the federal lead in providing the tax rebate to the working poor. She recommends the other states go along with the Feds and institute an EITC in their counties and districts. And to put even more money in the pockets of the working poor at the local level, Newman supports relieving low-income citizens of their state tax burden altogether. At the moment, many of the states have in place regressive income tax structures that keep low-wage workers trapped in poverty (Newman 2006, 278-279). This is a problem particularly in the American south, where anti-tax regressive political leadership combined with tax-averse and racially polarized voters make life harder for the working poor and ensures they will remain poor and welfare-dependent. Further, Newman supports cutting state sales and excise taxes on basic needs items such as food and gas, providing income tax credits and deductions for child care expenses, and extending the property tax rebate now reserved just for home owners to low-income renters as
well (Ibid., 280-281). Some of these policies are already in place in some of the American states, and it would be ideal if they could become universal practices.

I agree with Newman that assisting the working poor through income tax relief and tax credits like the EITC is a good and progressive idea that will help provide low-income citizens more opportunity to move up the economic ladder. Tax reform will also restore to the nation a progressive, common-sense and morally-defensible tax code; one akin to the arrangement of the post-World War II years when the income gap between the classes was much smaller and opportunity for all citizens much greater. Summing up her thoughts on the importance of changing the tax system to make it more fair for the less fortunate, Newman states, “If these programs were coupled with steady increases in the minimum wage – a measure that the Republican-controlled Congress has rejected even as it has authorized massive tax breaks for the wealthiest Americans – we would see more families pull themselves above the poverty line and fewer children growing up with material hardship” (Newman 2006, 281). Tax reform, improving the minimum wage, or supporting the living wage movement do not appear to be politically viable with the present-day congressional and state leadership, but if the national government and the states are to get serious about reducing poverty and inequality and the economic, social, and political problems that have come about as a result of current conditions, progressive wage and tax reform will need to be on the legislative agenda for future policy consideration.

**Rethinking the Social Agenda**

As noted in the last chapter, private employers are increasingly abandoning the social contract, leaving the average American worker and her family with more financial responsibility, risk, and insecurity than ever before. The social agenda that has been in place since the New Deal and
Great Society years is neither adequate in today’s global economy nor completely sustainable in light of the current national budget deficit and states’ fiscal crises. Hence, social and political scientists, economists, and other observers have begun to rethink the plan for the social good and the best role for government in the contemporary age. Leading scholars such as Jacob Hacker from Yale University and Ron Haskins and Isabel Sawhill from the Brookings Institution are in agreement that in order for Americans in this day and age to regain their financial security and improve their prospects for mobility, government initiatives that promote economic security and genuine equal opportunity need to be combined with work and personal responsibility. Moreover, government programs should focus less on care for the aged and more on assisting young working families. This is not to say that the needs of the elderly should be ignored; on the contrary, the experts make a good case that even in challenging economic times, with the right decisions and careful planning, government policies can benefit all citizens equally (Hacker 2008; Haskins and Sawhill 2009).

Ron Haskins and Isabel Sawhill have devised a number of interesting policy alternatives to promote a more productive and equal society in their comprehensive and thought-provoking book, *Creating An Opportunity Society*. In the book the authors outline their vision for economic and social renewal by calling for a new government-citizen intergenerational contract that focuses on government initiatives that embolden work, expand educational opportunities, and support the well-being of the family by encouraging marriage (Haskins and Sawhill 2009, 11-17). The work support system involves programs that provide cash or in-kind benefits to low-income workers; the goal of which is to provide assistance to the working poor while rewarding work (Ibid., 168). In addition to increasing the number of eligible families and the refund levels of the Earned Income Tax Credit
(EITC) and the Child Tax Credit; programs already in place that have improved the take-home pay of low-income workers while boosting work incentive (Ibid., 172-174), Haskins and Sawhill suggest increasing federal and state funding levels to support a number of measures that assist the working poor. Among them are subsidies for child care, housing, and education and training. Additionally, the scholars recommend more money to enhance the Supplemental Nutrition Assistance Program which would combine a greater food aid benefit with job placement assistance for food stamp recipients (Ibid., 169-170).

I particularly like Haskins’ and Sawhill’s proposals for child care and housing assistance. As the authors point out, the escalating costs for adequate day care often make such services prohibitively expensive for low-income working parents, and the costs may end up discouraging work and dependence on welfare (Haskins and Sawhill 2009, 174). They also reveal that the current system of tax benefits and grant programs offered by the federal and state governments is highly unequal. For example, the Dependent Care Tax Credit, one of the government’s major tax rebate programs for working families, has helped some poor families, but because many low-income workers don’t earn enough to pay federal income tax, they are ineligible for the benefit. Haskins and Sawhill call attention to a 2005 study by the Tax Policy Center that found that because of the income requirements in the tax code, families earning less than $20,000 per year received less than 1 percent of the total funds distributed through the child care tax credit, while families earning over $50,000 received 67 percent of the funds. The authors endorse changing the tax law so more poor families qualify for the credit, as well as increasing federal funding for the states’ Child Care and Development Block Grant programs that would open up more slots at day care centers that are affordable to low-income working parents (Ibid., 175-177).
Housing expenses too have continued to spiral upward, leaving many poor citizens with few housing options. Haskins and Sawhill disclose that it is not uncommon for the working poor to spend fifty percent or more of their incomes on rent, even in poor neighborhoods that have high rates of crime, failing schools, and few amenities or job opportunities (Haskins and Sawhill 2009, 182). To help the working poor manage costly housing expenses and give them a chance of raising their children in better and safer neighborhoods, Haskins and Sawhill propose utilizing current federal resources more equitably and efficiently by phasing out current programs that pay for construction of public housing projects and eliminating the Low-Income Housing Tax Credit. Instead, government monies would be better spent on housing vouchers that eligible recipients could use to pay their rents or mortgages. In order to deliver assistance to more people, the amount of the subsidy to each recipient would be slightly reduced, a plan to be phased in over a ten-year period so as to minimize the impact for current beneficiaries (Ibid., 184-186).

Haskins and Sawhill strongly emphasize that in order for young people to get ahead and advance their prospects for economic security and upward mobility, they need to follow the “success sequence;” an order of life events that seems reasonable and which government can promote with education, work, and family-friendly initiatives. First, young people need to get a good education, and then they need to get a decent job (made decent by the government if necessary) that pays a living wage. Only after education and securing stable employment should young people marry and have children (Haskins and Sawhill 2009, 15, 203). This last prescription for success can be controversial and is more complicated because of prevailing cultural attitudes about divorce and child-bearing outside marriage, which in our contemporary society is becoming more and more common. Haskins and Sawhill acknowledge the challenge presented by modern views about
divorce and having children out of wedlock, but they counter the skeptics who believe government cannot and should not involve itself in personal matters such as marriage and child-rearing by arguing that modern culture is inconsistent with the needs of children (Ibid.). Children brought up in single-parent households, the authors contend, will be at a disadvantage both economically and socially when they grow up, and their personal difficulties will have repercussions for society (Ibid., 206). In order to reduce non-marital births and foster healthy marriage and family unity, Haskins and Sawhill recommend government expand Medicaid coverage for family planning and create new state grant programs focusing on preventing teen pregnancy. Also, they endorse continued funding for existing grant programs at the state and local levels that promote healthy marital relationships, fatherhood, and improving parenting skills (Ibid., 217). Lastly, they favor government-sponsored pro-family and pro-marriage media campaigns aimed at young people that would promote the advantages of following the success sequence of life events: education and gainful employment first; then marriage and children (Ibid., 204).

