"GOVERNMENT IS *WHOSE* PROBLEM?"

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> "Till there be property there can be no government, the very end of which is to secure wealth and to defend the rich from the poor" (Adam Smith 1978: 15).
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> "The limitation of governmental powers, of governmental action, means the enslavement of the people by the great corporations" (Theodore Roosevelt 1912).
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> "An imbalance between rich and poor is the oldest and most fatal ailment of all republics" (Plutarch).

Abstract: This article addresses the political meaning of President Ronald Reagan's 1981 declaration that "government is the problem." Whereas historically the state had been used by elites to extract as much surplus as possible from producers, with democratization of the franchise, the state became the sole instrument that could limit, or even potentially end, the extraction of workers' surplus. Once control of the state is in principle democratized by the ballot box, the fortunes of the elite depend solely upon controlling ideology. In 1955, Simon Kuznets offered the highly influential conjecture that while rising inequality characterizes early economic development, advanced development promises greater equality. However, rising inequality in most wealthy countries over the past four decades has challenged this hypothesis. What those who embraced Kuznets' conjecture failed to recognize is the dynamics by which the rich, with their far greater command over resources, education, and status, inevitably regain control over ideology and thereby the state. Over the course of history, only the very severe crisis of the 1930s discredited their ideology and led to a sustained period of rising equality. However, by 1980 they had regained ideological ascendancy. This article examines how this struggle over ideology has unfolded in the U.S. since the democratization of the franchise in the late nineteenth century. It concludes with reflections on whether the current crisis holds promise of again de-legitimating the elites' hold on power and ushering in another period of rising equality.

KEYWORDS: Inequality, ideology, class power, democracy, Kuznets' curve.

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In his first inaugural Presidential address in 1981, Ronald Reagan declared that "Government is not the solution to our problem; government is the problem." Grover Norquist, leader of Americans for Tax Reform declared his goal to be "to cut government in half in twenty-five years, to get it down to the size where we can drown it in the bathtub" (2001). The new rallying cry became "starve the beast." Why this insistence on depicting government as the

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enemy?

In fact, until recently in human history, in a very critical sense, government was indeed the enemy of the overwhelming majority of people. Although it did provide for defense, until the nineteenth century, an elite used the state to insure that it could extract as much surplus as possible from the working population. Ideology, crafted and controlled by an elite, for most of this history depicted the state as sacred, its rulers having been chosen by gods, or even that they were themselves gods.

However, the maturation of capitalism in the nineteenth century created the conditions in which the working class would, through the threat of violence, successfully petition for higher wages, better working conditions, education for their children, and the franchise. Conquest of the franchise gave them the formal power to peacefully claim a fairer share of society's income, wealth and privilege. The role of the state was in principle reversed from a social agency that enabled an elite to capture the surplus to one that could impede it from doing so. If the state were to truly become democratically controlled, then for an elite, government would indeed become "the problem." The only remaining weapon to maintain its elite status would be in maintaining control over ideology. It would have to convince the masses that their best interests would result from those policies that would in fact enable the elite to retain, if not augment, its wealth, power, and privilege.

For those who believed in the superiority of a more equal society, the democratization of control over the state generated considerable optimism. A landmark article published over a half-century ago seemed to confirm the promise of a future of greater equality. Simon Kuznets found empirical evidence that led him to conjecture that although inequality increases in the early stages of economic development, at some more advanced level, inequality begins decreasing. His conjecture so impressed scholars that it came to be seen as "conventional wisdom" (Lantican et al., 1996: 243), "some sort of 'iron law' of development" (Srinivasan 1977: 15), "one of the most enduring and remarkable arguments in the history of the social sciences…" (Moran 2005: 209; 218).[2]

However, Kuznets' widely embraced conjecture has been discredited by rising inequality over the past 30-40 years in most rich countries. Kuznets himself did not believe that his famous inflection point toward greater equality was some sort of "iron law," something that could be counted upon to unfold automatically. Although he saw economic forces as predominant, he also saw public policy as essential. And for this reason, he claimed that "it is inevitable that we venture into fields beyond those recognized in recent decades as the province of economics proper.… Effective work in this field necessarily calls for a shift from market economics to political and social economy" (1955: 28).

Although Kuznets did not address ideology per se, it is a principal driver of public policy, and he was writing during a period in which the prevailing ideology was highly supportive of measures that would favor greater equality. In the 1950s there were ample reasons to believe that this ideology was the wave of the future, to the delight of egalitarians and to the chagrin of

[2] It is ironic that Kuznets' conjecture supported a passive attitude toward inequality. It suggested that rising inequality in developing countries need not be of much concern since it is merely part of the story of successful economic development. And because inequality was destined to decline in the now rich countries, vigorous redistribution measures might be viewed as less urgent.

conservatives. To its proponents, it did not of course appear as ideology at all, but solid reasoning as to what makes not only a thriving economy, but also a good and just form of capitalism.

What was unclear to students at that time, and remains generally unrecognized still, are the dynamics by which an elite almost always maintains command over society's ideological superstructure. Throughout history, loss of this command has generally been quite brief and quickly regained. The exception that proves the rule is the 40-year period beginning in the Great Depression and lasting up until the mid-1970s, the period during which Kuznets offered his conjecture.

Most students of secular trends in distribution have limited the scope of their analysis to economic forces such as sectoral shifts, demographics, and technological change.[3] But even when Kuznets' entreaty to broaden analysis to political and social factors has been heeded, the role of ideology has typically not received substantial attention. Yet throughout history, the elite's superior influence over the generation and character of ideology has played a usually decisive role in the maintenance of its ability to appropriate most of society's surplus (Gramsci 1971).[4] At times, economic, demographic, ecological, or even natural events brought on crises severe enough to threaten the elite's ideology and thus its fitness to rule. However, their superior command over ideology always permitted it to eventually reclaim legitimacy and most if not all of society's surplus.

Thus, the reason why the rich can be expected to reverse any setbacks and regain most of output beyond that necessary for the workers' subsistence[5] is located in their greater potential for crafting ideology that will be widely persuasive. This does not mean that an elite has been evil or even overly greedy. Unless hoodwinked, on the whole people spontaneously gravitate toward political and economic doctrines that are supportive of their self-interests.[6] However, they come

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[3] Daron Acemoglu and James A. Robinson (2000: 1168) provide a list of theories attempting to explain the Kuznets curve's inflection point before offering their own democratization thesis (to be discussed in the text). They include Kuznets' (1955) reflection on the switch from agriculture to industrialization, Lindert's (1986) hypothesis of the falling importance of land income, Williamson's (1985) hypothesis that the wage share increased due to technological change, and Aghion and Bolton's (1997) hypothesis that savings by the rich push down the interest rate, permitting the less well-off to borrow and invest, thereby catching up.

