

the cultural characteristics of people and the social situations in which you meet them. Explore similar questions with people who are like you and with people who are very different. You might think about how the latter experience social encounters with people like you! If you have grandparents or much younger siblings you can talk with, it would be interesting to compare their answers to these questions.

2. Families have always responded to changes in social institutions, like changes in the economy and work, changes in educational systems, and changes in political power in society and how it is exercised. Family historian Stephanie Coontz argues that families are about as strong and difficult as they were through most of American history (1992). Households of people who live together and feel related invent different cultural styles of managing the boundaries between their households and the outer world. They also evolve different ways of thinking about their relationships within households. Yes, there are family institutions—that is, broadly established patterns and normative ideals about families—but the everyday life reality is that these institutions are being continually reinvented by people who live in them. Many are quite resilient, even in the worst of circumstances. Some are not. Think about the families and households you know or have known. How do they evolve different family cultures and different styles of adapting to a world in change? Talk with some of your friends and acquaintances about this.
3. Shared activity and ritual in recreation and meals are among the traditional sources of family solidarity. We think this aspect of family culture is threatened by what we call the “commodification of everything.” Increasingly families eat more meals “cooked” by McDonald’s or a subdivision of ConAgra than meals cooked by each other, go separate ways for commodified recreation (movies, sports events), and even watch different TV channels in homes, dictated by individual tastes, rather than entertaining each other or finding joint activities. We think the pervasive commodification of traditional activities weakens family solidarity more than what we think of as “decline in family values” today. We long for family togetherness, yet the penetration of traditional household activities and rituals by the outside world makes it increasingly difficult. Do you agree or not? If this issue interests you, see the writings of sociologist George Ritzer that explore this issue in depth, aptly titled *The McDonaldization of Society* (Ritzer 2000).
4. Think about the jobs you have had, or think about the work of your older relatives or parents. How do you (and they) experience work? Listen to people talk about their jobs. Even considering their daily frustrations, do people like the jobs they have, or is working purely a means to an end to enjoy other things in life? Putting in time or earning bread is important and will only be looked down upon by those who have plenty of bread anyway. But this is not a way to experience work in a positive sense. For some, work is like a calling (from which we get the word *vocation*). This way of experiencing work is not necessarily found only among those people with fancy skills or education. We think people who have found their true vocation are the lucky ones. For them working is a source of meaning in life and creativity. It is an intrinsically valuable activity, and they would do something like it even if they were not paid as much. We have heard several musicians and artists describe their work in such terms as well as an older person who was fixing homes and churches in poor communities. But for him it was a rich and meaningful activity. Do you know anyone who thinks about his or her work this way?

Chapter 6

Economics, Politics, and the American Prospect



Presidential nominating conventions are places where delegates flaunt their loyalties and press for political change.

We hope, from reading the last chapter, you realize that you can't go very far in understanding personal life changes without some consideration of how these are embedded in large-scale change. Two of the most important institutional arenas of large-scale change for you to understand are the economy and the political system. You may not be much interested in understanding politics or the operation of the economy, but these forces are “interested” in you, because they jointly shape the

circumstances where much of your life takes place. Together, they integrate and control much of what goes on in the broader society. They define the winners and losers of change by affecting such things as changes in wages; the availability of credit, the growth and decline of jobs and industries, taxes, benefits we have come to expect, and rules that define our obligations to each other. The connections between economics and politics (or between money and power, if you wish) are so intertwined that to separate them is a bit artificial. But we will do so because we can't analyze everything all at once, and Americans in particular are used to thinking about politics and economics as separate realms. After describing economic changes and then political change, we will end by discussing some particularly important implications of these changes for American problems, public policy, and prospects for the future.

THE CHANGING ECONOMY

In the last chapter, we discussed a major and much publicized dimension of economic change—the emergence of the “service” or information-based economy—so here we focus on other aspects of changing economic institutions. You can clearly see, in the changing U.S. economy, the trends and themes of modernity and the emergence of reactions and countertrends that were the focus of Chapter 5.

Growth in Scale and the Centralization of Economic Power

Until the 1980s, the most dramatic and visible economic trend in the United States was the continued evolution of the huge corporations and corporate empires. Beginning with the historic industrialization of the predominantly agricultural economy in the late nineteenth century, transformation meant a significant increase in the scale of economic transactions and the growth of huge bureaucracies that came to control the relations of investment, production, and employment between firms and people. Then gigantic corporate empires modified the expectations of Americans about the ability of “free markets” to serve interests of the population. The emergence of giant corporations was connected with continual efforts by unions to organize on behalf of workers and by governments to regulate them for the public good.

Large firms and their owners came to have overproportionate power in the American economy in at least two ways. First, they accumulated power in *ownership of corporate stocks and securities*. In spite of the perception that everyone in America owns stocks, as of 2001 only 21 percent of all U.S. families did (Federal Reserve Board, 2003). In 2001, the bottom 90 percent of stock owners combined owned just 19 percent of total stock value (Domhoff 2010). Even if you account for the presence of big institutional investors in which millions of ordinary people—like us—own annuities and retirement programs, real control of the American economy is largely in the hands of a small number of people (see also Keister 2000).

Second, they accumulated power through *market control*. Markets for particular products are dominated by a small number of large firms. Market control was

always stronger in manufacturing than retail firms, but retail firms have also become more concentrated (think of the historic example of Sears and Roebuck and the current dominance of Walmart). One way of visualizing market control is to look at multinational sales data for the world's largest corporations. By the mid-1990s, sales of the thirty-one largest corporations were the same size or greater than the entire economic output of nations like the Russian Republic, Thailand, Turkey, Poland, and Egypt (see Bradshaw and Wallace 1996, 49). By 2009, the sales of top ten global corporations was about the size of the entire economic output of nations like France, the UK, and Italy and twice as large as the economic output of Australia and South Korea (*Forbes*, 2010; International Monetary Fund 2009).

Small Firms, Entrepreneurs, and the Bimodal Economy

Giant, highly bureaucratic, and centralized firms are still with us. We're sure this comes as no surprise to you because they still get most of the media attention. But according to many observers, the trends toward greater size, scale, and centralization reached a zenith in the 1970s and are now declining. Futurist John Naisbitt claims that by 1994 the “Fortune 500 companies” accounted for only 10 percent of the total U.S. economy, down from 20 percent in the 1970s (Bartos 1996; Hodson and Sullivan 2002, 408–412; Naisbitt 1994, 7), and the trend toward smallness can be seen in employment statistics as well (U.S. Department of Commerce, Bureau of the Census, 2004). Indeed, the economic news since the 1980s is in the growth of small firms and the renaissance of entrepreneurialism. Small firms and entrepreneurs never really disappeared, but their resurrection represents both a historical reality and new cultural themes. The causes of this are complex, but at minimum they involve the struggling performance of the giants (especially during recessions like the 2008–2009 downturn), the dot-com bust of the late 1990s, and the struggle by enterprising individuals and small firms to adapt and survive in the service economy with pervasive downsizing, outsourcing, subcontracting, and growth of contingent labor markets. Another factor in the growth of small firms in the late 1990s and beyond has been the development of dot-coms and the e-commerce economy (U.S. Department of Commerce, Bureau of the Census, 2010). The measurement of e-commerce and other electronic business transactions is still in its infancy (Mesenbourg 2002), but the latest reliable data on e-commerce suggests that shipments generated from the Internet and Web-based commerce accounted for 44 percent of all mail-order sales in 2007 (U.S. Department of Commerce, Bureau of the Census, 2009, Table 1022). E-commerce has spawned a sizable, growing, and (as yet) unmeasured army of consultants and small businesses who specialize in electronic marketing, Web design, and logistics.

Taken together, small firms control roughly half of the assets in the total economy. They include “mom-and-pop” restaurants and hairdressers of historic vintage but also newer fancy independent entrepreneurs and consultants. In general, three types of small firms have come to exist: (1) satellite firms that engage in subcontracting with larger ones; (2) loyal opposition firms that provide competition to larger firms in their own markets; and (3) free agents, diverse groups of firms that

spring up in uncontested market spaces (the nooks and crannies between larger firms) (Hodson and Sullivan 2002, 396–397). Small firms operate in markets more difficult to organize and bureaucratize on a large-scale basis and are likely to provide services that remain labor intensive. In contrast to the giants, they operate in markets that are highly competitive, unstable, and with profits that often fluctuate wildly from year to year. Also in contrast to the giants, there are few government subsidies and fewer government regulations.

Beyond their pervasiveness, small firms are very important to the economy for other reasons: They are the major source of employment and the creation of new jobs (only about 30 percent of all workers work for the very largest industrial, financial, and service firms). Firms with a small number of employees are more common in retail and service than in manufacturing industries, and they make up between a third and a half of all U.S. companies (estimates vary; see U.S. Department of Commerce, Bureau of the Census, 2010). Small firms account for a significant proportion of American economic productivity. For instance, in 2009, only about 4 percent of American exporters had 500 or more employees (U.S. Department of Commerce, Bureau of the Census, 2009). Furthermore, the capability of small firms to innovate more quickly and less expensively than large bureaucratic organizations has been an often observed fact (Naisbitt 1994). It is also the stuff of the contemporary legends of the “information age.” Bill Gates (Microsoft Corporation) and Steven Jobs (Apple Computers) both started in garage-size firms and created huge successful enterprises. But before you get too enthusiastic about the “virtues of small,” you should note that business failures and unstable employment are more common among small than large firms.

