Miroff, B., Seidelman, R., & Swanstrom, T. (2003). ***Debating democracy: A reader in American politics, 4th ed.*** **Boston, MA: Houghton Mifflin, pp. 316-319.**

The United States has always prided itself on being a land of opportunity. Unlike the class-divided societies of Europe, American society is viewed as being more fluid and open to individual ambition. In the United States you can rise from "rags to riches," as the saying goes. The "American Dream," which is defined in many different ways but almost always involves economic success, is supposedly within everyone's grasp. Millions of immigrants have been drawn to our shores by the lure of the American Dream. Not only is the United States a land of opportunity and upward mobility, but it also is generally believed that we lack the extremes of wealth and poverty that characterize other societies. The United States is viewed as basically a middle-class society.

Almost everyone agrees that equal opportunity and a strong middle class are essential to the healthy functioning of American society and its political system. Throughout U.S. history, however, debates have periodically erupted about how to guarantee equal opportunity and how much economic inequality should be tolerated in a democracy before government needs to take action. One of the first such debates was between two giants of American political history, Thomas Jefferson and Alexander Hamilton. Jefferson argued that the stability of American democracy rested on the backs of small farmers, who, because they made a living through their own efforts on their own land, were free to speak out and participate fully in politics without any fears. Jefferson felt that manufacturing and large cities created wide inequalities and dangerous dependencies that corrupted democracy. His opponent, Alexander Hamilton, was much less fearful of economic inequalities. In his *Report on Manufactures,* Hamilton argued that the government should encourage manufacturing as a way to tie the wealthy classes to government, thus providing a check against the turbulence of the masses.

In the long run, Hamilton's vision of industrial expansion prevailed over Jefferson's agricultural ideal. After the Civil War (1861-1865), industry really began to take off. Entrepreneurs, such as Andrew Carnegie and John D. Rockefeller, amassed huge fortunes the likes of which had never been seen before in the New World. At the same time, millions of immigrants poured into U.S. cities to work in industry at low wages and long hours. Many observers believed that events were proving Jefferson's fears correct. Mark Twain called this "Gilded Age" a time of money lust. Muckraking journalists exposed the ways that Robber Barons corrupted the political process, sometimes buying off whole state legislatures. The Populist movement of the late nineteenth century fought to protect the small farmer and limit the power of corporations. It proposed legislation to break up the large corporations, expand the money supply to ease the debt burden on the small farmers, and impose a federal income tax to redistribute wealth.

The opponents of the Populists vigorously denied that industrialism was creating unfair inequalities that threatened American democracy. They did not deny that some people were very rich and others quite poor, but they argued that these inequalities were a natural result of economic competition that brought great benefits to all of society. Social Darwinists applied Charles Darwin's theory of human evolution to society, arguing that inequalities derived from economic competition, which resulted in the "survival of the fittest." Great wealth was the result of hard work and entrepreneurial genius. As the prominent Social Darwinist William Graham Sumner put it: "No man can acquire a million without helping a million men to increase their little fortunes all the way down all through the social grades." The United States was a land of opportunity where self-made men could rise up out of the working class to great riches. Indeed, there were many examples, besides Carnegie and Rockefeller, to point to. The principles of Social Darwinism were spread to the broad public by a "success" literature that told vivid stories of poor boys rising up out of poverty through hard work and moral uprightness. A Unitarian minister by the name of Horatio Alger published 106 such rags-to-riches books from 1868 to 1904, many of which became best-sellers.

A century later the democratic debate about economic inequality is once again heating up, albeit in very different economic circumstances. From World War II until the 1970s, according to most observers, economic inequalities remained the same or even shrank somewhat. Sometime in the 1970s, however, wages began to stagnate and even fall for most workers. Many reasons have been offered for this. Global competition has put downward pressure on U.S. industrial wages, which now must often compete with wages in Third World countries. It is not so much the decline in manufacturing wages as the shift from manufacturing to services that is hurting wages for many workers. Manufacturing employment has declined as jobs have migrated abroad and workers are replaced by machines, including industrial robots. Wages in the expanding service sector are generally lower than in manufacturing. Partly driven by the spread of computers into practically every workplace, education and skills have become even more important to earning a good wage. The wages of those with a high school education and less have fallen; while those with postgraduate degrees have seen their salaries soar. You can no longer earn a decent wage simply by having a strong back and being willing to work hard.