The policy reforms proposed by Ron Haskins and Isabel Sawhill are primarily aimed at improving opportunity for the working poor, all of which would go a long way in helping the underprivileged move ahead and reducing inequality. Political scientist Jacob Hacker has made some other good policy recommendations that are geared towards reducing risk and shielding middle class Americans from the “economic roller coaster” that is the reality of the twenty-first century (Hacker 2008, 166). Hacker explains that the middle class in America today are facing increased income volatility, uncertain and unprotected retirement futures, and are at greater risk of job displacement and other potentially catastrophic life events that can send a once-comfortable middle class family into financial ruin. Personal responsibility has its place, Hacker acknowledges,
but government has an essential role in assuring that all citizens have a basic level of protection from financial upheaval by sponsoring programs that promote economic security and expand opportunity for young working families (Ibid., 179). Just as government seeks to foster an environment in which business can thrive, it must do the same to enhance the personal financial wellbeing of citizens. “Just as the right kinds of economic protections for investors and entrepreneurs are the key to business development,” Hacker states, “the right kinds of protections for workers and their families are the key to encouraging economic opportunity” (Ibid., 192). He believes a clever and fair way to enable middle class workers to lower their economic risk, improve financial security, and enhance access to opportunity is for government to underwrite a variety of social insurance programs. New plans of assurance comprise a Universal Savings Account; a 401(k) Retirement Account that would be portable as workers change jobs and would guarantee a life-time income beginning at age 65; and Universal Insurance. All the plans would have tax advantages for middle class families, while the first two would also encourage workers to put money away for major expenses such as college tuition, and make it easier to save for retirement, thus complementing Social Security and providing a more secure foundation for the post-work years. Universal Insurance would help cover costly and unexpected emergency expenses, such as medical care, and also will make certain that a family can remain financially solvent in the event of job loss or severe drop in income, or some other catastrophic life experience (Ibid., 185-192).

These are sound ideas, and Hacker is confident they have potential to ease the many financial risks currently plaguing the middle class while encouraging personal awareness and individual savings and investment so when workers are faced with an economic crisis or when they retire, they are in a better position to take care of themselves. Ordinary citizens will not only benefit
financially, Hacker believes, but they will also come to understand that government is on their side (Hacker 2008, 178). I think that restored faith in government will also make them better and more engaged citizens. Hacker believes these proposals would be popular with the American public, and highlights recent polls indicating that Americans want government to promote economic security in the context of expanded opportunity rather than lower taxes to encourage self-reliance (Ibid., 179). And despite claims to the contrary by conservative cable news pundits and so-called experts, “Most Americans are more worried today about Big Insecurity than they are about Big Government” (Ibid., 180). I agree with Hacker’s conclusion: “A basic foundation of insurance can, in fact, provide huge economic and social gains” (Ibid., 167).

Recognizing that where a child starts out in life more often than not will determine where he ends up, it is imperative that government expand educational opportunities for disadvantaged youth and restore excellence and parity to the education system in order to counter the rising tide of poverty and inequality in American society. Education is also crucial to America’s place in a global world order. A strong economy depends on a qualified workforce, so education reform and substantial investments in education benefit us all.

Brookings scholars Ron Haskins and Isabel Sawhill argue that underlying the nation’s problem with economic opportunity is the problem of unequal access to quality education. “For most Americans,” the authors state, “the path to economic security lies through the schoolhouse door” (Haskins and Sawhill 2009, 125). They contend that what is needed now in order to promote equal opportunity is for government to expand educational program initiatives at all levels, beginning in preschool and continuing throughout elementary, secondary, and postsecondary schooling. Access to quality preschool education is especially critical for the poor because in many instances,
when children from disadvantaged backgrounds begin first grade, they are already behind their more privileged counterparts. This is a disparity that will remain with them throughout their academic lives and is a factor that the public schools currently do not do enough to address (Ibid., 126). In addition to increasing funding for preschool education to make it universal, they call on Congress to strengthen the No Child Left Behind Act (also known as the Elementary and Secondary Education Act) as a vehicle to ensure accountability; make stronger national standards for student achievement; and endorse the importance of the teaching profession as the best way to promote educational excellence by expanding financial incentives for teachers. One way to enhance educators’ salaries is to increase funding for the Teacher Incentive Fund, a federal program that pays for teacher improvement plans and better salaries for quality teachers in impoverished areas (Ibid., 132-144).

Katherine Newman also champions federal and state government expenditures on universal early childhood education, and makes the important observation that quality early education serves a dual purpose: it enables low-income parents to remain in the workforce while at the same time providing underprivileged children the opportunity to acquire the knowledge and positive reinforcement they need to prevail in school, in work, and in life (Newman 2006, 283-286). And Matt Miller echoes Haskins’ and Sawhill’s call for government to promote the esteem of a teaching career by increasing funding to improve educators’ skills, competencies, and foremost; their salaries, which Miller recommends be raised fifty percent if the nation’s school system is to attract and retain top talent. Only by bringing a new teacher’s salary more in line with that of other, more lucrative professions like attorney, scientist, and engineer, Miller maintains, will top university students as well as smart and dedicated mid-career professionals be interesting in teaching (Miller
2003, 114-137). Raising teacher pay is especially crucial for enlisting teachers for poor school districts, which have long had trouble attracting talented teachers because of the challenging work environment and low pay. Miller believes government has the authority and wherewithal to “make teaching poor children the most exciting career in America” (Ibid., 126).

Ron Haskins and Isabel Sawhill also believe in the value of charter schools, and urge government to provide additional funds for alternative schools and programs that would open up more academic and career options for disadvantaged kids. Notable examples are Career Academies and apprenticeship training programs in high schools tailored to pupils from poor backgrounds who are unlikely to attend college but who would benefit greatly from technical and career training. The authors highlight data showing that students who participate in Career Academies, which combine regular academic courses with job-related technical classes, and technical apprenticeship programs, which pair students with the job needs of local employers, have greater success finding employment after high school, earn better wages, and are more inclined to marry than their non-college bound peers who do not participate in training programs in high school. They also espouse the value of community colleges and “one-stop” centers that provide valuable resources, continuing education, and job training to young people and working adults that are responsive to local needs (Haskins and Sawhill 2009, 186-190).

Haskins and Sawhill embrace an expanded government role at both the federal and state level in promoting and funding these worthwhile educational resources and job training programs for students who are not preparing for college. As they correctly point out, effective education and training plans open doors of opportunity for future workers and enhances their earning power; outcomes that will reduce poverty and inequality (Haskins and Sawhill 2009, 187). As for young
people who will go on to college, Haskins and Sawhill propose a three-part plan for boosting the college enrollment and graduation rates of students from disadvantaged circumstances; academic attainment that is critical to their chances for upward mobility. The plan includes increased funding for high school projects that strengthen college preparation; streamlining the student aid program to make it more flexible and user-friendly; and expanding support programs at universities to encourage poor students to stay in school and graduate (Ibid., 151-166).