U-Turn or Dialectic? The Changing Forms and Interaction of “Big” and “Small”

Large-scale economic structures have not really declined (that is, done a U-turn) with the recent proliferation of small firms and entrepreneurs. Rather, large-scale economic structures have persisted and evolved through different historical forms that facilitated the persistence and emergence of small-scale ones. How so? In the United States, there have been five different meanings and historical forms of economic concentration:

1. *Expansion in a market* is the oldest American form of growth in scale. Beginning in the 1890s and continuing into the twentieth century, firms forced their competitors out of business by a variety of means (clearly illegal today) to create huge monopolies exercising complete control in markets for particular products. Examples of such giants were Westinghouse, International Harvester, Standard Oil, United Fruit Co., American Tobacco, and United States Steel (Hodson and Sullivan 2002, 26, 385). Some operating oligopolies remain where a few firms dominate particular markets (Microsoft’s domination of the computer software market is the most visible example). There are still firms that grow by expanding in a market and by extending their operation to new areas rather than acquiring other firms (for example, McDonald’s and Walmart).

2. *Multidivisional firm mergers*, pioneered in the 1920s, enabled a firm to produce and market a number of related products through separate divisions. DuPont and General Motors are prime examples. This kind of merger allowed economic growth through acquisition of firms in related markets, and it was legally discouraged in the 1950s.
3. *Conglomerate mergers* dominated the 1970s. They involved a strategy of corporate growth by acquiring firms in unrelated market areas and product lines—giving rise to a “firm-as-portfolio” model of corporate practice. Mergers grew in response to unique American antitrust laws. To illustrate, in 1970 Beatrice Foods “held” subsidiaries that produced various packaged foods, dairy products, lunch meats, plumbing supplies, audio equipment, luggage, and travel trailers. In Chapter 5, we described the conglomerate that owns the publisher of this book. These are hardly “coherent” firms, and subsidiaries are related only by common ownership (Prechel 2000). Conglomerate mergers have dominated in media communications, as the widely reported merger of News Corporation and Dow Jones, worth \$5 billion (*The Economist*, 2007), or the December 2009 complex merger between GE, NBC Universal, and Comcast (*The Economist*, 2010e). These recent mergers suggest that the conglomerate form that was popularized in the 1970s has spread to the communications industry, where increasingly all types of media (television, radio, the Internet, and motion pictures) rely on the same computer-integrated technologies. But there are serious doubts about the viability of these multimedia communications firms—the much-heralded split between AOL and Time Warner has sparked considerable debate in the business press about the viability of multimedia conglomerates (*The Economist*, 2010e).
4. *Deconglomeration* was common by the 1990s because of mounting evidence that (1) giant conglomerates were not very competitive and were relatively unprofitable and (2) their component subsidiaries were often worth more taken separately than was the whole conglomerate. Many conglomerates were taken over and broken up; that is, the subsidiaries were sold separately. The remaining conglomerates became more focused through voluntary restructuring and sell-offs. The new firms that joined the set of the largest U.S. industrials were only about half as diverse as the ones they replaced.
5. *Strategic alliances*, that is, temporary network coalitions between smaller, more focused, firms, proliferated in the 1990s. These are open networks (*joint ventures*, or *enterprise webs*, in business buzzwords), and corporations are being reconceptualized as voluntary and temporary, as “dense patches in networks among economic free agents” (Zukin and DiMaggio 1990, 7; see also Castells 1996). This newer conception of corporations as “boundaryless networks” is replacing both older conceptions of firms as coherent organizational actors with bureaucratic boundaries and “bodies,” and the firm-as-portfolio conception of the 1970s. This new structural form is coming to dominate both national and international business. Strategic alliances are ways that small- and middle-size firms can survive and compete. It is a form that seems optimum for the service or information-based economy: using temporary employees rather than fixed organizational members (with entitlements), and every activity that does not add sufficient economic value is outsourced to subcontractors rather than brought within the firm’s boundaries (Leicht and Fennell 2002; Skaggs and Leicht 2005). These strategic alliances are possible because computers and other communications technologies

have lowered monitoring costs so that people can interact and monitor the activities of people in remote areas of the world (see Castells 1998; Leicht and Fennell 2002).

You need to appreciate what radically different forms of social organization emerged within business communities and the economy. Since the 1700s, corporations have been understood as entities with a "natural coherence"; as bureaucratic "bodies" with fixed boundaries that delineated them. Courts gave corporations and other bureaucratic entities legal standing as persons (Coleman 1990); you can sue or be sued by a corporation. Strategic alliances and open networks call those assumptions into question. We think they will eventually make our view of other bureaucratic entities (such as universities and governments) more problematic (see Leicht 1998).

Another important aspect of economic change underlines the connections between economics and politics that we noted at the beginning of this chapter. Since the development of powerful giant firms in the late nineteenth century, and certainly since the Great Depression of the 1930s, Americans looked to governments (state and federal) to (1) "broker" a social contract between firms, workers, and consumers; (2) stabilize the economy and promote economic growth; and (3) regulate firms in the public good (Rubin 1996). Governments did this, for example, by regulating interest rates to smooth out the ups and downs of economic cycles; by assuming responsibility for education, research, problems of unemployment, and environment; and by representing the overseas interests of American companies. All of that worked reasonably well as long as the economy was substantially a national one, in which American governments had clear jurisdiction. International trade existed, of course, but even in the 1960s the United States still had largely a national economy, where only 4–6 percent of the cars, steel, or electronic products were imported from other nations (Reich 1991, 63). But by the mid-1970s that interinstitutional arrangement between government and the economy seemed to spin out of control, and clearly something was wrong. What was wrong was that the post-World War II social contract was being rendered anachronistic by another social transformation. Increasingly, there is no "American" economy at all, but rather an American "dense node of relations" in a worldwide economic system (see Castells 1998; Ritzer 2000).

6. *McDonaldization, that is, the trend toward increased standardization of everything.* If business firms are changing in size in waves and U-turns, one particular dimension of the American economy continues to spread, the standardized, franchised, institutionalized world referred to as McDonaldization (see Ritzer 2000). McDonaldized commodities and services are characterized by efficiency, calculability, predictability, and control through the use of nonhuman technology. In Ritzer's sweeping critique of the late twentieth and early twenty-first century economy, our lives and consumption patterns are being funneled into a series of bland, standardized experiences provided for and perpetuated by large corporations or small firms in combination with large corporations organized in a dense network structure. From the incredible standardization of McDonald's food (a Big Mac in Chicago is the same as a Big Mac in Istanbul), Ritzer claims an organizational model for the globalized provision of goods and services is spreading to health care (where people are treated like numbers and even preparation for death has become a standardized experience controlled by hospice chains), higher education (where masses of students listen to mass lectures and take mass-production

exams at diploma factories), and guest lodging (where a Hilton in New York is the same as a Hilton in Nairobi).

The net result of McDonaldization is much as Weber predicted in Chapter 2—increasing segments of our life are controlled by distant bureaucracies that have analyzed and studied every dimension of our consumer behavior, seeking to provide a neat, tidy, standardized, and cheap solution to our every need. The problem, in Ritzer's mind, is that all of this is radically dehumanizing and turns basic human needs and desires into commodities to be bought and sold. There is some hope that "mom-and-pop" deconglomeration and the continued vibrance of the small-business sector will leave us with a haven of grocery stores, ethnic restaurants, and bed and breakfasts that are not wedded to filling our lives with standardized and laundered experiences.

Entering the Global Market Economy

Since the 1970s, the operations and investments of American firms became increasingly international, as they opened sales offices and bought subsidiaries in other countries, invested in overseas products and firms, contracted with foreign suppliers for special parts and labor, and engaged in joint ventures with firms from other nations. From 1950 to 2003, American direct overseas investment grew from \$12 billion to about \$3 trillion (U.S. Department of Commerce, Bureau of the Census, 1977, 2004, 2010). By the 1990s, practically every large American corporation was involved internationally in developing nations and less developed ones. Similarly, foreigners invested in American companies, bought American companies, and came to sell their products and services. This has caused Americans a great deal of worry about losing our economy to foreigners. But it is important to note that the reverse was also true: American companies are buying interests in other countries. Firms and banks in all nations are becoming so intertwined that as capital, parts, labor, and expertise flow across national borders it becomes increasingly difficult to distinguish between domestic and foreign products.