As in the Gilded Age, at the same time that many workers are struggling to get by, huge fortunes are being amassed at the top. The incredible bull market on Wall Street that lasted from in the late 1980s almost to 2000 brought fantastic returns for those who held stocks. Technological breakthroughs in computer technology have generated tremendous opportunities for daring entrepreneurs to accumulate vast wealth. Personal computers, software, and the development of the internet have created wealth more rapidly than at any time in American history. Bill Gates, the founder of Microsoft, which supplies the operating system for most personal computers, became the richest man in the world, worth well over $100 billion (that's billion, not million!). His fortune, even after it is corrected for inflation, is many times that of John D. Rockefeller. Reminiscent of the government's effort to break up Rockefeller's Standard Oil Trust, the federal government has prosecuted Microsoft for antitrust violations.

As with the inequalities generated by nineteenth-century industrialism, the inequalities of the so-called postindustrial economy have prompted a spirited political and policy debate. When deindustrialization hit with a vengeance in the 1980s, many people called for the United States to engage in industrial planning similar to that done by Japan. But national industrial planning never took off, however. Instead, led by President Ronald Reagan, the United States pursued a very different approach. Reagan argued that government regulation and high taxes were choking off economic growth. Reagan's supply-side economics recommended cutting taxes in order to increase incentives to work hard and invest. Inequalities were necessary as a goad to work hard, and in the long run everyone would benefit from a growing economy. "A rising tide would lift all boats."

Bill Clinton campaigned for the presidency in 1992 on promises to address inequalities, calling for a national health insurance program and greater investments in education and job training for American workers. Although Clinton lost on health insurance and largely jettisoned his proposals to invest in American workers in order to instead reduce the deficit, throughout his presidency he advocated government programs, such as increasing the minimum wage, to help those who were being left behind by the booming economy. Clinton strongly supported free trade, but many, most notably Pat Buchanan and Ross Perot, attacked free trade for exporting U.S. jobs (Perot's "giant sucking sound"). The inequality debate was renewed in 2001 when President George W. Bush succeeded in passing a $1.35 trillion tax cut spread over ten years. Opponents charged that 38 percent of the benefits would go to the wealthiest 1 percent of taxpayers. Supporters responded that it was only fair that those who paid the most in taxes would receive the most money back.

The two selections that follow address the contemporary inequality debate in our rapidly changing economy. The first excerpt is from a 1999 book entitled *Myths of Rich and Poor,* by W. Michael Cox, chief economist at the Federal Reserve Bank of Dallas, and Richard Aim. Acknowledging that some statistics show wide and widening income inequalities, they maintain that these inequalities are not threatening. According to Cox and Aim, we should not concentrate on the gap between the top and the bottom. Rather, we should focus on whether those at the bottom are better or worse off. In the book from which this excerpt is taken, the authors make a convincing case that those at the bottom generally are better off in terms of *consumption.* Breakthroughs in technology mean that we have more conveniences than ever, such as VCRs, color TVs, and telephone answering machines. In addition, these devices, which enhance the quality of our lives, are more efficient and powerful than ever (consider the improvement in home computers in recent years). In the section we have chosen, Cox and Aim make the point that snapshots of inequality at one point in time do not capture the movement of people out of poverty over their lifetimes. It is still a land of opportunity, they argue.

Paul Krugman, an iconoclastic MIT economist, argues in our other selection that it is precisely the gap between the rich and the poor that we should be focusing on. A middle-class nation, Krugman says, is a nation where "most people live more or less the same kind of life." Increasingly, however, those at the top are living very different lives from the rest of us; they are withdrawing into residential enclaves that make them feel little connection to the lives of ordinary people. For Krugman, rising inequalities are partly caused by economic factors such as global competition and new technologies. For the rest of the story, he says, we must look to changing corporate values and the power that corporations wield compared to the declining power of labor unions. The danger, Krugman suggests, is that growing inequalities reinforce themselves in a vicious cycle of spiraling inequality that could tear American society apart. What we need are new public policies, like those of Franklin Roosevelt's New Deal, which can reverse the process of widening inequalities.

Before reading the two selections, you may want to look back at the discussion of inequality in the Introduction to this book. Do the authors take a process orientation toward equality or a results orientation? Why do Cox and Aim think we should focus on what those at the bottom are able to consume, whereas Krugman says little about this and instead concentrates on the gap between the top and the bottom? Krugman clearly thinks that it is the political power of those at the top that is partly responsible for rising inequalities. What do Cox and Aim say is the cause of income differences?