Haskins and Sawhill urge local public school districts and independent public charter schools to adopt a “paternalistic” strategy to enforce high academic standards and student code of conduct. They acknowledge that this suggestion is fraught with controversy and is off-putting to progressive educators, but believe there is value in promoting old-fashioned, middle class mainstream values in order for kids from disadvantaged backgrounds to excel academically and in the workplace in the dominant culture later in life (Haskins and Sawhill 2009, 144-145). The paternalism approach also encourages an active role for parents in overseeing their children’s education. Parental involvement is paramount for an individual child’s educational attainment as well as for the overall success of the school system. Several schools around the country are following an interventionism strategy, taking into account the impact of demographics on a child’s destiny and requiring active parental involvement in the learning process. Alternative schools such as the KIPP (the Knowledge is Power Program), which according to the program’s website is now operational in twenty states and the District of Columbia serving more than 27,000 students at the elementary, middle school, and high school levels, has had much success preparing young underprivileged students for college. KIPP schools follow principles and practices that stress high expectations for academic achievement, including extended time in the classroom and involvement
in extracurricular activities; partnership between parents and school officials and a commitment by all to do whatever it takes to help children learn; independence for school principals who have control over their school budgets and personnel that allows them to maximize student learning; and a focus on results that will enable students to succeed in top high schools and colleges. Additional federal and state resources should be allocated to support these unconventional, college-preparatory public schools for poor and minority students because they are showing they work in shepherding high educational attainment for a segment of the population that is underrepresented at the nation’s colleges and universities.

Another innovative option for improving education for kids from disadvantaged backgrounds that is worthy of additional government grants is the community school, which have a proven track record of effectively promoting student achievement and parental involvement while recognizing and confronting the economic and social challenges kids from impoverished families face. A growing number of community schools are up and running across the country, the most well-known of which is the highly acclaimed Harlem Children’s Zone (HCZ), headed by the charismatic educator and reform advocate Geoffrey Canada. As David L. Kirp writes in the June 14, 2010 edition of The Nation dedicated to school reform, “Community schools alter the arc of children’s lives by addressing academic and social needs” (Kirp 2010, 26). Community schools like the HCZ in New York provide comprehensive academic, social, cultural, and recreational enrichment offerings to poor children and their families that help expand educational opportunity and remove barriers to learning, and like the KIPP schools, require parental participation and commitment to their child’s education (Ibid., 28). Also important is the active partnerships community schools build with city agencies, community groups, and local businesses, which brings in additional funding to support the
schools while exposing youngsters to a high-achieving environment outside their communities and enabling them to make valuable contacts (Ibid., 26-27). Research indicates that kids who attend community schools and participate in the many extracurricular activities sponsored by these valuable institutions have higher test scores, better attendance records, fewer disciplinary problems, and lower drop-out rates than their peers at regular public schools in the same district. Kids who graduate from a top-notch community school also are more likely to move ahead to college and graduate. These positive results bring community schools closer to the achievement levels of private schools or public schools in affluent areas, and thus, serve to shrink the attainment gap (Ibid., 27).

The experts cited in this section believe their proposals have merit and are feasible because they combine individual responsibility with government programs to aid the needy and increase opportunity for all. These goals are consistent with American popular values, especially the American work ethic and the conviction in equal opportunity. They also stress that even in a difficult economic climate when both the federal budget and state finances are stretched thin, the cost of reform is manageable. More importantly, the scholars make a convincing case that the benefits to society of the reforms proposed will far outweigh the costs involved. Investing in and reforming education is particularly urgent today because of the importance of educational achievement to chances for mobility. This investment is also critical because as numerous recent news reports show, American students are falling further and further behind their young peers from other countries in math and science aptitude, a situation that cannot be left unaddressed if the United States is to remain a leader in the advanced, high-tech global economy.
The proposals analyzed here make sense, are affordable, and hold promise to alleviate poverty and inequality in American society. But getting them on the legislative agenda and enacted into law is another matter. In the next and final section of this chapter I will address the need for reform of the American political system.

**Shoring Up Democracy: A Case for Public Financing of Elections**

Americans are universal in their support for political equality. But political equality is not possible as long as there is extreme economic inequality (Jacobs and Skocpol 2005, 1-14). As reasonable and promising as the economic and social reform proposals outlined in the previous two sections of this chapter appear, few, if any, have any real chance of being enacted into law until the system of campaign finance in the United States is changed from the current privately-funded arrangement, which favors the anti-tax, anti-reform policy preferences of the donor elite, to a practice of public financing which would make the political system more responsive to average citizens. As we saw in Chapter 3 on the political dimensions of poverty and inequality, the institutionalization of interest groups pose a problem for reform because countless numbers of lobbyists tie up the legislative process (Rauch 1999) and more importantly, tend to represent corporate America and upper-income citizens. Moreover, because elections depend on the largess of individual campaign donors, the wealthy in America and their interest groups have much greater influence in determining who will run for public office, what issues will be debated, and how public officials will vote (Mandle 2008).

Economist Jay Mandle and Harvard Law School professor Lawrence Lessig both make a strong case for public financing of elections as the only way to establish fairness to the political process and deal effectively with the nation’s economic and social problems. Mandle argues that
“the political attitudes of the donor elite do not correspond to those of the population as a whole” (Mandle 2008, 58-59). The writings of Mandle and others have established that rich political contributors are more conservative than the general public, support lower taxes for themselves and cuts in social programs that would help alleviate poverty and socio-inequalities, and oppose government regulations on business and a system of national health insurance (Hacker and Pierson 2010; Krugman 2009; Mandle 2008). In the modern era of globalization with rising rates of poverty and inequality, these policy positions are the exact opposite of where we need to be. But politicians are responsible to their constituents, and if they want to be elected and stay in office they need to be responsive to their wealthy benefactors, who tend to vote consistently and are more active in politics generally than the less affluent. Mandle stresses that because conflict naturally exists between the free-market economic system that produces inequality and the political system of democracy that demands egalitarianism, the role of government as impartial mediator between the two contradictory systems is pivotal because “rules governing the economy are written in the political arena” (Mandle 2008, 110). Therefore, Mandle concludes, “The relationship between the political and economic spheres needs to be reconfigured in order to provide deepened content to American democracy. Such a strengthening requires that the political domain must be equipped to resist the intrusion of private wealth” (Ibid., 109). As long as the rich in America dominate the political process and political voice among the socio-economic classes is uneven, democracy is imperiled and the policies that emanate from Washington will remain incompatible with the goal of reducing poverty and inequalities in American society.