You can get a sense of this growing internationalization by going shopping and reading the labels about where things are manufactured. Even where brand labels are American, Japanese, or Chinese, they are likely to contain foreign components or engineering. Honda's first pickup, the 2008 Ridgeline, is more American (with 75 percent domestic content) than the Chevrolet Avalanche (70 percent domestic content). The Toyota Camry is 75 percent domestic content (built in a plant in Georgetown, Kentucky), the same percent domestic content as the Canadian-built Chrysler 300 (*USA Today*, 2007). The 2000 Ford Crown Victoria Interceptor, a car produced for police departments across the country, is considered foreign under federal rules because only 73 percent of its parts were U.S. made. The Honda Accord Coupe is assembled primarily in Marysville, Ohio. The BMWs sold in the United States are made in South Carolina. These examples from the auto industry are typical. If you buy a Japanese nameplate television set, there is a good chance that it was assembled in Tijuana, Mexico, from parts made in other East Asian nations (Kenney, Goe,

Contreras, Romero, and Bustos 2001). Are these American products or Japanese products? It's hard to tell.

In the world market economy, different structural forms have emerged that parallel the bimodal "national" economy described above. There are huge multinational corporations that get most of the political and media attention (usually as villains!). But these are increasingly connected to vast networks of independent contractors, consultants, subsidiary firms, and midsize companies in different nations. Their products, whether in manufacturing, finance, or other services, are tailor-made by executives and experts who put together or broker such products by creatively integrating the skills, resources, and capital of a diverse set of economic actors. There are signs that labor unions are reorganizing internationally. Rather than being structured bureaucratically and hierarchically, they have become connected horizontally (Bartos 1996, 310; Naisbitt 1994; Reich 1991, 87; *Working USA*, 2004). There are, of course, still national firms whose business is strictly domestic. But transnational enterprise webs in a global market economy are the future.

Economic globalization has a lot to do with the occupational changes we discussed in the last chapter. As you know by now, things don't stay neatly separated as economic globalization is tied to social, political, and cultural globalization as well (see Chapter 12). America's role in the global market economy is not to provide much routine labor, which can usually be done cheaper elsewhere. Hence, the declining fortunes of factory workers and their unions. What industrial nations like America provide is financing, expertise, and creativity in arranging high-value products and services. Workers who by education and experience can provide such services will realize the most growth of income and opportunity. The problem is that such occupations now account for only about 20 percent of the labor force, and it is not clear how the majority of American workers will benefit from globalization. Thus, there are winners and losers, and devising policies to broadly distribute the benefits of globalization will be a daunting prospect (see Rifkin 1995, 2008).

A more worrisome trend (from the standpoint of high-technology skilled workers in the United States, many with college education) is the relatively new, post-2001 phenomenon of outsourcing skilled information technology jobs. The main beneficiary of this trend has been India. Most economic studies suggest that such outsourcing has no effect on American jobs as a whole. But changes can be particularly harsh for workers in the West when they are competing against well-educated workers in low-wage countries like India. An experienced software programmer in the United States earning \$75,000 a year can be replaced by an Indian programmer who earns around \$15,000.

As an example, IBM Corporation is proceeding with layoffs of 13,000 workers in Europe and the United States while increasing its payroll in India this year by more than 14,000 workers. These numbers are telling evidence of the continued outsourcing of skilled jobs to low-wage countries like India, and IBM as the world's largest technology company is a leader of this trend. Critics of this trend point out that IBM is a leading example of a corporate strategy of shopping the globe for the cheapest labor in the obsession to find quick profits, to the detriment of wages, benefits, and job security in the United States and other developed countries. IBM

claims that the buildup is due to the surging demand for technology services in the thriving Indian economy and the opportunity for Indian software engineers to work on projects around the world. Lower trade barriers and cheaper telecommunications and computing allow a distant workforce to work on technology projects. IBM is making the shift from a classical multinational corporation to a truly worldwide company whose work can be divided and parceled out to the most efficient corporations and (in their minds at least) cost is only part of the calculation.

Economists like Joseph Stiglitz (a Nobel Prize winner, professor at Columbia University, and former chief economist for the World Bank) believe that the shift in jobs alone understates the potential problem as the ability to find workers overseas who provide similar services for a fraction of the costs puts enormous downward pressure on American wages with a corresponding negative impact on society. The fact that globalization anxiety about jobs hasn't extended to the executive ranks has stirred resentment among workers and their representatives. This reality of globalization was driven home in the 2008–2009 recession, the effects of which we're still living with. The recession began in the U.S. housing market where bad mortgage loans and the resulting foreclosures were seen when people weren't able to keep up with their mortgage payments. It turned out that much of this mortgage debt was packaged as financial instruments and turned into mortgage-backed securities that were sold throughout the world and (simultaneously) freed banks to issue still more loans to new borrowers. Once there were doubts about the financial soundness of the mortgage-backed securities, the entire financial market collapsed and a series of high-profile American financial institutions (Lehman Brothers, IndyMac and Washington Mutual Banks, among others) collapsed. The U.S. government (under President Bush and now under President Obama) produced a giant bailout package (\$700 billion) to prop up the U.S. financial industry, \$80 billion to prop up the U.S. auto industry, and these actions were swiftly followed by efforts to bolster the financial industries of other industrialized economies (see Ritzer 2009, 303). But these bailouts have come at a serious political cost—the appearance (if not the reality) that big capitalists are "too big to fail," and the average taxpayer will be paying to keep affluent financial analysts and their companies afloat while job instability and inequality rises.

CHANGE IN THE POLITICAL SYSTEM

The standout story of political change since 1900, the 1930s, or 1950 (pick your own benchmark) is the dramatic growth in the scale and the scope of the state (which includes government in all its branches and levels).

Growth in the Scale and Scope of Government

Prior to 1929, America had "limited governments" that provided for national defense, police and fire protection, guaranteed legal contracts, and—oh yes—produced lots of corrupt pork-barrel benefits for powerful groups. There was not much public

education until the middle of the nineteenth century, when it was established mainly for the “indigent” classes (that is, the poorest of the poor), and there was no personal income tax until 1913. Since that time the functions of government have mushroomed, most dramatically during the Great Depression of the 1930s and in the post-war period through the 1970s. It’s hard to think of anything important that is now not regulated by a federal, state, or local government agency.

Think of the ways that government regulation intrudes into your personal life: You need a building permit to build an addition onto your home, and you may have an occupation—anything from beautician to teacher—that requires government licensing. Government regulations determine what you can do with your trash, how many fish you are allowed to catch, where and what hours of the day you are permitted to drink alcohol, how many pets you are allowed to keep and how they shall be confined; they may also rule that children be taken from your custody. Expansive governments seek to regulate and stabilize the economy, care for the environment, and provide for the general welfare of the population through a vast array of social programs (Social Security, unemployment assistance, aid to the disabled, aid to education, and subsidies for medical research, to name only a few). Governments became sponsors of social reform efforts, from protecting the rights of workers and the unemployed during the Great Depression to the extension of civil rights and equal opportunity to cultural minorities in the 1960s.

You can get a summary sense of government spending for various things from Table 6-1. Note that “social spending” increased from about 38 percent to more than 60 percent of all government spending from 1950 to 2008. Most of this was not “welfare” for the poor, but Social Security, Medicare, and other benefits for those who were not officially poor. Governments have been much better at keeping people from becoming poor than making the poor “unpoor,” though there is little public recognition of this achievement (how would you take credit for keeping something

TABLE 6-1 GOVERNMENT SPENDING, 1960–2008

	GDP (1982– 1984) ^a	Federal Spending (1982–84\$)	Federal Spending %GDP	National Debt %GDP	Federal Social Spending ^b %GDP	%All	Federal Defense Spending %GDP	%All
1960	1776	310	18	56	NA	NA	NA	NA
1970	2673	502	19	38	14.7	48.2	8.3	41.8
1980	3389	717	22	33	18.5	56.5	5.3	27.2
1990	4445	960	22	56	10.7	49.4	5.1	23.8
2000	5704	1039	18	58	11.4	62.4	3.0	16.4
2008	6635	1385	21	70	12.8	61.2	4.3	20.7

^aGDP = gross domestic product, the value of all domestically produced goods and services, in 1982–1984 constant dollar values.

^bSocial spending includes social insurance, public aid, veterans’ benefits, education, housing, and other welfare payments.

Source: Stanley and Niemi (1995:384, 390, 392); U.S. Department of Commerce, Bureau of the Census (1999a, 2004; 2010).

bad from happening?). Defense spending has fluctuated and fallen to 20 percent of all government spending, mostly since the end of the cold war in the late 1980s.