[4] Inequality has always been legitimated such that most folks found it acceptable, even when it meant their lives were filled with extreme hardship and misery. The extraordinary power of such legitimation is that it establishes what Haines and Jost, call "'status quo biases' whereby people tend to favor whatever option is perceived as the current one and to avoid choices that require change. [Further] ...providing justification makes people feel more comfortable with inequalities of status or power, even when they are in a relatively disadvantaged position. Thus, reasons and justifications serve a placating function when it comes to the preservation of power" (2000: 222; 223). More striking, "people may be more willing to accept relatively illegitimate accounts than is commonly assumed...[and the authors] found that people misremembered the explanations that were given to them as more legitimate than they actually were" (232).

[5] From Adam Smith on, economists used the term subsistence to mean at times the physical necessities for biological survival, at other times, a culturally defined rudimentary standard of living. In today's wealthier societies, the latter use is clearly more appropriate.

[6] Thus the extreme example that in spite of the Declaration of Independence's declaration that "all men are created equal," slave owners truly believed, and their religious leaders provided confirmation, that their system of slavery was morally justified, indeed a part of God's greater purpose, and in the best interests of the slaves themselves. As

to the task of identifying and seeking their own interests with widely unequal assets. In addition to far greater material assets, the wealthy have the best educations,[7] the most gifted friends and acquaintances, and all of this privilege makes them on average more astute and successful in identifying and attaining their interests than less-privileged citizens.[8] Indeed, their more sophisticated educations mean that they are less likely to be fooled as to just what these self-interests are. In their competition for status among themselves the rich naturally gravitate toward ideologies supporting measures that bring them ever-greater shares of society's income, wealth, and privilege.

This article examines the modern dynamics by which an elite all but inevitably holds command over society's dominant social ideology, and consequently the ability to capture a huge portion of society's surplus. The major focus will be upon the dramatic reversal of Kuznets' expectations over the past four decades, especially in the United States. The organization is as follows: A brief summary of statistics is provided capturing the magnitude of this most recent reversal. This is followed by a broad survey of the modern history of inequality trends: the elite's loss of monopoly control of the state in the nineteenth century, followed by modest working class progress through the end of World War I; the elite's recapture of ideology following the war, only to dramatically lose it in the wake of the collapse of 1929; the ensuing ideology and policies that brought about substantially reduced inequality between the 1930s and the mid-1970s. Attention then turns to the central focus of this article: the manner in which the elite regained control over society's dominant ideology over the past four decades, using it to take an ever-larger share of income, wealth, and privilege. The article concludes with reflections on the future potential for the democratization of ideology.

KUZNETS' CONJECTURE FOILED

Over the three decades following World War II, the U.S. became a more egalitarian society. Between 1946 and 1976, inflation-adjusted per capita income increased by about 90 percent. For the bottom 90 percent of households it increased by 83 percent, but only by 20 percent for the top one percent. However, over the following three decades of relatively stagnant wages -- between 1976 and 2006 – whereas inflation-adjusted per capita income increased by 64 percent, for the bottom 90 percent of households it increased only by 10 percent. For the top one percent of households it increased 232 percent.[9] A more detailed breakdown of this rising inequality can be seen in Table I below.

Joan Robinson aptly put it, "No one… is conscious of his own ideology, any more than he can smell his own breath" (1962: 41).

[7] In the U.S. today, at the 146 most select colleges 74 percent of the students come from the richest 25 percent of the population, and only three percent come from the poorest 25 percent.

[8] The American Political Science Association notes that "Citizens with lower or moderate incomes speak with a whisper that is lost on the ears of inattentive governmental officials, while the advantaged roar with a clarity and consistency that policy-makers readily hear and routinely follow" (2004, 1).

[9] Between 1979 and 2007, the super-rich, the top 0.1 percent (the top one one-thousandth of households), saw their incomes grow 390 percent, while over the same period, incomes for the bottom 90 percent increased only 5 percent (Mishel 2011). Income distribution became even more unequal than these data reveal, if the declining availability and quality of public goods consumed by the less privileged are taken into account.

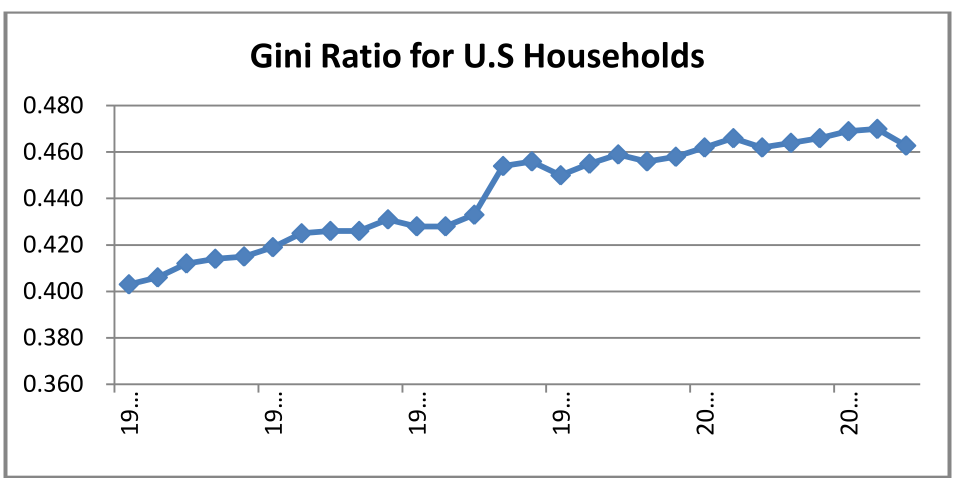
TABLE I[10]

Increases in Real income by income group: 1976 to 2005 (CBO)

Income Percentile	Rise in Real Income ($)	Percent Increase
Bottom 20	$900	6.3
Second	$4,600	15.8
Middle	$8,700	21.0
Fourth	$16,000	29.5
Top 20	$76,500	79.9
Top 1	$745,100	228.3