Penning the cover story for the February 22, 2010 issue of The Nation; aptly titled, “How to Get Our Democracy Back,” Lawrence Lessig argues that the current system of private financing of
elections will always block progress. The only way to enact policies that would benefit the majority of the American people, Lessig believes, is to get money out of politics; especially out of the “Fundraising Congress,” which he concludes is a corrupt and dysfunctional institution incapable of enacting meaningful legislation because of its “pathological dependence on campaign cash” (Lessig 2010, 18-19, 13). Lessig highlights the healthcare reform bill that was debated and finally enacted last year as a perfect example of the power of money in the political system. President Obama’s original plan was much more ambitious and egalitarian than the law that was eventually passed, and this was due to the tremendous pressure of the business lobby and the level of access to policymakers opponents of the public option had in order to sway the drafting of the bill, which in the end contained a number of concessions and handouts to powerful campaign donors (Ibid., 17).

Lessig calls on Congress to pass the Fair Elections Now Act, a bill sponsored in the House of Representatives by Democrat John Larson of Connecticut and Republican Walter Jones of North Carolina, and in the Senate by Democrats Dick Durbin of Illinois and Arlen Specter of Pennsylvania. If enacted, this legislation would give candidates the option of receiving a substantial amount of public funds to run a campaign while at the same time remaining free to raise as much private money as they want, not to exceed contributions of one hundred dollars per citizen. Lessig is right that passing this bill will demonstrate to the politically alienated and disengaged American people that legislation in Congress cannot be bought. But he maintains that congressional action to limit the role of money in politics is not enough. Since the Supreme Court decision last year on the Citizens United v. FEC case established that limiting corporate campaign donations is a violation of free speech, Lessig advises that together with enacting the Fair Elections Now Act in Congress, the Constitution needs to be amended to safeguard reform from future court challenges. Law professor
Lessig believes this can be accomplished by arguing that the Congress is an independent institution. However, that independence has been taken away because of the reliance members have on private donations and “the economy of influence” (Lessig 2010, 18-19). This is an interesting and viable argument, because as the system is now organized, members of Congress are not truly free from their dependency on other peoples’ private donations to hold office, and as a result, the institution of Congress is not completely autonomous nor wholly democratic.

The issue of public financing of elections does not appear to be on the public’s priority list nor is there a strong movement going on to lobby for campaign finance reform. Lawrence Lessig believes the ambivalence of the American electorate on the matter of public financing for elections is rooted in the mistaken notion that the main reason why Washington seems unable to solve the nation’s most pressing problems is because of the strong ideological divide between the two parties; when the real reason is that the corporations and wealthy individuals who fund campaigns are opposed to reform. And policymakers and the special interest groups that support them do nothing to correct the false impressions of the citizen majority. “There is a brilliance to how the current fraud is sustained,” Lessig writes, “Everyone inside this game recognizes that if the public saw too clearly that the driving force in Washington is campaign cash, the public might actually do something to change that” (Lessig 2010, 16). I think Lessig makes a good point, but I would add that the nature of liberal advocacy groups also explains the lack of an active movement to advocate for reform and why citizens appear to be uninterested. As Jeffrey Berry has argued in his book about new liberalism (1999) and which I wrote about in Chapter 3, liberal interest groups tend to focus on quality of life issues that are important to the privileged middle class and upper class liberal elite that sustain such groups, the very same individuals who make huge contributions to the campaigns of
liberal politicians. I agree with Jay Mandle’s assessment that an effective grassroots movement that can rally average citizens is what is required to advance the cause of public funding of elections, not one centered in elite Washington but in local communities and on university campuses across America (Mandle 2008, 131-150).

A system of public financing of elections would diminish the power of wealth and reduce the lopsided influence of the donor elite in the political process. As pressure from the corporate sector and the power of the rich is moderated, the influence of the average voter will increase, and the result will be better, more equitable public policies and a stronger and more meaningful democracy (Mandle 2008, 112). Moreover, using tax money to pay for the campaigns of elected officials will make for more attentive and effective representatives, as members of Congress would be freed from the constant fundraising they are forced to do and will be able to focus instead on the peoples’ business. Lastly, making the financing of campaigns a public good paid for with public monies, and thereby opening up the system to poor and average income citizens, would go a long way to restore faith and confidence in government and may well increase voter participation. Under the current arrangement that depends on private donations and incessant fundraising by politicians, “The democracy is feigned,” claims Lawrence Lessig. “A feigned democracy breeds cynicism. Cynicism leads to disengagement. Disengagement leaves the fox guarding the henhouse” (Lessig 2010, 13). A reformed system of public financing of election campaigns would make democracy whole by serving to equalize political voice in the policy process.

In addition to a major overhaul of the system of campaign finance, two other less-formidable policy recommendations that could serve to democratize the political process deserve mention. As we saw in Chapter 3, poor and average income citizens participate in politics much
less frequently than the wealthy. One of the reasons why is that ordinary Americans don’t feel they have a stake in the system, which they know favors the elite. Matt Miller has proposed a novel idea for the federal government to provide “Patriot Cards” to all eligible voters as a way to increase voter turnout and inspire enthusiasm for politics. Miller’s idea is that the government would provide ATM-like debit cards in the amount of fifty dollars to all eligible voters so they can make a campaign contribution to the candidate or political organization of their choice (Miller 2003, 172-180). Miller’s proposal is small-scale and it does not challenge the core problem with the current system, but nonetheless, I think it is a good and unique idea that seems simple to apply and may even give more ordinary citizens an opportunity and a reason to exercise their democratic rights.

America differs from other advanced liberal democracies around the world in that it does not proclaim Election Day a national holiday. Political scientists Benjamin Page and Lawrence Jacobs believe that doing so would permit more working Americans to take off from their jobs to go to the polls, and so would greatly reduce the political participation gap that currently disenfranchises many hard-working, non-affluent citizens (Page and Jacobs 2009, 108). Making Election Day a national holiday would also, I believe, add a more festive, celebratory atmosphere to what is a great occasion filled with positive patriotism and pride, not just in country but in the system and process of democracy. Lastly, allowing new voters to register onsite at the polls on Election Day is an option worthy of consideration and may also serve to improve voter turnout (Ibid.).

Just as the economic, social, and political problems caused by poverty and inequality are mutually reinforcing, so too must be the solutions. In the modern era of globalization, government has an important role to play in creating a more mixed and balanced economy through changes to wage and tax policy. In the social realm, government can enact policies to support a new social
contract with the American people, similar to the plan of social protection in place during the post-
New Deal years which enabled millions of citizens to enter the middle class, but refined with
programs appropriate for the modern era which will create opportunity and economic security for
both the struggling working poor and vulnerable middle class families. Education reform and a
renewed commitment by policymakers to educational excellence and parity is a must if the poor are
to break free of poverty and if future generations of young people of all socio-economic
backgrounds are to succeed in the highly-technical and competitive global economy.

But economic and social change will not be sustainable without reform of the political
system. What is needed is a complete overhaul of the system of campaign finance in American
elections, from the current privately-funded arrangement which favors the policy preferences of
corporations and wealthy individuals, to a plan of public financing of campaigns that would make the
process more accessible to poor and average income citizens and thus create a more genuine
democracy where important pocketbook economic issues and social policies advantageous to the
citizen majority are debated and enacted. The outcome will be a better America with a more
purposeful democracy, a stronger and more balanced economy, a better educated and productive
workforce, less poverty and more financial stability for the ordinary citizen, and renewed confidence
in government.