Growing Government Expenses and Debt. The growth of government spending is illustrated in Table 6-1. It tells you what everybody already knows: Government spends a lot more money than it used to. The federal government, for example, spent \$310 billion in 1960, \$960 billion in 1990, and \$1.3 trillion in 2008 (in 1984 constant dollars). The federal budget deficit of \$290 billion in 1992 turned into a budget surplus by 1998 and then returned to deficit status in the wake of September 11, 2001, and the subsequent recession (as of this writing, the 2009 budget deficit estimate was \$1.4 trillion; see Congressional Budget Office, 2010), but (as Table 6-1 shows) the total national debt continued to rise as the U.S. government issued bonds to finance prior budget deficits. The great budget issue has shifted from the “great deficit” debate of the 1980s and 1990s to the “budget surplus” debate of the year 2000 presidential election, culminating in the election of George W. Bush and the passage of the 2001 tax cut. But budget deficits have been rising steadily since then, in part because the budgetary effects of the 2001 tax cut were confounded by the 2001–2002 recession. The budget surplus of \$236 billion in 2000 shrunk to \$127 billion in 2001, and then deficits began to rise steadily, to \$157 billion in 2002, \$375 billion in 2003. Then the 2008–2009 economic recession helped push the budget deficit to approximately \$1.4 trillion now (Congressional Budget Office, 2010).

But Wait. Just as credit bureaus determine how much money you can borrow in relation to your ability to pay, look at government debt not in terms of absolute dollar figures, but in relation to the size of the economy that supports such deficits. The 1950 deficit, although much smaller, was proportionally larger in relation to the size of the supporting economy (GDP) than the deficit is today. Then we were still paying the bills from borrowing to fight World War II. The gross domestic product (GDP) measures the value of all domestically produced goods and services and is a more accurate measure of national economic productivity than the gross national product (GNP), which includes the value of overseas investments. The national debt as a proportion of the GDP dropped to around 30 percent by 1980 and then began to rise, because the government was borrowing more and because the inflation rate declined, making the impact of past borrowing seem relatively greater. Ironically, this increase in debt was presided over by conservative and center politicians, particularly President Ronald Reagan, who came to power in the 1980s and 1990s promising to lower the federal deficit and balance the books. George Bush and Bill Clinton inherited a lot of public debt, but were better budget balancers. At \$1.4 trillion, national debt as of 2008 is around 70 percent of GDP. Looking at the national debt as about the two-thirds the size of the productivity of the economy is like saying that you have high consumer credit debt, but your income is still more than what you owe. Is U.S. national debt too high? It’s a judgment call (Krugman 2010; Stanley and Niemi 1995, 379–381).

There’s More. Some economists and politicians think that a high government debt retards economic performance and growth. Government borrowing, so the reasoning goes, soaks up money from lenders that could be invested in the private

economy. This group would say that cutting government spending is the key to economic recovery in a recession like the one we're in as of this writing (2008–2010). Economic conservatives argue that economic growth is promoted by less government spending (and particularly less borrowing), thus leaving more money in the private economy. But the other side of the coin is that high government spending may stimulate economic growth as the government itself becomes a major purchaser of goods and services. Other economists advocate “spending” our way out of economic downturns by using state deficits to stimulate the economy. This strategy (known as *Keynesian economics*, after the English economist who first theorized about the stimulating effect of government spending) has been practiced in one form or another, deliberately or otherwise, by many states since the Great Depression of the 1930s. This is partially the strategy of the Obama administration’s economic recovery package as well. Further, as every business manager or student who takes out loans knows, some borrowing is an investment in a better future and other borrowing is just to pay off accumulated past debts. Our point here is not that the national debt shouldn’t be of concern, but simply that economic growth can be coupled with high levels of public spending. Few economic conservatives would agree with this point, mainly for ideological reasons.

Growth, but Relatively Decentralized. You may find some of this discussion surprising, because it is so different from our common beliefs and political rhetoric about the growth of “big government.” Governments closest to home in literally thousands of unconnected state, county, municipal, and public educational agencies have grown more rapidly than has the federal government. Federal spending accounted for almost two-thirds of all government spending in 1950, but had dropped to about one-half of it by 2009, not counting grants to states and localities.

You can see some of this effect in Table 6-2. Federal government grants to state and local governments have increased and comprise an increasing proportion of

TABLE 6-2 FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS, AND GOVERNMENT EMPLOYMENT, 1950–2008

	Federal Grants ^a (\$ Billions)	% of State and Local Budgets	Number of Government Employees (Millions)		
			Federal	State	Local
1950	2.3	—	1.8	.8	2.8
1960	7.0	15	2.0	1.3	4.2
1970	24.1	20	2.9	2.9	7.0
1980	91.4	40	2.9	3.7	9.6
1990	135.0	25	3.1	4.5	10.8
2000	284.6	28	2.9	4.9	13.1
2008	461.3	27	2.7	5.2	14.1

^aFederal grants in aid to state and local governments.

Source: Stanley and Niemi (1995:293, 299); U.S. Department of Commerce, Bureau of the Census (1999a:338, 348; 2004; 298; 2010).

state and local budgets. Federal employment has grown modestly since 1950, relative to the larger growth of state employees and the mushrooming number of local government employees. In fact, federal employees make up a declining percentage of the total U.S. workforce, declining steadily from 3.8 percent in 1970 to 1.9 percent in 2008 (U.S. Department of Commerce, Bureau of the Census, 1994, 347; 2010, Table 484).

The growing divergence between federal and collective state/local growth rates was visible by 1980, but became an aspect of public policy after that in the “new Federalism” and “revenue sharing” of the Reagan–Bush administrations and in continuing attempts of politicians to downsize federal government and shift functions to the states in the 1990s.

The relatively decentralized federal structure of growth in the United States is also visible by comparing American government growth with most—but not all—other industrial democracies. National and local taxes were lower in relation to our GDP than to most other industrial nations, including Canada, France, Germany, the Netherlands, and the United Kingdom—but not Japan. Besides expenditures and taxes, the United States has a significantly more decentralized federal structure of governance than most other industrial democracies. Canada is probably the standout example of a more decentralized structure, because Canadian provinces have many more responsibilities and control over their budgets than do American states as well as more power in relation to the national government in Ottawa (Organization for Economic Cooperation and Development 1982,161).

American Ambivalence: Reversing the Growth of Governments? It is no secret that most Americans dislike growing governments and suspect them of incompetence (or worse). They often resent its personal intrusiveness, costliness, and apparent inefficiency. They particularly resent the federal government—even if its actual role is not well understood. Why? Partly because historically Americans have been culturally so individualistic and the “most anti-state people in the Western world, probably on earth” (Kazin 1994), and partly because of the turmoil of the 1960s during which the Boomers came of age.

We had a period from World War II through the 1950s where the government was seen as having rescued the nation from the Depression and successfully prosecuted the war, and then we were told in the 1960s that the emperor has no clothes and people shouldn’t accept what they’re told. And rather than going away, that sensibility has grown over the past 30 years. (Marwell 1994)

Our dislike of governments is reflected in evidence about growing mistrust of all institutions and leaders that was noted in Chapter 5. Add to that the political climate of the past twenty years, where politicians ran for office as “outsiders” and most pledged to “scale back” government spending, balance the books, and cut taxes. With these pressures, you would think more would have been accomplished in the last decade. But politicians often creatively rearranged budgets between agencies or between the Federal Government and the states to make us think they have accomplished more.

Why, then, has it been so difficult to reverse the trend of the growth and expanded functions of governments? We think there are two reasons. First, with the exception of the small number of homegrown terrorists and militias trying to secede or blow up government facilities, most Americans are actually *ambivalent* about the expansion of governments. Concretely, most people are unwilling to give up the expanded state functions—especially when it is their *particular* benefit. Besides, most government expenditures do not go to people defined as “undeserving.” They go to those defined as “middle class” or above (Hacker 2006; Leicht and Fitzgerald 2006; Phillips 1995). In a political democracy, it is possible to mobilize political protection for benefits applicable to a broad spectrum of the electorate, such as protection for Social Security for elderly people. This was dramatically displayed by the ambivalent reception to President Bush’s program to create private Social Security spending accounts in place of conventional public investment in old-age security (see *The Washington Post*, 2005).

More theoretically, large states with regulatory powers seem necessary to maintain public order and civility. Even though costly and inefficient, they are often important problem solvers (though certainly not the only ones) in complex modern societies.

The Changing Bases of Political Mobilization

Compared with states in premodern and traditional societies, all states in the modern world depend more heavily on broad popular support for legitimacy. The mobilization of popular support for the state takes a wide variety of forms, including one-party authoritarian systems and more democratic multiparty systems. It is conventional to distinguish between *states* (or governments)—which create and administer laws, policies, and programs; collect taxes; and allocate budgets—and *political parties* that aggregate and balance diverse and often conflicting popular demands. Parties have the functions of converting diffuse political sentiments into specific political programs, developing policy, and grooming leadership. American political parties are not so much ideological groups (as are European parties) as they are loose coalitions defined by common economic interests as well as social and cultural characteristics. Here we want to discuss some important changes in the mechanisms of popular political support in the postwar period.

Decline in the Effectiveness of Political Parties. One of the best-documented changes is the steady weakening of the power and influence of parties themselves (Lowi and Ginsberg 1994, 485–499). There are different indicators of this decline. The dependability of party support among voters declined as volatility—that is, the inclination of voters to shift parties between elections—increased. In a related trend, voters are more likely to split their votes between candidates of different parties. For example, the proportion of voters who reported that they have voted for different parties in presidential and national congressional (House) elections grew from 13 percent in 1952 to 22 percent in 1992, while those who identified themselves as “independent voters” grew to 40 percent by 2009 (Stanley and Niemi 1995: 136; Pew Center for People and the Press, 2009).