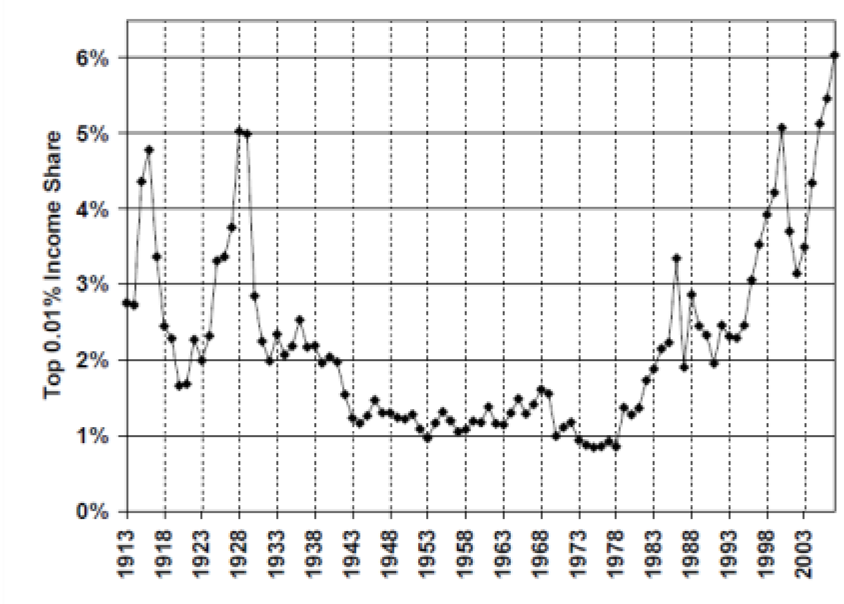
What is yet more striking is the dramatically larger share of income accruing to the ultra wealthy, the top one-hundredth of one percent (Figure 1). Their income shares soared from about 0.9 in the mid 1970s to 6 percent in 2005, surpassing even the previous extreme level attained in 1929. Equally astonishing, the seven-year expansion of the Clinton years provided the top one percent with 45 percent of total growth in pretax income. They did even better during the four-year expansion of the Bush years, taking a full 73 percent (Palma 2009).

[10] There are many other ways of depicting this rising income inequality. For instance, the poorest 20 percent of Americans saw their share of total income decline from 5.5 percent in 1973 to 4.0 percent in 2006. Over the same period, the second poorest 20 percent saw their share drop from 11.9 to 9.5 percent, the middle 20 percent from 17.5 to 15.1. Meanwhile, the share of the richest 20 percent rose from 41.1 to 48.5 percent. And the richest five percent saw their share climb from 15.5 to 21.5 percent (Table 1.7, Mishel et. al. 2009). The rise in the Gini Coefficient depicted in the chart below provides a graphic glimpse of this growing inequality.



Source: Bureau of the Census, Historical Income Table H-4
http://www.census.gov/hhes/www/income/histinc/h04.html

FIGURE 1



Source: Saez 2009 http://elsa.berkeley.edu/~saez/saez-UStopincomes-2007.pdf

Inequality in wealth ownership is yet far greater, and also greatly increased during this period. Widening wealth inequality between 1983 and 2007 is revealed by the fact that mean wealth grew about twice as fast as the median (Wolff 2010: 9), due in part to the wealthy investing in assets backed by loans to the middle class and poor. Whereas the Gini coefficient for household money income in 2005 was 0.47 (DeNavas-Walt et al. 2006, 7), the Gini coefficient for household net worth was 0.81 (Kennickell 2006, 10).

STATE MONOPOLY LOST

The evolution of an urban industrial working class brought with it organized resistance to long workdays, low wages and unhealthy working conditions. To reduce and hopefully eliminate the threat of violence, the elites began bribing the working class with various benefits and with the franchise.[11] Both strategies for calming working class revolutionary fervor resulted in workers retaining larger shares of total income. Although immediately costly to the elite, they understood, as Muller and Seligson observe, that “the presence of meaningful nonviolent possibilities of influencing the political process will inhibit the ability of revolutionary-minded dissidents to mobilize large followings” (1987: 444).[12] Arguably, there may also have been some

[11] History is replete with the resort to bribes by ruling elites to quell threatening discontent. Most recently, in early 2011, as insurrections blossomed across north Africa and the Middle East, and after the seizing of popular control of the governments of Tunisia and Egypt, and as insurrection threatened its tiny neighbor’s ruling class, King Abdullah’s ruling clique in Saudi Arabia offered its citizens $6 billion in new welfare grants (about $2000 per person), the establishing of a fund of $10.7 billion for giving free loans to citizens, a 15 percent wage increase for workers, and a cabinet reshuffle. Sixty percent of Saudi Arabia’s population is of less than 18 years of age and 28 percent of youths in the work force are unemployed.

[12] De Tocqueville had noted how political inclusion of disgruntled groups served to quiet social resentment. He was

understanding that their superior command of ideology could limit their losses.

The following examples reveal the dynamics of the response to the threat of insurrection. The initial extension of the franchise in Britain in 1832 followed, as Acemoglu and Robinson report, "unprecedented political unrest, including the Luddite Riots from 1811-1816, the Spa Fields Riots of 1816, the Peterloo Massacre in 1819, and the Swing Riots of 1832" (2000: 1182-83). Further extension of the franchise in 1867 came with a heightened threat of violence due to a severe economic downturn. This was followed by lessened inequality and welfare measures paid for by the fact that "taxes as a proportion of National Product more than doubled in the 30 years following 1870, and then doubled again (Acemoglu and Robinson 2000: 119-1).

In France, universal male suffrage was extended to all males in 1849 in the wake of the 1848 revolution and the collapse of the Orleanist monarchy, which, following the 1830 revolution, had used property restrictions to limit the franchise to a mere 0.75 percent of the population (Acemoglu and Robinson 2000: 1184). Also, following the revolution of 1848, "Britain…was transformed from an 'oligarchy' run by an elite to a democracy" (Acemoglu and Robinson 2000: 1167).

The elite in Germany also began extending the franchise following the 1848 revolution. However, rather than further extending the franchise several decades later in response to an increasingly threatening working class, organized under a socialist party, the elite chose instead to bribe them with extensive welfare measures. Following World War Two, governments in both South Korea and Taiwan initiated land reform in the face of a Chinese-style threat of revolution (Acemoglu and Robinson 2000: 1181).

This evidence suggests that the inflection point of the Kuznets curve follows upon the reaction of the ruling elites to the threat of violence and revolution. Thus Acemoglu and Robinson find that for the countries they examine (Britain, France, German, and Sweden) "inequality peaked approximately at the time of the major political reforms, and fell sharply after the extension of the franchise." This fall was "in large part due to major redistributive efforts including increased taxation, investment in education of the poor, and labor market reform" (Acemoglu and Robinson 2000: 1193; 1180).[13]

Compared to the European experience, the U.S. was an anomaly, starting out far more egalitarian (Engerman and Sokoloff 1994). Notions of equity pervaded both the economic and governmental spheres in the United States, with titles of nobility specifically prohibited in its Constitution (Article I, Section 9). By 1815, seven out of twenty states had universal white male suffrage (Black and Sokoloff 2006: 77), and all states had abolished property requirements by 1856 (Engerman and Sokoloff 2005: 898).[14] Abundant cheap land provided many with the alternative of relative self-sufficiency. With a working class that could afford cheap

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aware of how when conservative elites in France had vociferously opposed extending the franchise, devastating urban riots followed (1945).

[13] Extension of the franchise in response to threats of violence and revolution from below led to labor reform, and especially to a democratization of education. In England, for instance, enrollment of 10 year olds soared from 40 percent in 1870 to 100 percent in 1900 (Acemoglu and Robinson 2000: 1191).