The great and inspirational leader Franklin Delano Roosevelt is reported to have said,
“You’ve convinced me. Now make me do it” (Hacker and Pierson 2010, 303). In the next and
concluding chapter of this thesis, I will recap the findings of the previous chapters and address the
challenges ahead for reform. Also, I will argue for the need for not just a change in political
priorities; but more importantly, for a change in citizen values. In order to alleviate the problems of
poverty and inequality and move the country forward in a positive direction, the American people will 
need to change the way they think about issues and what government can and should do to 
address the national predicament. Once Americans bring their attitudes more in line with the 
realities of the global age, they will need to convince their political leaders of the need for reform. 
Then they need to make them do it.
CHAPTER 6
CONCLUSION

Time for A New Direction

America is the land of opportunity. This is one of the nation’s most cherished ideals and a bona fide truth throughout most of American history, as countless natural born citizens and new immigrants can attest. In modern times, the three decades following World War II was a period of unprecedented economic growth and shared prosperity that enabled millions of Americans to secure a place in the comfortable middle class and realize the American dream of upward social mobility (Krugman 2009). But in the 1970s things began to change. Rapid and dramatic transformations in the economy over the last few decades have had a detrimental impact on much of the American workforce, beginning with de-industrialization in the 1970s; followed by corporate downsizing and mergers, government de-regulation, and the decline of organized labor in the 1980s; and with the advance of globalization in the 1990s, massive job losses in the manufacturing sector, corporate relocations, and competition from foreign imports and labor. These market revolutions have contributed to an increase in poverty and widening gaps in income and wealth accumulation between the classes in the United States. For many, the great American Dream has become the great American Myth.

The trend of rising rates of poverty and inequality have continued unabated in the modern era of globalization and technological change, resulting in serious economic, social, and political consequences for the nation and causing physical and psychological harm to individuals suffering with economic hardship and social discrimination. Low-wage labor policies adopted in many of the American states may have created jobs in some instances, but the negative repercussions of substandard earnings for families and communities outweigh the benefit of higher rates of job
creation (Hansen 2006). Economically, poverty and inequality are associated with a decline in economic growth, worker productivity, and international competitiveness, as well as a drop in consumer confidence and spending, all critical factors for a healthy, globally-integrated economy (Hansen 2006; Page and Jacobs 2009). High levels of poverty and inequality have also caused an upswing in financial insecurity and downward mobility (Boushey and Weller 2005; Hacker 2008; Newman 2006; Sawhill and Morton 2007) and have social costs such as increased crime, domestic and community violence, family instability and divorce, child poverty, suicide, substance abuse, and low educational attainment and failing schools in impoverished areas (Hansen 2006).

The public education system, once the gateway to opportunity and upward mobility in America, is both a casualty and an unwitting contributor to the increase in inequality. The decentralized nature of public education and reliance on local funding sources means students in wealthier areas will benefit from higher quality schools that are better able to keep up with rapid advances in technology and prepare students for the new global industries than pupils in less-affluent districts (Goldin and Katz 2009; Kozol 1999, 2005). In the political realm, there is a direct correlation between excessive poverty and inequality and a falling-off in civic and political participation and growing mistrust of government by poor and average income citizens. Political disengagement underpins labor policies that hurt the average worker because the poor don’t vote, but wealthy individuals and corporate shareholders who benefit from depressed wages do. Thus, policies that handicap the non-affluent but reward the rich go unchallenged at the ballot box (Hacker and Pierson 2010; Hansen 2006; Krugman 2009; Mandle 2008; Shipler 2005).

The economic and social outcomes of poverty, inequality, and downward mobility are taking a toll on Americans’ emotional and physical health (Newman 1999; Wilkinson 2005). In rich
countries like the United States, where poverty is not defined primarily by material deprivation but by low socio-economic class status and social exclusion, the poor are more prone to worry, stress, and feelings of depression, helplessness, insecurity, and isolation than the more affluent, psychological conditions that in turn cause physical health problems and shorten life expectancy (Wilkinson 2005). Where inequality is rampant, citizens tend to be more suspicious of one another and become disconnected from their communities and from political and civic life. Social detachment is especially troubling because social capital and the strong middle class that is cultivated by civic and political participation are crucial to a healthy democracy (Putnam 1995).

The market pressures produced by economic globalization and technological change are often blamed for causing the growth of poverty and inequality in America, and to some extent, economic forces have contributed to recent trends. Globalization, like every market development before it, has produced winners and losers. For highly educated and technically-savvy citizens living in globally-connected cities or metropolitan areas, globalization has created lucrative and interesting career opportunities and enhanced quality of life. Plus, cheaper modes of transportation and increased trade and imports have given the American consumer more product choices and lower prices (Sassen 2006). But for people who do not possess the right skill sets or who live in rural or traditionally underserved areas, globalization has exacerbated the economic and community decay that began in the 1970s. The situation is particularly dire for high school drop-outs in America’s big cities and in the American Midwest, where the decline of the manufacturing industry and demise of the small family-owned farm has devastated entire communities. Lacking viable local economic and community development strategies or business investment to create good jobs or education plans that would produce enough skilled young people to work in new industries, many
small towns in the Midwest are no longer sustainable and some have even ceased to exist (Longworth 2008).

Summing up what increased global economic integration has meant for Americans’ employment prospects and life choices, economist Jay Mandle echoes what many others have recognized: globalization has been good for the American economy overall, but it has also produced an uneven pattern of benefits and costs that could be more equally balanced with better, more egalitarian government policies (Mandle 2008). As several experts researched for this thesis have emphasized, every advanced, globally-integrated market democracy around the globe has been impacted in some way by the negative aftereffects of globalization, yet other countries have not experienced the growth in poverty and inequality as has been seen in the United States. The reason is that other nations have responded to the inequities produced by market forces and have adopted domestic economic and social programs that moderate the imbalances. Policymakers in the United States, on the other hand, have failed to adapt to modern market pressures and as a result, poverty and socio-economic inequalities have escalated (Hacker and Pierson 2010; Jacobs and Skocpol 2005; Krugman 2009; Mandle 2008). In addition to the economic, social, and political costs discussed in Chapter 4, government inaction to counter current market pressures is jeopardizing a leading role for the United States in the very global economy that has all in all been advantageous for the nation (Scheve and Slaughter 2001).

Dealing effectively with national economic and social problems and undertaking a program of meaningful reform is extremely difficult in the United States for a number of reasons. As we saw in Chapter 2 on the cultural dimensions of poverty and inequality, there are certain characteristics inherent in the American national character that makes change difficult. America is exceptional in
that it is an open frontier founded on rebellion against governmental authority and revolution, historical beginnings that cultivates a culture mistrustful of government and opposed to interventionist policies. Americans are socialized from an early age to accept the legitimacy and rectitude of the five values of the American creed which are extolled in the Declaration of Independence, the Constitution, and the Bill of Rights: individual liberty, egalitarianism (not of result but of equal opportunity), individualism, populism, and laissez-faire (Lipset 1996). These principles espouse the goodness of the free market and the integrity of the freedom of the individual against an innately corrupt governmental authority that cannot be trusted to safeguard liberty or to spend the public’s money wisely. Thus, the American creed serves to undermine redistributive policies and other programs for the collective good (Alesina, Glaeser, and Sacerdote 2001).