American voters are more fickle and less predictable in their party loyalties. While you may think it is good that party loyalty has declined, it represents a decline in the mooring mechanisms of parties and indicates that the power, stability, and predictability of the two-party system has diminished. Political scientists have speculated about the development of a relatively “partyless” electoral process (Crotty and Jacobson 1980, 248).

Declining support for political parties relates to the growing distrust in public institutions noted in Chapter 5, to the fact that Americans are often turned off by political campaigns themselves, and to lower voter turnout in the United States than in most other industrial democracies (Welch et al. 1994, 179–180). But turnout for presidential elections has improved recently as presidential elections have gotten closer and more polarizing—2008 voter turnout was 64 percent of the voter-eligible population, up from 54 percent in 2000. Besides Americans’ distaste for politics, there are causes of the weakening of political parties internal to the political process itself: political reforms and new technologies in electoral campaigns. Reforms to get politics away from control by corrupt political machines (beginning at the turn of the twentieth century) included (1) the introduction of secret ballots that reduced poll workers’ ability to influence voters, (2) replacing party-printed ballots with government-printed ones that increased “split ticket” voting, and (3) the creation of primary elections before general elections that reduced the control of party bosses and elites over the nomination process (Valelly 1990, 196). New technologies in political campaigns include (1) using the broadcast media, (2) public opinion polling, (3) phone banks, and (4) direct-mail fund-raising and advertising. These proved effective but expensive. They promoted a shift from labor-intensive politics, where party workers and loyalists were important to elections, to capital-intensive politics, where candidates with enough money could tailor issues to voters and mobilize them regardless of party loyalty. Not incidentally, it gave wealthy people and organizations more control over the political process than they had historically (Lowi and Ginsberg 1994, 499–500).

Even the reforms designed to lessen the influence of large financial contributions have had interesting (and unintended) consequences. New rules that limit the size of contributions from political action committees (PACs) have produced tightly knit networks of PACs that refer politicians to each other in search of campaign financing. The single large contributions of the 1960s and 1970s have been replaced by multiple contributions from PACs that “recommend” political candidates to each other in a slowly expanding web of influence (Clawson and Neustadt 1998). On January 21, 2010, the U.S. Supreme Court ruled that the portion of the 2002 McCain-Feingold campaign finance reform law was unconstitutional, which means that corporations, unions, and other political groups will be able to directly finance political advertisements on television without first forming a PAC and collecting limited contributions from donors. Corporations and unions are still barred from making direct contributions to politicians, but this latest ruling may alter the landscape of political communications in the United States (*The Economist*, 2010).

Ticket splitting, the rise of independent voters, political reforms, and the introduction of new technologies have reduced historic forms of electoral fraud, corruption, and political cronyism. They are consistent with individualism and the desirability of

having informed and educated voters. But their unanticipated consequences reduced the power and public responsiveness of political parties as organizations. New mobilization technologies (especially television) increasingly reduced politics to images and sound bites so that a candidate's looks, style, and stage presence are perhaps as important as his or her political ideas. Candidates for political office are less dependent on previous political experience, party connections, roots in the community, or bonds to the people they seek to represent. They mainly need the ability to use television, to follow the advice of consultants, and to pay for the services rendered (we think the last one is the most important!).

These reforms make voting less exciting, harder to figure out, and more dependent on individual rather than collective knowledge. Although this was unintended, they often make voting harder today. This illustrates that *rationalization* is a double-edged sword that Max Weber considered as a piece of modernity. Past voting practices were filled with corruption and lacked the efficiency of today's fact-based voting, but past practices and rituals were more effective at helping us see ourselves as a common community (Perrin 2008).

One of the more interesting recent characteristics of American party politics have been the relatively indecisive results of the 2000 and 2004 presidential elections. Contrary to popular belief, there have been indecisive presidential elections in the past (most notably the razor-thin margin that John F. Kennedy registered over Richard Nixon in 1960 and the somewhat infamous election of 1870 that ended reconstruction in the South). The official results for the 2000 presidential election, pitting former Vice President Al Gore against then-Texas Governor George W. Bush, was by far one of the closest and most contentious elections of the last 100 years. Governor Bush won the vote in Florida by a few thousand votes and lost the national popular vote by around 400,000 votes. The overall closeness of the vote total and the razor-thin margin of victory in Florida set off a thirty-day recount and an ultimate decision by the U.S. Supreme Court to let the vote stand as counted in Florida. The 2004 election was a bit more decisive (President Bush won reelection by around 3 million votes, or 2.6 percent of the total), but the decisive electoral votes came down to one state—Ohio. In both elections there have been numerous charges and countercharges regarding voting irregularities, including a public controversy about the effects of electronic voting machines on vote totals in 2004 (cf. Hout et al. 2004; McDonald 2005).

The U.S. political system has moved some distance from party politics toward personal candidate politics. These changes mean that the important public responsiveness of political parties are greatly impaired because they have less control over (1) the selection of candidates, (2) the grooming of political leadership, and (3) the formulation of policy. Parties still matter because they provide services to candidates and affect the voting patterns of legislators. But they are threatened with political irrelevance as the real political action has increasingly moved outside the area of party politics. If this is true, what new structures emerged to mobilize political desires and needs into governments? It's a fair question.

Political Action Committees and Other Forms of Political Mobilization. Political parties have declined as the popular base of political mobilization while the

importance of single-issue political groups has increased. They form to promote the political interests of a particular group, such as cotton growers, beef ranchers, gun manufacturers, environmentalists, nurses, lawyers, peace advocates, and evangelical religionists. In contrast, political parties attempt to balance and combine the interests of broad spectrums of groups in the population. Single-issue interest groups and their lobbyists are certainly not new to American politics, but the 1971 Federal Election Campaign Act regulated their existence and made a way for any group or organization to establish a "segregated separate fund" for political purposes. Such PACs have become a major force in American politics as the power of parties declined. PACs are far more important than parties as sources of campaign money, outstripping their contributions by margins of five to one by the mid-1980s (Malbin 1982, 42), funding for 2006 House candidates show that House incumbents received 85 percent of all PAC contributions (Federal Election Commission, 2007).

There is a vast array of PACs organized around almost every conceivable political and cultural issue. In 2007–2008, they spent collectively over \$1.2 billion in lobbying, campaign contribution, and litigation (U.S. Department of Commerce, Bureau of the Census, 2010; Table 411; 259). Here are the major official categories of PACs, the proportion of the total PAC money each spends, and examples of each:

- 25 percent corporate PACs
- 22 percent labor (Teamsters, Communication Workers of America, and AFL-CIO)
- 31 percent trade organizations/membership organizations/health organizations (National Rifle Association, American Medical Association PAC, and National Association of Broadcasters PAC)
- 19 percent unconnected (ideological, National Right to Life PAC, and Conservative Campaign Fund)
- 3 percent other (rural cooperatives and corporations without stock) (U.S. Department of Labor, 2010; Table 411)

While the diversity of groups and interests represented by PACs is astonishing, it is important to note that the ones that spend the vast share of money influencing politics are those representing the interests of corporations and trade and industry groups. Of over 4,000 registered PACs in 2007–2008, they contributed 56 percent and unions contributed another 22 percent of total PAC money. All other PACs together (primarily ideological interest groups) contribute only about 22 percent (U.S. Department of Commerce, Bureau of the Census, 2010; Table 411). *Many have questioned the implications of the rise of PACs for the quality of democracy in America.* Most PACs contribute money to political candidates from both parties (Clawson and Neustadt 1998). They can't replicate the functions of parties because they are special-interest organizations that make no pretense of promoting broader public interests and are even less able to promote a broad consensus about contentious political problems.

Even so, evidence from research doesn't come close to supporting the view that PACs dominate politics (or particularly the votes of members of Congress) to the exclusion of all other influences. Two factors prevent PACs from exercising more

effective control: their public visibility and huge numbers. First, when publicity (thanks largely to the media) makes the role of PACs visible in debates about political issues, their ability to control outcomes depends more on their capability to arouse majority sympathy for a just cause rather than by covert influence peddling. They have greater influence, for example, on narrow and obscure issues rather than broad and visible ones. Second, the dramatic growth of competing PACs over the last thirty years means that congressional committees and government agencies rarely hear from just one organized group without input from opposing groups and independent experts as well. Issue networks of policy experts and multiple organized groups (including PACs) are emerging that remind us of the strategic alliances emerging among businesses. The clout of PACs is still heavily weighted toward business interests. But paradoxically, as the number of PACs and organized interest groups in policy areas has increased, the ability of any one to influence the systems has declined (Clawson and Neustadt 1998).