[14] However, Massachusetts, Rhode Island, Delaware, North Carolina, and Pennsylvania until 1860 maintained requirements that citizens pay taxes in order to be eligible to vote (Engerman and Sokoloff 2005: 898).

manufactured goods, the U.S. was able to rapidly develop a deep manufacturing base after the War of Secession.

The progressively greater democratization at the ballot box decreased the ease with which the elite could use the state to violently curb the aspirations of workers, especially in putting down strikes. Only control over ideology could promise retention of their control over the state. They had to convince the masses that the self-interest of the elites was in fact the self-interest of everybody.[15] This, of course, they had always done. But now it had to be without the easy recourse to the backup of violence. The elite had lost its violence-backed monopoly control over the state.

With democratization of the franchise, in principle, the masses could use the state to advance their collective interests, and at the end of the nineteenth century and beginning of the twentieth, this was done on an unprecedented scale. The state had been transformed from the executive committee of the ruling class[16] to that social agency that could limit, or in the extreme eliminate the capturing of society's surplus by an elite. As will be seen below, elites were not able to reverse this rising worker power until it was substantially delegitimated by fortuitous events during and after World War I.

THE "PROGRESSIVE ERA"

Although evidence suggests that inequality within the U.S. continued to grow until World War I, participation in control of the state enabled the working class to greatly improve the quality of their lives.[17] During the first decade of the twentieth century, union membership increased by nearly 60 per cent. Unemployment rarely exceeded five per cent (Historical Statistics of the United States). The average workweek declined from 57.3 hours to 54.9 hours.[18] And for the period of 1890 to 1914, real wages for factory workers increased by 37 percent (Rees 1961).

During this "Progressive Era," ideology favorable to the working class flourished,[19] as captured in the "change in attitudes toward labor, particularly in government circles" (Wynn

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[15] Huber, Rueschemeyer, and Stephens have found that "the bourgeoisie often comes around to support democracy once it turns out that its interests can be protected within the system" (1993: 75).

[16] Although the idea that historically the state served the interests of the ruling class is generally associated with Marx, Adam Smith had recognized this fact much earlier:
"Laws and government may be considered in this and indeed in every case as a combination of the rich to oppress the poor, and preserve to themselves the inequality of the goods which would otherwise be soon destroyed by the attacks of the poor, who if not hindered by the government would soon reduce the others to an equality with themselves by open violence" (Smith 1762-63: 208).

[17] Huge inflows of immigrant labor frequently brought in to replace strikers put downward pressure on wage rates. Hatton and Williamson (1995) estimate that competition from new immigrants retarded real wage growth by about six to nine percent between 1890 to 1914.

[18] An eight-hour day had been mandated in 1892 for workers in the employ of firms with federal or state government contracts (U.S. Department of Labor 1962: 83).

[19] This was evident in the broad popularity of books by social critics such as Henry George (*Wealth and Poverty*), Edward Bellamy (*Looking Backward*), Upton Sinclair (especially *The Jungle*) and Thorstein Veblen (*Theory of the Leisure Class*).

1986: 87), and exemplified by enaction of Progressive Era policies. Pro-labor aspects of Teddy Roosevelt's administration included the advocacy of employer liability laws, regulation of the use of injunctions in labor disputes and urging arbitration rather than military force to resolve strikes (Wynn 1986: 87), income taxes to mitigate income inequality, and greater supervision of "large corporations" (Gould 1996, 89). A workmen's compensation system for certain federal employees was established in 1908 (Robertson 2000: 233).[20] By 1909, all but six states had established a minimum age for factory work and by 1913, 19 had eight-hour day laws for those under 16.

Workers' enhanced relative power was evident in other domains. By 1900, 16 states provided for factory safety inspections. By 1916, 40 states had compensation programs, most of which survived constitutionality challenges (Robertson 2000: 48, 233). In 1913, the Department of Labor was established to promote the interests and welfare of workers, giving labor a legal voice in government. Pushed by progressive reformers, legislation created a vast array of public goods that benefited the broad population, such as schools, playgrounds, parks, and public transportation.

By 1908 public outrage at the level of collusion between politicians and corporations led 22 states to enact laws prohibiting corporations from making political campaign contributions. Twelve states enacted measures requiring supervision of lobbyists. This new "system of governance" had the intention of regulating the behavior of capital and wealthy elites, and thereby implicitly promoting the general interest of labor (Gould 1996: 76).

WORLD WAR I AND LABOR DISGRACED

President Woodrow Wilson had strongly emphasized in his campaign speeches that the nation's wellbeing was dependent upon labor's wellbeing. The rising popularity of the Socialist Party had been pulling the political center of gravity leftward.[21] In 1917, Wilson became the first president to deliver an address at an AFL convention. He proclaimed that labor's condition was not to be "rendered more onerous by the war" and that, in disputes, "[labor is] reasonable in a larger number of cases than the capitalists" (cited in Wynn 1986: 96).[22]

During World War I, maintaining a high level of output was imperative. And as Mary van Kleeck, co-author of a policy statement issued by the Office of the Chief Ordnance, put it, "industrial history proves reasonable housing, fair working conditions, and a proper wage scale are essential to high production" (cited in Wynn 1986: 105). In return, labor would work diligently and not strike. However, as the war unfolded, real wages began a slight downward trend as profits increased (Douglas 1966: 210). In response, organized labor became increasingly militant and broke its promises, using "the strike weapon as never before." Between 1915 and 1918, the number of work stoppages tripled and strikes "raged with singular intensity" in the

[20] Understandably, Roosevelt's actions reaped hostile responses from the wealthy who portrayed his "popular clamor" as due to a lack of economic erudition. As an Ohio banker put it, "the great trouble with [Roosevelt] is that he is not a business man and does not understand commercial affairs" (cited in Gould 1996: 93).

[21] The strength of the Socialist Party of the United States from 1901 to 1917 made it the only sustained third party of any significance in the twentieth century (Weinstein 1967).

[22] It was common for companies to reject mediation in labor disputes and to "flatly refuse" to cooperate with suggested proposals. (Montgomery 1987: 348).

munitions and armaments industry (Dubofsky 1996: 129), resulting in a ten percent fall in labor productivity (Brody 1993: 12).

LABOR BUSTED AND SURGING INEQUALITY

By the war's end, forces were well in motion to shift the ideological advantage dramatically in favor of the elite. Labor's failure to fulfill its informal wartime "no strike" pledge was depicted as highly unpatriotic, just when the Russian Bolsheviks were introducing an alternative to capitalism. In a "Red Scare" environment, labor's struggles were increasingly portrayed as part of a communist conspiracy to turn the United States into the Western version of the Soviet Union, while business interests embarked on a campaign to demonstrate the patriotism of business and the dangers inherent in labor's intransigence. The Bolshevik Revolution's creation of a socialist society gave the rich the leverage needed to delegitimate anything critical of free-market capitalism. The "Red Scare" was used to purge leftist thinkers and tarnish movements for greater social equality. Liberals were branded as foreign-directed, godless, and a threat to all that Americans hold dear.