Americans’ perspectives have also been shaped historically by traditional views on work, morality, race and ethnic identity, and class. Americans tend to view impoverishment from a moral perspective and make distinctions between the deserving poor, like children and the elderly who are considered indigent through no fault of their own and so worthy of public aid, and the undeserving like able-bodied men and young unwed mothers who are dismissed as lazy, irresponsible, and undeserving of assistance (Iceland 2006; Newman and Jacobs 2010). These beliefs are strongly influenced by the Protestant work ethic and puritan religious convictions linking hard work and riches with moral righteousness and eternal salvation. The puritan religious view is somewhat obsolete now, but many Americans still see wealth as the result of individual hard work and poverty the byproduct of idleness and personal irresponsibility (Alesina, Glaeser, and Sacerdote 2001).

The difficult issue of race has also shaped opinions about poverty and redistributive policy. Poverty in America became racialized in the 1960s, when government took a dramatic progressive
turn and made civil rights for minorities and the eradication of poverty national priorities. Some of the social programs enacted, welfare in particular, did not sit well with working class and middle class white Americans, who viewed government policy as favoring blacks uncommitted to the American work ethic at their expense (Gilens 1999). Moreover, the 1960s was a decade of troubled prosperity when the economy was strong but traditions and social norms of American society were falling apart (Krugman 2009). The social chaos of that time and the unfortunate violence that was part of the anti-war and other social protest movements created in the minds of many white Americans a connection between race, poverty, crime and violence, government activism, and welfare; a link fostered by negative media coverage of events and government anti-poverty initiatives (Gilens 1999). The end result was a backlash against the social welfare programs of the War on Poverty and intensified wariness of government that survives to this day (Alesina, Glaeser, and Sacerdote 2001; Gilens 1999; Krugman 2009).

Americans’ understanding of class also influences how they feel about poverty, inequality, and government action. Ordinary citizens and policymakers alike deny the existence of a European-style social class system in the United States, but as we saw in Chapter 2, class divisions are very real in America (Fussell 1983; Keller et al. 2005; Lipset 1996). Class identification is so important that many middle class Americans exaggerate their socio-economic status in order to impress their neighbors or mask their insecurities and fears of falling backwards. Writing in his wonderful book on modern American culture and the acquisitiveness of the contented classes, John Kenneth Galbraith notes that the middle class in America tend to vote like rich people even though they are not rich, merely financially content, because they fear the higher taxes imposed on the real rich to support government programs will jeopardize their own comfortable economic and political
status (Galbraith 1992). Journalist David Shipler claims that many non-affluent Americans are in fact delusional about their socio-economic standing in society and also lack a basic understanding of how the economy or the political process works. As a consequence, many poor, working, and middle class Americans, when they do vote, routinely vote against their class interests (Shipler 2005). This presents a huge obstacle to dealing effectively with poverty and inequality because much of the electorate is in denial that they are poor and unequal.

Other scholars have commented on the tendency of regular Americans to be ill-informed about important issues and prone to “misperceptions, myopia, and missing connections” when forming opinions on policy matters (Bartels 2008; Hacker and Pierson 2010). The general ignorance and confusion of the voting public is due to some degree on the lack of interest people have in politics and the business of legislating, which as political scientists Jacob Hacker and Paul Pierson point out, is boring. Sensationalized stories about the personal lives and dramas of politicians and other celebrities, on the other hand, are much more fun to read about and follow in the news (Hacker and Pierson 2010). Moreover, Americans by custom are mistrustful of government and have little faith that the federal government can solve serious national problems (Alesina, Glaeser, and Sacerdote 2001; Mandle 2008). The time-honored tradition of government-bashing and confusion and misguided notions about what goes on in Washington and the tangible implications of legislation, combined with perceptions and misperceptions about class, race, morality, and work, have left many average voters perplexed and cynical and as a result, they have given up on the political process altogether. Prosperous citizens make a habit of being well-informed and engaged with politics, but regular folks don’t follow important policy developments in the news nor are they inclined to scrutinize the policy positions and voting records of their
representatives in Congress. The wealthy consistently make their views clear at the ballot box, but average citizens retreat from political activity and don’t vote (Bartels 2008; Galbraith 1992; Hacker and Pierson 2010; Mandle 2008). This is true even among citizens who recognize unfairness in the economic and political system and claim to want more government involvement and better, more egalitarian policies. Jay Mandle is right that Americans are an “immobilizing contradiction” (Mandle 2008, 105). They say they believe in more equality and government activism but then they don’t participate in the political process to make it happen.

Political scientists Benjamin Page and Lawrence Jacobs contend that Americans are “conservative egalitarians and operational liberals” (Page and Jacobs 2009). I find this description to be a bit of a paradox; but then again, it does speak fairly to the complexity of the American national character. Americans are without a doubt different from citizens of other nations and in many ways are a complicated lot to explain. Contradictions abound in American culture. Richard Longworth comments on the peculiarity of American Midwesterners, who are, he concludes, “tolerant, narrow-minded, cultured, crass, sophisticated, and naïve in pretty much the same measure as other Americans” (Longworth 2008, 23). The cultural traits of the Midwest are certainly applicable to the nation as a whole. In his writings on American political culture, Newsweek contributor Jacob Weisberg has taken Americans to task for their frequent illogicality and lack of good sense and seriousness, as well as for their fickleness and the unrealistic expectations they often have of government. As he points out, Americans support change in the abstract but oppose it in the specific. They want government to fix the nation’s problems but they also want lower taxes and less government spending (Weisberg 2010). As evidence of the ambiguous and indecisive nature of the American citizenry, President Obama and his agenda for change were extremely
popular when the President took office in January 2009. But just two short years later, the public was upset that he actually moved forward on some of the policies he promised during the campaign. In the weekly Presidential Approval Ratings Poll conducted by Gallup for the week of June 13-19, 2011, President Obama’s approval rating was only 47 percent, down from 69 percent when he first took office. Culture matters when considering the causes and solutions to poverty and inequality because national traits shape personal values and voting patterns.

Alongside the cultural dimensions of poverty and inequality, there are certain aspects of the American political system that hinder prospects for reform. In addition to the obstacles posed by the structure of American government mentioned in Chapter 3, I have argued in this thesis that the institutionalization of interest groups and the imbalance of representation in the public policy process favoring corporations and wealthy individuals also present challenges to alleviating poverty and inequality in American society. The problem of special interest groups poses a dilemma for democracy because the freedom to organize and express opinions is fundamental to a representative form of government. Hence, the proliferation of organized groups since the 1960s proves that American democracy is working (Berry 1999; Berry and Wilcox 2009; Cigler and Loomis 2007). But as Jonathan Rauch argues so persuasively, the massive number of interest groups in Washington that compete with each another for limited government resources ties up the legislative process and restricts the federal government's ability to focus on serious national problems. Moreover, the lock that organized interests have on public monies takes away funds that could be put to better use elsewhere, like financing initiatives to help reduce poverty and inequality (Rauch 1999).
But it is not just the sheer numbers of pressure groups choking the system that is worrisome but who these groups represent. Since interest group politics in a democracy is a competition for resources and influence open to all, the group with the most resources to expend on lobbying activities will stand out in the process. In contemporary America, the special interest process is dominated by large corporations and wealthy individuals, traditionally powerful constituencies in American society that have the motivation and wherewithal to make sure their views and policy preferences are steadily and clearly represented in Washington (Berry 1999; Berry and Wilcox 2009; Cigler and Loomis 2007; Hacker and Pierson 2010; Mandle 2008). In the nation’s capital today, corporate lobbyists and trade, business, and professional associations make up over 70 percent of all organized interests. Groups advocating for the poor and disadvantaged constitute less than 1 percent of all groups. Furthermore, organizations that are set up to give a voice to traditionally marginalized communities oftentimes reinforce the very socio-economic class biases they are supposed to be petitioning against (Strolovich 2007).