Observers and political analysts have advanced numerous ideas for dealing with the influence of PACs and the declining influence of political parties. Some have suggested that the two-party system in the United States is tired and worn-out. They point to systems of *proportional representation* as a mechanism for reinvigorating party politics (see Phillips 1995). In proportional representation systems (like those in many Western European nations), parties are awarded seats in legislatures based on the proportion of the total vote they receive above a minimum threshold (usually around 5 percent of the popular vote). Parties that surpass this threshold are rewarded seats in the legislature, and these same parties must unite in ruling coalitions to select an executive and to pass legislative reforms. Proportional-representation systems usually produce lively competitions between multiple parties, are better at enforcing party discipline among their legislators, and create parties with more distinct identities that the electorate can identify (see Kourvetaris 1996).

Others suggest that Internet voting and direct referenda are ways of avoiding the maze of organized interest groups that have made "politics as usual" so unpalatable. Some believe that political power needs to be moved away from Washington, DC, and dispersed throughout the country so that lobbying and influence activity become more difficult (Phillips 1995).

But each of these solutions presents further problems of their own. Is "Internet democracy" really democracy in the absence of civilized debate and exchange (Elshtain 1995)? Could Internet voting systems open the way for new forms of abuse and corruption (cf. Hout 2004; McDonald 2005)? Would (say) the ability to select from ten to twelve parties in a proportional-representation system unite and invigorate us or simply divide us further? These are some of the many questions we face as American politics moves into the twenty-first century.

As parties and the electoral process declined as effective forms of political mobilization, other forms emerged, including not only PACs, but also *social movements* and their mass demonstrations and protest activities—once considered appropriate only for those on the fringes of the political system. By now, Americans are accustomed to mass rallies about many issues. And at the local level, community

associations have grown that have assumed many of the tasks previously undertaken by parties, including voter registration and community welfare.

CHANGE, PROBLEMS, AND THE AMERICAN PROSPECT

These transformations underlie many problems and contentious issues for public policy, now and in the future. Some may be obvious to you by now, but we will use the remainder of this chapter to restate two of them: (1) growing inequality, public policy, and living standards and (2) the fragmentation of democracy in America.

Changing Inequality, Wealth, and Living Standards

One of the most subtle, pervasive, and important changes taking place in America is the gradual redistribution of America's economic resources—a process that has profound implications for changes in the standard of living of Americans. Between World War II and about 1975, the rising tide of the American economy "lifted all boats," so to speak, so that the benefits of continuous economic expansion were widely distributed. The poor became a bit less poor, the middle classes showed real wage gains, and the rich remained rich but commanded a slightly smaller proportion of national wealth than they did in the prewar days. Political initiatives accelerated the economic process, particularly the Great Society antipoverty and civil rights programs of the 1960s. In 1965, over 20 percent of the nation's children lived in poverty. Five years later, that figure had been sliced to under 15 percent. In that same period, the number of Americans "officially" poor dropped from 19 percent to 12 percent (Broder 1991). In short, economic inequality declined during that period.

But since the 1970s, this process has undergone a pervasive and fundamental reversal. However it is measured, income inequality has increased since the mid-1970s. As the GNP continually increased, the highest 20 percent of income earners, and particularly the highest 5 percent, have made huge gains in their "share" of national income. But the entire lower 80 percent of income-earning families has experienced a slow but substantial decline in their share of national income, and the lowest 20 percent of families at the bottom of the income distribution is almost totally left out and find their position even worse. From 1970 to 2007, the share controlled by the top 5 percent increased from 16.6 to 22 percent, the share of the middle 60 percent decreased from 53 to 47 percent, and the lowest 20 percent decreased from 4.1 to 3.5 percent. Another way of describing this effect is that between 1973 and 2007, the upper 5 percent of families saw their huge shares increase by 32 percent, the middle 60 percent decreased their shares by 13 percent, and the lowest 20 percent of families saw their measly shares decrease another 20 percent (Stockhausen 1995, 96–13; see also Dolbeare and Hubble 1996, 38–39; Leicht and Fitzgerald 2006; U.S. Department of Commerce, 2010; Table 678).

These figures relate to disposable family income. Wealth is becoming even more unevenly distributed since those at the bottom possess only their disposable income, while those nearer the top own most of the property and corporate bonds

and securities. The picture is not substantially different if you look at pretax or posttax distribution of economic assets. This fundamental redistribution of economic assets among Americans has taken place in periods of economic recessions and in the sustained economic expansion of the 1990s and has continued through the 2008–2009 recession. No longer does a rising tide lift all boats: Something has fundamentally changed in the American political economy. But what is it?

Knowledgeable people agree that income inequality is growing, but there is no consensus about its causes, and even less consensus about how, or whether, public policy should address the problem. Discussions of this are complex, emotional, and politically contentious. In general, there are three kinds of understanding of the driving forces of growing income inequality:

1. *Family demography and culture.* Some argue that the growing acceptance of divorce and the growth of female-headed households fuels inequality because it produces poorer female-headed families. Additionally, in an aging society you can expect a net downward shift in average incomes as people retire. Some also argue that it is caused by a decline in the work ethic.
2. *The transformation of the economy, work, and policy.* Others argue that net inequality is driven by the shift to an information-based service economy with less human labor, and to businesses that are systems of temporary strategic alliances. There are fewer permanent employees and fewer benefits long taken for granted by working- and middle-class employees. The information-based service economy relentlessly rewards those with high-technology job skills and relentlessly punishes those without such skills. These explanations also emphasize the consequence of the globalization of economies (for a summary of these arguments, see Galbraith 1998).
3. *Government policies that explicitly favor investment and finance capital over earnings and transfer payments.* Our tax system has lowered taxes on the wealthy while maintaining or raising taxes on the middle class. The taxes imposed by the federal government, Social Security, Medicare, and state and local government entities seem designed to soak the middle class to the benefit of finance and investment interests (see Phillips 1993, 1995, 2008; Leicht and Fitzgerald 2006).

These explanations are not mutually exclusive, but we think family demography and culture explanations are the most limited, often taking consequences of destitution and poverty and treating them as causes. Some other things don't fit. For example, divorce and out-of-wedlock childbirth increased rapidly during the 1960s, and both leveled off during the 1980s, when the growth of inequality proceeded rapidly. From 1979 to 1987, half of the overall increase in poverty occurred among two-parent families; and in 2005, research found that more poor American children actually had two parents that were among the growing numbers of working poor, in low-wage service jobs (Bane 1989; Cherlin 2005; National Public Radio, 1996). Further, since 1975 this growing economic and family insecurity has not been concentrated among low-skilled workers and single parents. Changes external to families (in working conditions and public benefit programs) could stimulate a rise in insecurity among families (Hacker 2006; Western, Bloome, and Percheski 2008,

918). And as we noted, the elderly have not become poor as a category, largely because of improvements in Social Security and health care, though maintaining those benefits will be increasingly difficult politically (*Washington Post*, 2005).

Related to the rise in income inequality is the growing "middle-class squeeze" (as reported by Leicht and Fitzgerald 2006; Manning 2000; Sullivan et al. 2000; Warren and Tyagi 2003). The squeeze involves: (1) rapid inflation on the big-ticket consumer items that are markers of middle-class status (housing prices, health care, and public college tuition), (2) the growing instability and unreliability of middle-class jobs that pay too little, provide few if any fringe benefits, and don't last very long, and (3) the growing use of easily-available consumer credit to make up for deficiencies in personal income, setting up a cycle of "work and spend" (Schor 1998) that contributes to the production of a "post-industrial peasant" (Leicht and Fitzgerald 2006). Not only has consumer financing and credit risen at alarming rates over the past twenty years, but the cycle of indebtedness has spread to college students who now graduate with higher levels of debt—the average college student now graduates with \$7,000 in consumer installment debt (see Leicht and Fitzgerald 2006). Some have argued that rising consumer debt is not a problem, but the recent global recession and resulting credit collapse has exposed how dependent the U.S. economy has become on easy credit and Americans consuming beyond their means. Leicht and Fitzgerald argue that there is a considerable difference between a nation of middle-class consumers that buys the elements of the American dream with rising incomes and a nation of middle-class consumers that borrows ever-increasing amounts of money to purchase these same commodities. What do you think?

American public policy thinking about the problem has involved three themes. First, *privatize government* regulations and taxes, let private markets dominate, and hope that economic benefits "trickle" down through the system. Privatizing government has been popular because many members of the middle class are convinced the system is rigged against them (see Edsall and Edsall 1996; Frank 2004; Galbraith 1998; Phillips 1995). But obviously privatization is not a neutral policy. It works better for those who already have lots of money, and some things that are socially good, like environmental protection, are not always profitable. A second theme involves *economic nationalism*, that is, using government-industry partnerships to protect domestic industries and jobs. But our trading partners would retaliate, and as a consumer you would pay a price. Economic nationalism has broad appeal, but even there the trade-offs for consumers are great (would you be willing to pay twice as much for a pair of shoes made in the United States instead of Indonesia?).