The election of 1920 returned control of the federal government to the Republican party, and as Edsforth notes, "Business-oriented Republicans dominated national politics and lobbying efforts in Congress….and nativism shaped political debates all over the country" (1998: 246). The American free-enterprise system was trumpeted to promote the values of "social harmony, freedom, democracy, the family, the church, and patriotism." Advocates of "government regulation of the affairs of business" were characterized as subversive (Carey 1995: 27). With labor unions viewed negatively, the courts issued as many anti-labor injunctions during the 1920s as during the entire period from 1880 to 1920 (Bernstein 1966: 2000). The Supreme Court ruled minimum wage legislation in the District of Columbia unconstitutional in 1923.

Undergirding these court decisions was the doctrine of "freedom of contract." Zieger notes that "Everywhere, except in a few unionized enclaves,...the right to organize was nonexistent….Everywhere, it was open season on anyone who dared to talk union" (cited in Edsforth 1998: 247). "Radical organizations were effectively repressed, and almost every union affiliated with the American Federation of Labor was put on the defensive" (Edsforth 1998: 247). Meanwhile, tax "reforms "reduced corporate taxes and lowered the maximum personal income tax rate from 65 to 32 percent" (Sobel 1968: 52-53).[23]

A new media technology – the radio – greatly assisted the dissemination of ideology. The first regular radio broadcast took place in November 1920, and by1928, 12 million sets catered to 40 million listeners (Blanning 2008: 204-05). So completely did business dominate the climate of opinion during the 1920s that Roger Babson, a powerful investment advisor and founder of Babson College would claim that it had conquered "the press, the pulpit and the schools" (cited in Cochran and Miller 1942: 343-44).

In addition, academic economists provided increasing support to free-market ideology, thereby lending "scientific" support to right-wing policies. The mainstream economic canon was

[23] President Calvin Coolidge and his Treasury Secretary Andrew Mellon energetically campaigned to drastically cut taxes on the highest incomes. During the 1920s, only the very highest portion of the income distribution was subject to federal income taxes. Thus the large tax cuts undertaken in 1921, 1924, and 1926 benefited only the wealthy. Tax rates that had been as high as 75 percent on net income above $500,000 were reduced to a highest marginal tax rate of 25 percent on net incomes above $100,000 (Smiley 1998: 218).

highly supportive of unfettered and thus unregulated markets, even when greater inequality was the consequence.[24]

The decade prior to 1929 appeared highly prosperous. Growth of economic output averaged 5.9 percent per year between the end of the recession in July 1921 and August of 1929, in spite of two mild recessions (1923-24; 1926-27). However, the real prosperity of the 1920s was reserved for the wealthy (Bernstein, 1966; Stricker 1985). Holt (1977) claims that per capita income for the lowest 93 percent of the non-farm working class actually decreased by four percent from 1923 to 1929. Accordingly, the share of total income received by the richest five percent increased from 24.3 percent in 1919 to 33.5 percent in 1929. By 1928 the richest 10 percent received 46 percent of total income. The disposable income of the top one percent of taxpayers rose 63 percent (Livingston 2009: 38). Phillips estimates that whereas there were about 7,000 millionaires in 1921 or 1922, by 1929 there were about 30,000 (2002: 11).

Because of the wealthy's increased command over society's dominant ideology, the losers – the overwhelming majority of Americans – did not use the political process to stop the super-rich rip-off. Through the democratic process, in principle, they could have forced the creation of compensatory measures to relieve workers harmed by technological change or international trade. Taxes could have been restructured in their favor, and public services that benefit them such as day care, better schools, health care and public recreational facilities could have been vastly expanded and improved. However, the wealthy's increased control over the ideology infrastructure resulted in the majority buying into the rich's ideology that such measures would not be to either their own or the country's benefit. The seemingly robust economy, the booming stock market, and new consumer goods suggested that their ideology was indeed beneficial for all.

DEPRESSION AND "THE GREAT COMPRESSION"

Throughout history, inequality has only rarely been protested. The exceptions were when the less privileged suffered a substantial deterioration in their condition. The greatest instance of this in American history came in the wake of the onset of the Great Depression.

The ideology that enabled the rich to take ever larger shares for themselves had steered the economy into systemic dysfunction. Not only did that ideology create the preconditions for the crisis, it also deepened it and impeded implementation of what was necessary to end it. Although historians still debate the causes of the Great Depression, all agree that at least two serious public policy mistakes were made. Following the stock market crash of 1929, the Federal Reserve System permitted the money supply to contract, and Congress passed the Smoot-Hawley Tariff Act, the most protectionist in U.S. history. Both helped magnify a financial crisis into a full-blown depression, the worst in U.S. history.

History suggests that conditions must become quite severe before the working class comes to reject prevailing ideology and become militant. The social dislocation following upon extensive proletarianization and technology-generated unemployment during the nineteenth century had been radicalizing. The crisis of the 1930s was as well, especially as it reached its depth in 1933 with 25 percent unemployment and half of all banks folding. Labor protest and organization surged between 1934 and 1939.

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[24] For a discussion of the manner in which economic science has served to legitimate inequality, see Wisman and Smith 2011.

The Great Depression's widespread suffering called laissez-faire political and economic policies into question. It also challenged the prevailing economic theory that legitimated these policies, making space for the Keynesian revolution. For the subsequent four decades, inequality in income, wealth, and opportunity lessened, guided by economic doctrines that depicted greater equality as positive and active government intervention as essential for a prosperous and fair economy. Only government could guarantee a "New Deal."

The most outstanding government measures reducing inequality and improving conditions for the broad population included workers' rights to collectively bargain, social security, the G.I. Bill, Medicare, Medicaid, Food Stamps, public housing and rent subsidies, Project Headstart, Job Corps, Occupational Safety and Health Administration, the Consumer Product Safety Commission, the Mine Enforcement and Safety Administration, and the Environmental Protection Agency. Public goods such as schools, parks, playgrounds, and public transit that benefit the general population were vastly expanded in quantity and quality. Highly progressive income taxation also reveals the intent of redistribution toward greater equality. The highest marginal income tax rates were, in percentage terms, 1942-43: 88; 1944-45: 94, 1946-50: 91. Top marginal tax rates remained in the upper 80s from 1951 until 1964, and 70 from 1965 until 1981.