Liberal citizen interest factions that have come into existence since the 1970s have presented a challenge to the dominance of the corporate lobby, and as Jeffry Berry’s analysis of “new liberalism” proved, citizen groups have an impressive track record of legislative achievements on Capitol Hill. However, the success of the liberal pressure groups has not benefited the poor and moderate-income citizens coping with economic injustice and inequality because citizen lobbies are not concerned with basic economic issues and do not lobby for economic fairness. Rather, they focus on “postmaterialist” issues, such as environmental preservation, consumer protection, and women’s rights, quality of life matters that are important to the comfortable middle class and wealthy liberals who support public interest lobbies (Berry 1999; Hacker and Pierson 2010). Traditional New
Deal liberalism that emphasized economic fairness is no longer the foundation of American liberalism, leaving poor and average income citizens at a clear disadvantage in interest group politics and without a strong base of advocacy in the public policy process.

In order to exert influence over legislation, it helps to have an interest group on the ground in Washington to lobby for the cause. And money, which as we have seen is the lifeblood of interest group politics, is also the engine that drives the privately-funded system of campaign finance in America. So it makes sense that corporations and wealthy individuals with substantial means to bankroll lobbying organizations and political campaigns will have the greatest influence over policy matters. The dominance of the donor elite in American electoral politics is another factor that makes it problematical to enact more fair policies that would reduce poverty and inequalities because, as many scholars have noted, the views and policy preferences of the wealthy usually differ from the values of the general public. The rich tend to be more conservative than the population as a whole and by and large do not support social welfare programs or government intervention in the economy (Domhoff 2010; Hacker and Pierson 2010; Krugman 2009; Mandle 2008). Deeper pockets to contribute to campaigns, combined with greater political activism and insight into the detailed workings of government provided by the elite policy planning network gives the affluent extraordinary leverage in determining who will run for public office and guarantees access to policymakers in order to sway how the legislative agenda is shaped (American Political Science Association Task Force on Inequality and American Democracy 2004; Domhoff 2010; Hacker and Pierson 2010; Mandle 2008).

The constituency in society in the best position to initiate, modify, or veto policy gets what they want in Washington (Domhoff 2010). In the present-day money-based political system,
corporations and wealthy individuals have the clear organizational and financial advantage to persuade lawmakers to give their policy preferences priority and dismiss proposed legislation that does not concern them or that would undermine their privileged status. To stay in good favor with their wealthy benefactors, policymakers routinely ignore important concerns of the citizen majority and decline to even debate potential solutions to critical economic and social problems. This is what Jacob Hacker and Paul Pierson call policy drift, or the intentional failure of policymakers to adapt public policies to the changing economic and social circumstances wrought by the modern global economy that impact a majority of citizens (Hacker and Pierson 2010). Drift is great for the one percent or so of the population that is extremely wealthy because the strategy has kept tax rates on the rich low, corporate subsidies high, limited government regulation on business, and kept unions out of the workplace. Policy drift is detrimental to the majority of ordinary citizens because important policy considerations such as, for instance, the need for an increase in the minimum wage, rarely come up for discussion (Bartels 2008). The controversy over the recently passed but much-watered down healthcare bill (Health Coverage, Affordability, Responsibility and Equity Act of 2009) is a good example of the problem of the power of money and the imbalance of representation in the political system. Compare the difficulty that advocates of universal healthcare had in getting this particular piece of legislation on the Congressional agenda and the tortuous and contentious path it took once the proposal came up for debate, to the relative ease of scheduling hearings on and passing financial legislation advantageous to the business community (Hacker and Pierson 2010; Lessig 2010). Until the current system of private funding of elections is replaced by a system of public financing, policy drift will remain Standard Operating Procedure on Capitol Hill.
The bad news is we can’t blame the economy for the current national predicament; America has chosen to have higher rates of poverty and more inequality than other advanced liberal democracies. But the good news is that since current developments have come about by choice, something can be done about it. In Chapter 5 I outlined several policy options proposed by some of the experts studied that I believe are innovative, practical, and worthy of consideration.

Economically, national leaders can approve regular, modest increases in the federal minimum wage, reform tax policy so it is truly progressive and fair to the majority of poor and middling income tax payers, be more supportive of unions, and promote worker and family-friendly policies in the workplace (Galbraith 1992; Krugman 2009; Newman 2006). In lieu of an increase in the federal minimum wage, state and local governments can implement living wage ordinances that would raise the incomes for the working poor and enable them to break free of poverty and end their forced dependence on welfare (Bernstein 2005). All of these economic reforms would go a long way in mitigating poverty and inequality and its consequences, and creating a more mixed-economy to bring more stability to the market (Galbraith 1992; Krugman 2009).

In the social realm, government has an important role to play in supporting initiatives that promote economic security and genuine equal opportunity for young working families (Hacker 2008; Haskins and Sawhill 2009). Brookings scholars Ron Haskins and Isabel Sawhill call for a new government-citizen intergenerational contract with several new promising initiatives geared towards helping low-income families that encourage work, expand educational opportunities, and support marriage and the well-being of the family, with particular emphasis on expanding opportunities and state grants for child care, housing, and education and training expenses (Haskins and Sawhill 2009). Jacob Hacker’s policy recommendations focus on reducing risk and shoring up financial
security for the middle class in the context of expanded economic opportunity. His ideas for new government-sponsored social insurance programs would make it easier for young working families to save for major life expenses and retirement, and a program of universal insurance would help insure families against devastating emergency expenses, such as medical care, job loss, or severe drop in family income (Hacker 2008).

A number of scholars have emphasized the need for government to reform America’s educational system to make it once again the gateway to opportunity and upward mobility. The federal government can strengthen national standards for student achievement and require more science, math, and technology subjects on the core curriculum so young people will be better prepared for jobs in the knowledge-based global economy (Haskins and Sawhill 2009). Government can also increase funding for local school districts, particularly for schools in poor areas where many bright but disadvantaged students are denied equal opportunity for advancement through education because they are relegated to dilapidated and under-performing schools. Too many schools in economically depressed areas are failing to teach kids the fundamental subjects of reading, writing, and basic math; let alone advanced courses that would enable them to go on to college or get good jobs in the new industries of the global economy (Kozol 1991, 2005). Both the federal and state governments can help youngsters and their families in impoverished areas by increasing grants to support alternative public college prep schools, such as the KIPP, and community schools, such as the Harlem Children’s Zone. As we have seen, these unconventional schools deal effectively with the special economic and social needs of disadvantaged young people and their families and also have an impressive track record of high academic achievement, serving to shrink the educational attainment gap and reduce inequality (Haskins and Sawhill 2009; Kirp
Providing sufficient funds to make early childhood education universal is also a great idea (Haskins and Sawhill 2009; Newman 2006), as is promoting the importance of the teaching profession and raising teacher salaries in order to more successfully recruit and retain smart and dedicated young people to be future generations of educators (Haskins and Sawhill 2009; Miller 2003).