A third set of ideas would use public money to invest in what economists call *human capital*, that is, the skills of Americans, making us more competitive producers of high-value products in the global economy. But increasing human capital won't change the basic functioning of the system very much since producing more college graduates will lead to credential inflation as jobs formerly performed by high school graduates and dropouts are given to college graduates (Galbraith 1998). Apart from whether the "fortunate fifth" of Americans are willing to subsidize the skills of the other 80 percent of us (see Reich 1991), these solutions don't address the basic forces generating increased social inequality in the United States.¹

The same forces of economic transformation and globalization work in other industrial democracies, but growing economic inequality is much less evident in most other industrial democracies than in Britain and the United States. Harvard economist Richard Freeman, summarizing fifty-four studies, concluded:

You can overcome market forces that have driven up inequality but you need government intervention to do it. . . . The catch is that government meddling may have priced some low-wage jobs out of the market, and hurt Europe's employment growth. . . . Still, the damage isn't as severe as many Europeans—and U.S. economists—fear. (cited in Bernstein 1994, 80)

European governments “meddle” in markets by redistributing wealth in various ways: by levying sharply progressive income taxes, by mandating high minimum wages, by encouraging collective bargaining rights of unions, by placing value-added taxes on luxury consumption, and by providing “social benefits” in housing, health care, and other areas. The consequence is tolerating higher unemployment (typically 10–12 percent). Given American attitudes toward governments powerful enough to do these things, it would be difficult to reproduce those institutional patterns here.

Here's the Important Point. Among industrial democracies, there are two kinds of political-economic policies emerging in the contemporary world: (1) The Anglo-American model, which creates lots of jobs, many with lousy wages, with huge pools of poverty at the bottom and huge pools of wealth at the top and (2) the continental European model (for lack of a better term), which creates fewer jobs but better ones and relies on powerful states to redistribute sufficient benefits to people and groups to preserve social peace. The disadvantages of the European model are well-known: powerful governments, large bureaucracies, higher taxes, and sometimes an inclination for authoritarian “solutions” in hard times. The disadvantages of the Anglo-American model are the very real social costs of vast inequality, such as a large and growing economically and politically marginalized segment of the population characterized by high levels of anxiety and despair, predatory criminality and gang activity in cities, and homegrown terrorists (like the militias since the 1990s, Southern Poverty Law Center, 2010).

In the end, vast and increasing levels of inequality have a coercive effect on American social and community life. This happens because high levels of inequality undermine the basis for cooperation in a free society. As many analysts have pointed out, a world with lower inequality is one we would choose without knowing what our eventual place was in it (Galbraith 1998). High levels of inequality make the future certain, undermine the belief that we are all part of a common society, and allow significant segments of the population to opt out of public activities that they would support if their future was unclear and it was possible that (at some future time) they would need those services. In short, rising U.S. inequality is more than just an economic problem. It is a political and cultural one as well.

Changing Democracy in America—The Legacy of September 11, 2001

From many standpoints, the American political system continues to be envied by many people in the world. It combines political stability with orderly change. It has provided the world with examples of the maintenance of individual rights, of freedom of expression and political dissent, of the ability to freely organize to promote one's interests, and of a system—while certainly not free from abuses—that has legal and electoral processes that prevent the most outrageous forms of political corruption. Having said this, there remain some reasons to be disturbed about the weakening of political parties and the emerging new structural basis of politics discussed above. Prestigious political scientist Walter Dean Burnham eloquently described the implications of weaker political parties more than two decades ago:

If this long-term trend toward a politics without parties continues, the policy consequences must be profound. One can put the matter with the utmost simplicity: Political parties, with all their well-known human and structural shortcomings, are the only devices thus far invented by the wit of Western man that can, with some effectiveness, generate countervailing collective power on behalf of the many individually powerless against the relatively few who are individually or organizationally powerful. Their disappearance as active intermediaries, if not as preliminary screening devices, would only entail the unchallenged ascendancy of the already powerful. . . . [The decline of parties] would after all, reflect the ultimate sociopolitical consequences of the persistence of Lockean individualism into an era of Big Organization: oligarchy at the top, inertia and spasms of self-defense in the middle, and fragmentation at the base. (Cited in Etzkowitz 1974, 435–437)

It is reasonable to conclude that the political system is becoming less effective in representing the truly general interests and is more likely to reflect the narrower interests of the wealthy and special interests with lots of cash. This is generally recognized—in the abstract—by both Republican and Democratic politicians, and from the 1990s to now there was a lot of talk about reforming the PAC system. But let us leave you with a tough question: If elected politicians need money to run effective political campaigns, what reforms would provide an effective way of getting money into the political system and maximize the broad popular representation of that electoral system? If not PACs, then what?

These questions have become all the more salient in the wake of the September 11 terrorist attacks in New York City and Washington, DC. President Bush subsequently declared a global war on terror, our military invaded Afghanistan and removed the Taliban regime there (and continues to search for al-Qaeda leader Osama bin Laden), then invaded Iraq, removed Saddam Hussein, and continues to pursue a project of establishing democracy in Iraq (and ultimately the rest of the Arab World). In the process, we have shipped captured opponents (labeled enemy combatants) to temporary prisons in Iraq, Cuba, and (according to the latest reports) secret locations in other parts of the world where they are retained without charge, interrogated using

methods that (allegedly) violate the Geneva Conventions, and (in a few notorious cases) die in custody as a result of their treatment. At home, tough new antiterrorism laws were passed, and foreign visitors of the United States underwent added scrutiny, a new cabinet department (the Department of Homeland Security) was created to supervise domestic security in the United States, and the Transportation Security Administration took over security at airports.

There is considerable debate, both inside of government and outside of it, about the cumulative effects of these policies on the American polity and the status of America in the world. Our global standing seems to be in jeopardy, and our standing as promoter of democracy and human rights seems to be in peril. The next few years will be very interesting to watch.

IN CONCLUSION

The last two chapters discussed problems and human implications that surround social change in the United States, and we hope they do not leave you with pervasive pessimism and fatalism. That was not our intent. In any case, we think we owe you a compact summary here about changing America and prospects for the future.

Like all nations of the world, the United States is undergoing a transformation from a society and culture patterns of World War II and the following cold war (1940s through the 1960s) to something different. Four broad causes or driving forces of this transformation to something different are useful to mention (again) here:

- Stunning technical innovation, particularly communication and information technologies
- The emerging world market economy, which confuses the established economic and political expectations of people and nations
- Increased flows of migrants and refugees seeking better lives around the world, who bring richness, diversity, and energy but also problems to their host nations
- The end of the cold war system of international relationships, alliances, and mutual suspicions that actually stabilized the world's political and military structure for decades (more about this in later chapters)

Changes produced by these driving forces bring a mixed bag of benefits and perplexing problems. These chapters noted many, but here are some we have not discussed. Among the Big Seven industrial nations, America

- has the highest rate of murders reported to the police.
- has the highest rate of reported rapes of young women.
- has the highest rate of handgun ownership per household.
- has the highest rate of births to teenage women.
- generates more municipal garbage per capita.
- has the lowest electoral turnout by eligible voters.
- has the lowest average number of paid vacation days. (Shapiro 1992)

If you watch the news, you know that such lists of problems seem never ending. But a more balanced view would also note some positive things that have occurred, some of which surprised the pessimists of a decade ago. The standout example was the rebound of the American economy in the 1990s. The American index of economic productivity rose sharply during that decade and our share of world manufacturing exports exceeds that of both Germany and Japan. In the 1980s, many economists feared America was losing out and wrote about "deindustrialization" and losing our economic competitiveness in the emerging world economy (Bluestone and Harrison 1982; Thurow 1980). While the United States may be number one in the world economically, figures on economic growth and productivity gains have been flat or declining since the fall of 2000 (*The Economist*, 2001a). Just when the U.S. economy was slipping into recession in the fall of 2001, the country was hit with the September 11 World Trade Center/Pentagon disaster, which sent the U.S. economy further into recession and probably instigated a worldwide economic slowdown as well (*The Economist*, 2001b). Now the major concern in the United States is over the new global war on terrorism and its effects on the economy. Employment in the U.S. nonfarm sector fell by 199,000 in September 2001, the biggest drop since the 1990–1991 recession. While the U.S. economy remains strong, predictions that growth would continue forever and that the new electronic economy was recession proof seem premature (*The Economist*, 2001c).

More positive things: America is still the world's largest national economic market, a fact not lost on our trading partners. The faith that foreign investors have in America can be seen in the fact that when the world economy looks uncertain, the value of the American dollar usually rises in relation to other currencies. Foreign investors believe America is a lucrative place to invest (in fact, their investment is so significant to the economy that if they ever stop, we're in great trouble!). No nation has a more diverse economy, or more scientific or technical creativity. Americans, for example, continue to win a disproportionate share of the world's Nobel Prizes in scientific fields. America's problems have to do with the fears and anxieties about jobs, health care, violence, and community disorders; its successes are surely found in cultural and scientific creativity, in the (macroeconomic) successes of its corporations in the world, and in continuing political importance among the world's nations. Other nations typically believe that addressing world problems requires engaging America in some constructive role. For example, the "peace processes" in both the Middle East and the Balkans could not have even begun without American cooperation and sponsorship (which is not to say they did or will succeed, or that others were not importantly involved).