Whereas the top one percent of households in 1929 received 22.5 percent of all pre-tax income (including capital gains), they received only nine percent by the late 1970s (Piketty and Saez 2006). What Burns termed a "revolutionary leveling" (cited in Williamson1991: 11), and Goldin and Margo, the "Great Compression" (1992) between the 1930s and mid-1970s, seemed to confirm Kuznets' conjecture that inequality would decrease in the later stages of economic development. Relative wealth distribution returned to a state that had disappeared in the decades after the Civil War.

THE RICH RECLAIM COMMAND OF IDEOLOGY

However, by the mid-1970s, ideology began turning against the active government intervention that had benefited the broad population for four decades. Due to the elite's wealth, superior education, and influence over the political sphere, this ideological reversal was destined to happen eventually. The specific events that facilitated this reversal are addressed below.

Stagflation had delegitimated Keynesian economics,[25] setting the stage for a strong rejection of government intervention in the economy (Hirschman 1982). Liberal policies were alleged to be at the root of what pundits claimed was the decline of the American century. Evidence cited included loss of gold backing of the dollar and its devaluation, loss of the Vietnam War, and with the widespread use of recreational drugs and sexual promiscuity, alleged rising moral degeneracy. Welfare, union power, and labor legislation were claimed to have sapped work incentives.[26] High taxes, especially on the rich, allegedly reduced entrepreneurial

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[25] As Chicago School economist John Cochrane has put it, "When inflation came in the nineteen-seventies, that was a major failure of Keynesian economics" (cited in Cassidy 2010: 31). As early as 1980, Robert Lucas wrote that "At research seminars, people don't take Keynesian theorizing seriously anymore; the audience starts to whisper and giggle to one another" (19).

[26] This alleged labor-discipline problem was captured in what became known as the "Lordstown syndrome." General Motors opened a new plant in the Ohio town of Lordstown and staffed it with mostly young workers. The plant was severely plagued with poor worker discipline, high absenteeism, and high turnover. The severity of the problem was alleged by some to have been a root cause of the productivity slowdown that began after 1966. For an

energies and the incentives to save and invest, resulting in stagnation and anemic tax revenues (the infamous "Laffer Curve").

Legislation flowing out of the rising discontent with liberalism reversed the trend toward greater equality. This shift of income toward the rich set in motion a self-reinforcing process since it meant that they commanded yet more resources with which to influence public opinion and policy. And research reveals that their expenditures on creating and disseminating ideology yield high returns (Glaeser 2006).

In the United States, their ideological victory was made easier by the fact that corporations are considered persons, having thereby many of the basic rights of citizens, such as the right of free speech, the right to contribute to political campaigns, and the right to lobby the government for their interests.[27] And these corporations are overwhelmingly owned by the very rich. In 2007, the wealthiest one percent of Americans owned 49.3 percent of stocks and mutual funds, the richest 10 percent, 89.4 percent, leaving the bottom 90 percent with only 10.6 percent (Wolff 2010: Table 9: 52). Most CEOs can count themselves among the very wealthy, and have become far more so over the past several decades. In 1980, CEOs heading the corporations in the Standard and Poor 500 earned 42 times as much as the average worker. In 2007, they earned 344 times more (AFL-CIO 2009). The upshot is that the interests of the very wealthy and corporate America are typically the same, such that the unparalleled expansion of corporate lobbyists in Washington and corporate campaign contributions are merely extensions of the rich's political power.

In the 1970s, corporate leaders unleashed what Hacker and Pierson (2010) term "a domestic version of Shock and Awe" to take back power from a progressive left that was improving wages and working conditions.[28] Corporate leaders created new national organizations such as the Business Roundtable in 1972 to fund militantly free market think tanks and action groups such as the Heritage Foundation and American Legislative Exchange Council in 1973, the Cato Institute in 1977, and the Manhattan Institute in 1978. Whereas only 175 U.S. corporations had registered lobbyists in Washington in 1971, by 1982 there were almost 2,500 (Hacker and Pierson 2010).

As a consequence, over the past four decades, an elite gained greater control over the

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empirical examination of this relationship, see Weisskopf, et. al., 1983.

[27] This ideological victory was confirmed legally when on Jan. 21, 2010, in "Citizens v. Federal Election Commission," the Supreme Court overturned two precedent decisions and concluded that corporations have the same First Amendment rights as individuals and thus can spend as much money as they wish to support or oppose political candidates. Trade organizations such as the U.S. Chamber of Commerce and the National Association of Manufacturers can now pay for ads that explicitly target proposed legislation they do not like. In 2011, $3.2 billion was spent on lobbying (Stiglitz 2012: 95).

[28] Perelman claims that "the political climate during the Nixon administration terrified many conservatives, who worried about the prospect of a radical takeover of the state and the end of capitalism, as they knew it" (2007: 32). In fact, the corporate sector faced a profit squeeze during the 1970s. Whereas real worker compensation annually increased an average of 4.4 percent between 1966 and 1973, real profit declined an average of 3.1 percent annually (Bowles et al. 1990). In fact, between 1960 and 1980, the U.S. profit rate trended downward, but began moving upward thereafter as labor's share of national income declined (Taylor 2010: 58).

media, educational institutions,[29] and think tanks, making it more likely that their self-serving ideologies would come to be crafted so as to become ever-more convincing to a majority of the electorate.[30] It should be noted that because the rich are emulated, their ideologies have a decided advantage. As Veblen put this: "The fact that the usages, actions, and views of the well-to-do leisure class acquire the character of a prescriptive canon of conduct for the rest of society gives added weight and reach to the conservative influence of that class. It makes it incumbent upon all reputable people to follow their lead" (Veblen 1899: 200).[31]

Some of the most notable media and think tanks shifted to the right. Perelman reports that "the *New York Times, Washington Post*, the Ford Foundation, and the Brookings Institution, which had been aligned with a relatively centrist Democratic perspective, suddenly replaced their management with people much more receptive to the conservative view of the world" (2007: 63). Further, over the past four decades, the media—newsprint, television, and radio -- became increasingly concentrated in the hands of a few mega corporations. To a significant extent, this was due to deregulation -- a central component of the elite's anti-government ideology. For instance, the number of newspapers controlled by chains went up significantly as a result of relaxed ownership regulations (McPherson 2008: 165). Blethen points out that "The majority of our media are controlled by just five companies… [such that] about one-third of the population now listens to radio stations owned by a single company....The 1996 deregulation of radio virtually ended local ownership in that medium" (2004: B7). A result of this increased media concentration is that favorable depictions of government programs or criticisms of laissez-faire ideology and the corporate power structure became increasingly marginalized.[32]

An important component of the increasing influence of conservative, free-market ideology was the creation, proliferation, and empowerment of conservative think tanks. Conservative think tanks came to both outnumber and overpower their liberal counterparts. By the mid-1990's, there were two conservative think tanks for every liberal one (Rich 2004: 206). While the five largest conservative think tanks all had total expenses greater than $10 million, only the largest liberal think tank, the Center on Budget and Policy Priorities, could claim this feat. In fact, in 2006 the arch-conservative Heritage Foundation alone had larger expenses than the largest four liberal think tanks combined.[33]

[29]The top CEO of BB&T has made significant grants to several universities on the condition that Ayn Rand's *Atlas Shrugged* be made required reading for all their students (Chait 2009: 47).