All of the experts cited in Chapter 5 on government policy options believe their proposals are sound and worthy of consideration because they promote the value of work, individual responsibility, and a positive role for government in helping the working poor move up the economic ladder and ensuring equal opportunity and economic security for all. The scholars insist too that the programs are affordable and more importantly, stress that the benefits of reform will far outweigh the costs involved. Ron Haskins and Isabel Sawhill comment in their book on creating opportunity that the Obama administration is endorsing reforms similar to the plans they propose, but to date, the measures enacted have not produced significant improvements and others still on the table don’t hold out much promise. The problem, the authors contend, is that most of what the administration is promoting are temporary stop-gap measures that do not address the need to rethink and reform the social agenda. They cite as an example spending that was approved in the 2009 stimulus bill, which provided temporary, immediate relief but in light of the huge federal budget deficit, is not sustainable. Programs that were a part of the stimulus package will at some point in the very near future need to be cut back or eliminated altogether (Haskins and Sawhill 2009, 3). Former Labor Secretary Robert Reich, writing the lead essay for the July 19/26, 2010 issue of The Nation dedicated to inequality in America, also observes that the Obama administration, as self-proclaimed liberal reformers and agents of change, are missing a good opportunity to overhaul the
basic organization of what Jacob Hacker and Paul Pierson term the “winner-take-all-economy” (Hacker and Pierson 2010) that has fostered the rise in poverty and socio-economic disparities. Reich mentions as an example the government bailout of Wall Street, which may have saved the big banks but didn’t change the economy’s underlying structure of unfairness and did nothing to put more money into the pockets of average Americans (Reich 2010).

These leading scholars are right that their plans for economic and social renewal are good ideas and I think they have potential to alleviate poverty and inequality in American society. But lasting economic and social reform will not be possible without radically changing the American political system. The shorter-term measures put forth by the authors cited in Chapter 5, such as Matt Miller’s Patriot Card idea (Miller 2003) and the suggestion made by Benjamin Page and Lawrence Jacobs to make Election Day a national holiday and let voters register onsite at the polls (Page and Jacobs 2009), are good ideas and should be relatively simple and controversy-free to implement within the context of the current political structure. But it is my opinion that the foundation of the current political system that depends on private financing of campaigns will always prevent substantive change because money and moneyed interests are too powerful and too entrenched in both the American electoral system and in the legislative process. As a long-term goal, I support Jay Mandle’s call for an overhaul of the campaign finance process in the United States, making political campaigns a public good paid for with tax money (Mandle 2008). In the immediate term, I believe Congress should pass the Fair Elections Now Act suggested by Lawrence Lessig. And Lessig is correct that in the future, the U.S. Constitution will need to be amended to restore the independence of Congress and prevent future court challenges to reform (Lessig 2010).
As I am writing the conclusion to this thesis, it appears to be business as usual in Washington. According to The Huffington Post website, President Obama, a left-leaning reformer and champion of change, raised $750 million during the 2008 presidential campaign and is expected to top $1 billion for his 2012 re-election campaign (conservative Republican Mitt Romney, one of his potential opponents, has raised over $18 million in just three months of campaigning). President Obama came to office pledging to change how Washington works, and to some degree the President’s stated aspirations to move the country in a more productive and egalitarian direction are sincere. But as Lawrence Lessig astutely observes, the problem with the Obama administration is not that it has been too liberal or too conservative. The problem is that the administration has been too conventional (Lessig 2010,11). The reason why is money. Until there is a system of public financing of elections in the United States, good and well-meaning candidates will have to carry on procuring obscene amounts of cash to finance their campaigns. And as long as national leaders are dependent on corporate and rich people’s money, they will be accountable to rich people’s policy preferences, which as we have seen, do not ordinarily include changes to the economic structure to make it more balanced or government spending on programs for the social welfare.

In the modern era of globalization and technological advancement, a change in direction for America is no longer an option. The global economic and political landscape has been changing rapidly over the course of the last few decades and continues to evolve every day. As noted in the previous chapters, other countries have modified their public policies to deal with the consequences wrought by modern market forces, but the United States has not responded, and the result is that the nation is losing its leading economic status and political influence on the world stage. And at home, many citizens are missing out on the American dream of upward mobility. What is needed
now is not just a change in political priorities but more importantly, a change in citizen values. As long as ordinary citizens continue to be cynical, misinformed, and dismissive of politics and refuse to participate in the political process, things won’t get any better. Since politicians and the wealthy donors who support them are not going to take up the mantle of economic, social, and political renewal, it is up to average people to take seriously their obligations as citizens of a free country, organize for change at the grass-roots level, and responsibly exercise their democratic rights (Hacker and Pierson 2010; Mandle 2008). In order to alleviate the problems of poverty and inequality and move the country forward in a positive direction, the American people will need to change the way they think about issues and what government can and should do to address the national quandary.

Values shape politics. As political scientists Jeffery Berry and Clyde Wilcox have said, “Policies are inextricably tied to prevailing values; when those values are changed, mountains can be moved” (Berry and Wilcox 2009, 131). Change is hard; sometimes even impossible. But the life-altering experiences of the growing numbers of middle class Americans joining the ranks of the disenfranchised in the global economy may make all the difference in whether a majority of the public come to the realization that the rise in poverty and socio-economic inequalities is not simply just an unfortunate and unavoidable consequence of the market system; or if they will continue to miss the link with politics or with their own personal values and voting habits. The hope of social critics like me is that average Americans will connect the dots between participation in the political process and bad policy choices, and economic and social injustice. With any luck, a majority of voters will begin to think intelligently about issues and demand positive action by their government. The outcome will be better and more egalitarian public policies that make for a better America with a
more purposeful democracy; a stronger and more stable economy; a better educated and productive workforce; less poverty and more financial security for ordinary citizens; renewed trust in government; restored optimism for the future; and confidence that attainment of the American dream is not a myth but a reality in the land of opportunity.
REFERENCE LIST


Gallup, Inc. Presidential Approval Ratings – Barack Obama.  
http://www.gallup.com/poll/116479/barack-obama-presidential-job-approval.aspx  
[accessed June 27, 2011].


Huffington Post. 2011: DNC Outraises RNC During First Month of Obama Reelection Campaign.  
http://www.huffingtonpost.com/2011/05/20/dnc-rcn-fundraising-_n_864842.html  
[accessed July 6, 2011].

***. Mitt Romney Fundraising Efforts Net $18.25 Million While New Gingrich Campaign Remains In Debt.  
[accessed July 6, 2011].