A key to understanding the complicated and often contradictory experience of social change is recognizing that it is experienced differently by different categories and social classes of people. To get a sense of this range of reaction, try to imagine how the transformations of the last several decades would be differently experienced by successful leaders, scientists, corporate investors, and semiskilled workers who lost good jobs. For many people in the United States, the transformation to "something different" confuses the social contract we have taken for granted for a long time. Many of our responses try to bring back the good times—or at least the ones

we think we understand. During major transitions people grieve for lost social worlds. When an old world dies and new worlds are born, there is a lot of upheaval and anxiety about the future. We are like people who lived through the earlier industrial transformation at the turn of the twentieth century, who found themselves in big cities without a working social contract to orient them. Like them, we will find the future to be a whole set of possibilities: of crises but also of opportunities.

We think we are living through one of the major transitions in human history. We don't yet know how to name it: Postmodernism? Postindustrial society? Information age? Global society and economy? New world order? New world disorder and chaos? Different scenarios exist that envision the meaning of change and the American future. A *scenario* is not rigorous forecasting or prediction, but a vision of the future. Here are a few:

1. *Renewal and renaissance.* America is on the verge of a powerful economic, social, and political renewal and revitalization in the emerging information society and world economy. The good news is that most of the bad news is wrong (Cetron and Davies 1989; Naisbett 1994; Penner, Sawhill, and Taylor 2000).
2. *Cultural crisis.* America and Western nations are experiencing a moral decline and breakdown of cultural values that result in our inability to deal with change and result in many family, workplace, and political problems (Buchanan 2002; Eckersley 1993).
3. *Economic and political decline among nations.* Global American economic and political power reached its high point during the decades following World War II and is now on the decline. Like the British Empire before us, America overextended its resources and is not the dominant world power it was then (Kennedy 1987).
4. *Growing inequality and social revolution.* The growth of vast social inequality and the concentration of power and wealth among the relatively small number of elites at the top of society will eventually result in revolutionary change (not necessarily an old-fashioned violent "revolution"). It will be spearheaded not by the very poor, but by increasingly frustrated middle classes (Dolbeare and Hubbell 1996).
5. *Limits of privatization and return to "progressive" politics.* Analogous to the late nineteenth century, privatization and market solutions for everything accumulate such social costs that the reaction will be widespread demands to create living wages, better health care, corporate responsibility, and more popularly responsive governments. Progressive politicians may look dead right now, but they will dominate the next decade (see, for example, Dione 1996).

There is another scenario we often ignore. That is, *the vision of America shared by new immigrants and those who want to immigrate to America from around the world.* From their perspective on modern cultural themes that they identify with the United States, it still looks like a pretty good deal. To them, the "American Dream" is still a viable moral force. Although the problems of America are widely recognized, it is still a system that provides work, high standards for personal freedom and guarantees of civil liberties, and orderly and nonviolent political change. It is a system where politicians can be removed from office without civil war. Never mind that the American Dream is oversimplified and imperfectly practiced; immigrants'

own experience often convinces them that conditions are vastly better in the United States than in the nations they left, or want to leave.

These scenarios are very different. They differ in what they take to be important about change and the future. They can be negative or positive, depending on your values about what is good. All are limited, and we think some are plain wrong (we're not going to tell you which ones!). Are any of them more plausible to you than others? How would you envision the "something different" that is emerging?

America no longer dominates the nations of the world, as it did in the two decades following World War II, but the American Dream is far from dead. It does, we think, require ongoing revision now that we have entered the twenty-first century, particularly about the meaning of America as a civic and political community of people as we enter a global era. As do the citizens of most nations, we need to address anew the question: Who are we, anyway?

THINKING PERSONALLY ABOUT SOCIAL CHANGE

1. Let's frame the first question by beginning with a personal illustration. We began this book by describing the lives of our parents and children. We said very little about women, so now let's talk about Sonia, Harper's stepdaughter. She was a theater major and completed college at the same university where he teaches. As an undergraduate she was enthralled by acting and the theater, in spite of periodic parental admonitions that "it's good to have dreams, but also prepare for some kind of practical career, where the odds aren't so loaded against being successful." Does this begin to sound familiar? At some level, do all parents sound alike? Hah! Sonia was successful in periodic community theater productions (not a very good living!). To live, she found a make-do job with a small private company that contracts with county and state agencies to work with unemployed people to help them find and keep jobs. What's the relevance of this for the material of this chapter? Such small entrepreneurial firms proliferated as government agencies sought to contract out their functions. And such firms compete vigorously for contracts that change dramatically from year to year in different states. By the 1990s, Sonia was a manager and chief troubleshooter for the company's western operations, supervising various contracts in Orange County, Los Angeles, San Francisco, and other places. She was enthusiastic but often exhausted in a career that took her away from home and husband for periods of time. So far, they have successfully managed the work-family intersections.

What in her education specifically prepared Sonia for such work? Nothing, really, except what every good liberal arts education should provide: fluent literacy, broad knowledge about the world and human culture, an ability to work and communicate with people in oral and written forms, and—most important—the ability to problem solve and learn new things as required. In fact, contrary to popular belief, liberal arts majors often do quite well in the long run, compared with technically trained people, for jobs that require broad knowledge, flexibility, and adaptability (Kabada 1996).

Our example also illustrates emerging flexible enterprise webs and strategic alliances in the economy. The firm retains people as long as they remain high-value

producers and quickly shucks them off if they are not—as the fortunes of competitive public contracts themselves change dramatically from year to year. Sonia understands this. People survive in such turbulent enterprises only so long as they have the capability and energy to adapt to currents of change.

We have used this example to illustrate several issues about work and the changing economy. Question: Do you know people who (1) prepared for particular careers and succeeded, (2) had plans that didn't quite turn out as well as expected, or (3) were successful in some strange and unexpected ways? Beyond personal characteristics, how do you think these examples were affected by social change?

2. Take another look at some of the expanded functions of governments mentioned in this chapter. Which ones do you think we could do without? Now think not about your own personal desires and benefits, but about the social consequences for persons living increasingly in densely populated urban environments, as do the majority of people. For example, should we be able to own as many dogs as we wish? If you lived next to us in a city, should we be able to run a commercial kennel living next door to you?

We tried this exercise out on an economist friend very committed to private market solutions and found, to our surprise, that he didn't want governments to give up much of what concerns them now. But he did complain a lot about lack of efficiency and waste and had a lot of different ideas about the levels of governments that should do things. When you listen to most people talk about politics, what kinds of things do they dislike about politics and governments?

3. Organize a discussion among classmates or friends. If you could choose between what we called the Anglo-American political economy and the continental European model of political economy, which would you prefer? Why? Good luck. If you do this seriously, you are in for an exciting conversation. And one probably full of ideological quicksand.

NOTE

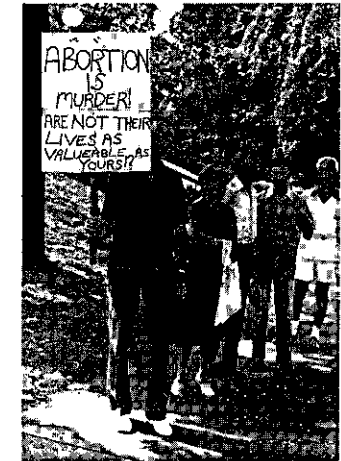
1. In 1917, President Woodrow Wilson proposed, and Congress enacted, a sharply progressive tax code that levied an 83 percent tax on the incomes of the wealthiest Americans. That was eroded during the 1920s, but by 1935 it was back up to 79 percent and was coupled with a hefty tax on inherited wealth. At that time public opinion largely endorsed a progressive tax, but it was gradually eroded first by exemptions and loopholes and then by inflation, which pushed lower-wage workers into higher tax categories. Progressivity almost disappeared with the leveling "reforms" of the 1980s, and by 1990 America's income tax on its wealthiest citizens was the lowest of any industrialized nation (Reich 1991, 246). At the same time Social Security taxes, property taxes, and user fees—all forms of taxation that take bigger bites out of the paychecks of the poor than the rich—also increased.

Chapter 7

Social Movements



Social movements of all kinds try to enlist the support of the wider public to gain the attention of elites.



The anti-abortion movement is one of the more active social movements in contemporary America.

In Chapter 3 (theories of change), we suggested that human agency is important in understanding social change. Contemporary societies abound with groups of people who organize attempts to promote or prevent change from taking place. There have been movements with an amazing variety of contradictory goals: to protect the environment, to save the whales from extinction, to promote more spending by the government, to promote less spending by the government, to reform the tax system (in a variety of ways!), to restrict the possession of handguns, to remove restrictions on handguns, to restrict abortion, to preserve freedom of choice about abortion, to restrict the areas where people can smoke, to change traditional gender and family relationships, to restore traditional gender and family relationships, to restore prayer in the public schools, to prevent the restoration of prayer in the public schools, to find missing children, to promote the rights of minorities, to end job discrimination