[30]According to Palma, neo-liberal ideology "provided the technologies of power with the required degree of sophistication for accomplishing the most remarkable 'dispossession feat' ever within a democracy" (2009: 863).

[31] Adam Smith lamented that the "disposition to admire, and almost to worship, the rich and the powerful, and to despise, or, at least, to neglect persons of poor and mean condition…is…the great and most universal cause of the corruption of our moral sentiments." (1759: 126).

[32] The Federal Communications Commission was established in 1934 and given authority over radio broadcasts. The Commission obliged broadcasters to provide balanced information on news, coverage of elections, and political advertising. However, in 1976, the Supreme Court ruled in Buckley v. Valeo that money spent on advertising in political campaigns is constitutionally protected under the free speech clause. Reporters Without Borders, a news media advocacy organization, annually constructs a Worldwide Press Freedom Index. It reports that by October of 2006, the U.S. had fallen to 53rd among countries (Bostany 2006: A15).

[33] The Heritage Foundation was the first think tank established with advocacy as its explicit goal (Troy 2012: A13).

The economics profession in the U.S. also became more supportive of a free-market approach to economic issues, thereby lending support to right-wing policies, even when such was not their intent.[34] Stiglitz even went so far as to claim that mainstream economics has abandoned any semblance of scientific inquiry to become “capitalism’s biggest cheerleader” (2010: 238).

The liberal Keynesian support for government intervention in the economy that reached maturity in the 1960s and early1970s became marginalized.[35] As Crotty has put it, “Efficient financial market theory and new classical macro theory replaced the theoretical visions of Keynes and Minsky, and the existing system of tight financial regulation was deconstructed through radical deregulation pushed by financial institutions and justified by efficient financial market theory” (2009: 564). Increasingly, arguments were set forth in favor of privatization of social security and government services generally.[36] The pre-1980s concern with poverty and inequality all but disappeared. The 1995 recipient of the Nobel Memorial Prize in Economic Sciences even went so far as to declare that “Of the tendencies that are harmful to sound economics, the most seductive, and in my opinion the most poisonous, is to focus on questions of distribution” (Lucas: 2004).

Palma has characterized this “neo-conservatism,” following Foucault, as “a new technology of power to help transform capitalism into a rentiers’ delight…[and that] A key component in the effectiveness of this new technology of power was its ability to transform the state into a major facilitator of the ever-increasing rent-seeking practices of oligopolistic capital” (2009: 883).[37]

Because of the wealthy’s increased command over society’s dominant ideology, the losers – the overwhelming majority of Americans – did not use the political process to stop the extraordinary reallocation of income, wealth, and privilege toward the rich. Through the

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[34] It is ominous that in 1975, a liberal economist, Arthur Okun, would publish a treatise arguing a tradeoff between equality and efficiency, just as inequality began to increase, a phenomenon his work was ideally crafted to legitimate, albeit without such intention.

[35] Palma claims that, “there is no doubt that a powerful fight took place during the 1970s between those interests backing the welfare state (working class, some industrial capitalists, some political parties and intellectuals) and those wanting to dismantle it (financial rentiers, other industrial capitals, some political parties and intellectuals, including most economists)” (2009: 840). Edsall notes that “During the 1970s, business refined its ability to act as a class, submerging competitive instincts in favor of joint, cooperative action in the legislative arena…the dominant theme in the political strategy of business became a shared interest in the defeat of bills such as consumer protection and labor law reform, and in the enactment of favorable tax, regulatory and antitrust legislation” (1984: 128-29).

[36] Bresser-Pereira claims that “Neoclassical economics played the role of meta-ideology as it legitimatized, mathematically and ‘scientifically,’ neoliberal ideology and deregulation…. Neoliberalism…should not be understood merely as radical economic liberalism but also as an ideology that is hostile to the poor, to workers and to the welfare state.” Further, “neoclassical macroeconomists and neoclassical financial economists built models that have no correspondence to reality, but are useful to justify neoliberalism ‘scientifically’” (2010: 2; 3; 23). Perez contends that “most neoclassical economists …tend to lay blame on government...[for the] derailment of the market mechanism” (2009: 779).

[37] Palma went on to note that “It is not the first time in recent history that rentiers have tried to get rid of all fetters on their greed and transfer all associated risks; however, they have never succeeded on such a scale” (2009: 863).

democratic process, they could have forced the creation of compensatory measures to relieve workers harmed by technological change and globalization. Taxes could have been restructured in their favor, and public services that benefit them such as retraining, day care, better schools, health care and public recreational facilities could have been vastly expanded and improved. However, the wealthy's increased control over ideology resulted in a majority of voting citizens buying into the rich's ideology that such measures would not be either to their own or the country's benefit.[38] As Robert Reich, Secretary of Labor during the Clinton administration put it: "As inequality has widened, the means America once used to temper it – progressive income taxes, good public schools, trade unions that bargain for higher wages – have eroded" (2007: 4).[39] And, "As money has risen to the top, so has political power. Politicians are more dependent than ever on big money for their campaigns" (2010).[40] Thus, Kevin Phillips concluded that American "politics is increasingly dominated by people in the upper-income brackets" (2002, 15). For political scientist Robert Hunter Wade, this domination is by extremely few Americans: "The people who make the economic and political decisions that matter are concentrated in the top 1 percent of the U.S. household income distribution" (2004, 71).[41]

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[38] This is made far easier by Americans' mistaken belief that vertical social mobility is greater in the U.S. than in other rich countries and their underestimation of the degree of inequality. A study has found that whereas people on average believe that the richest 20 percent own almost 60 percent of all wealth, they in fact own about 85 percent. More striking, whereas they believe that the bottom 40 percent own 8 to 10 percent of wealth, they in fact only hold 0.3 percent (Norton and Ariely 2011).

[39] In the mid-1950s, over a third of U.S. workers in the private sector were members of labor unions, but membership began declining, and doing so precipitously after the mid-1970s. By 2006, only eight percent remained members. Reich notes that "In 1962, 46.1 percent of union elections occurred with the complete consent of employers. In the 1970s, employers began challenging them. By 1977, only 8.6 percent of elections were uncontested by employers. Companies also started replacing striking workers in the 1970s, and even more threatened to do so if their workers dared go on strike. They also began firing workers who engaged in union organizing, which workers had a perfect right to do. In the 1950s, the National Labor Relations Board chronicled illegal dismissals in one of every twenty union elections. The rate increased in the 1970s. By the 1990s, there were illegal dismissals in one out of every four union elections" (2007: 80-81). The most recent assault on unions has evolved at the state level as legislators pass "right to work" laws that enable workers to free ride on unions by not becoming dues paying members.

[40] Jencks point out that American politicians used to rely on volunteers to a considerable extent. But more recently they have come to rely on paid staff and advertising. They have thus become more dependent on moneyed interests as opposed to individuals with time, with the result that "people who can contribute money now have more political weight and people who can contribute time have less….American political campaigns have …changed in ways that make it riskier for politicians to upset the rich" (2002: 63). And, of course, politicians have themselves become wealthier and apparently better equipped to be successful investors. Alan J. Ziobrowski has found that "a portfolio that mimics the purchases of House members beats the market by 55 basis points per month…No one else has this kind of success, not even mutual fund or hedge fund managers" (cited in O'Harrow et. al. 2009: A1), suggesting either these politicians are super smart investors or they possess even better information than those who spend full time studying these markets.

[41] One of the most striking examples of this command over ideology is the elimination of the estate tax, now termed "death taxes." It was overwhelmingly a tax on the very wealthy, and not, as the ideology falsely claimed, a tax that principally hurt small businesses and farmers. In 1999, only the top two percent of estates paid any estate taxes at all. Indeed, half of the tax revenues from the estate tax came from only 0.16 percent of the total number of estates, or 3,300 estates with an average value of $17 million. Grover Norquist, interviewed by Terry Gross on her National

As the financial sector grew and became increasingly important as a means for transferring wealth to the very rich, it gained ideological influence. As Simon Johnson, former chief economist at the International Monetary Fund put it, "…the American financial industry gained political power by amassing a kind of cultural capital – a belief system…[such that] the attitude took hold that what was good for Wall Street was good for the country…[and] crucial to America's position in the world…. Faith in free financial markets grew into conventional wisdom – trumpeted on the editorial pages of *The Wall Street Journal* and on the floor of Congress" (2009). Those financial interests also spent lavishly to get what they wanted, making $1.7 billion in campaign contributions between 1998 and 2008, and spending $3.4 billion to plead their case through lobbying (*Wall Street Watch* 2009:17; cited in Crotty 2009: 577).[42] A revolving door evolved between the regulated and the regulators, between CEOs in powerful financial institutions and the Fed, Treasury, and the SEC.

The consequences of the increasing dominance of ideology that privileged the very wealthy were not only that income, wealth, and privilege became more unequally distributed, but that with much of the electorate distracted from economic issues or persuaded by the elite's ever-more sophisticated ideology,[43] markets were deregulated and necessary new regulations were blocked, thereby changing the rules of the game and setting the stage for a massive financial meltdown that would unleash the worst economic downturn since the Great Depression (Wisman 2013).

Clearly, the wealthy had gotten better at waging campaigns against state controls over activities from which they drew income. As Johnson put it, "The great wealth that the financial sector created and concentrated gave bankers enormous political weight – a weight not seen in the U.S. since the era of J.P. Morgan (the man)" (2009). Bankers employ approximately 2.5 lobbyists for every U.S. representative (Stiglitz 2012: 48).

Deregulation of the financial sector (banks, insurance companies, brokerages, real estate, etc.) led to increasing concentration in the banking industry and to booming profits (Tregenna 2009), further increasing the income and wealth of the rich. Much of these booming profits represented a transfer of resources from the least well off, as banks began charging interest rates on credit cards as high as 30 percent, an increasing assortment of expensive fees, and an

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Public Radio program, "Fresh Air," compared the estate tax to the Holocaust, with the justification that "the morality that says it's okay to do something to a group because they're a small percentage of the population is the morality that says the Holocaust is okay because they didn't target everybody, just a small percentage" (cited in Cohen 2004: A17).

[42] Goldman Sacks, the most prominent investment bank on Wall Street, spent $40.6 million on campaign contributions and lobbying between 1998 and 2008. It spent $8.97 million on these functions in 2008 alone. (Wilmers 2009: A19).

[43] Further, noted political scientist Sheldon Wolin has claimed that the majority of Americans were being depoliticized.

> "The intense pace of work and the extended working day, combined with job insecurity, is a formula for political demobilization, for privatizing the citizenry…[This] depoliticization is promoted through society's being enveloped in an atmosphere of collective fear and of individual powerlessness: fear of terrorists, loss of jobs, the uncertainties of pension plans, soaring health costs, and rising educational expenses" (2008: 239).

explosion in so-called fringe banking such as check cashing, pawn, payday-loan and cash-advance shops that offer services to low-income households at extremely high interest rates.

THE STATE AS ENEMY

Throughout history, an elite has held control of virtually everything, including, of course, the state. Competition for control of the state, whether from inside or outside the society, would limit the elite's use of the state to extract all surplus. With the extension of the franchise, peaceful competition for control of the state became institutionalized. Given their far greater numbers, the workers could now in principle use the state to hold onto an ever greater share of the surplus. Their relationship to the state had been fully reversed. Whereas historically the state had been used by the elites to extract as much surplus as possible, with democratization of the franchise, the state became the sole instrument that could limit, or even potentially end, the extraction of the workers' surplus. The state had been radically transformed from what Marx had characterized as "the executive committee of the ruling class," to an executive instrument of the masses to limit the elite's capacity to extract surplus.

Thus, once control of the state was in principle democratized by the ballot box, the fortunes of the elite came to depend solely upon controlling ideology. And their ultimate ideological coup would be to convince the masses that the state is their enemy, that it must, at all costs, be reduced in size and limited in function. This has been an ideological strategy, especially in Anglo-Saxon nations, since the franchise was democratized. However, it has been crafted with ever greater finesse over the past four decades.

President Reagan's identification of government as *the problem* became ever more widely embraced. Evidence that this was little more than ideology is revealed by the fact that as Lodge points out, "In spite of their rhetoric, the Republican presidents of the last thirty years have regularly every year increased the power, reach, and cost of government" (2010: 86). However, they generally did so in ways that shifted more of society's resources to the wealthy. That is, if the party of the elite did not actually reduce the size of government, it deployed its superior control over ideology to dismantle programs that were not to their benefit and augment those that were, especially those that increased their income, wealth, and privilege.[44]

Convincing the masses that government is the problem appears to have worked. Pharr and Putnam have found support for the claim that people in rich countries have become more convinced that their governments are untrustworthy: "The onset and depth of this disillusionment vary from country to country, but the downtrend is longest and clearest in the United States where polling has produced the most abundant and systematic evidence" (Pharr and Putnam 2000: 8).[45] This is apparently so strong that a poll found that when asked the cause

[44] Ronald Reagan's head of the Office of Management and Budget, David Stockman, in an unguarded moment for which he was taken to the woodshed, characterized the supply-side theory behind the tax cuts of 1981 as a "Trojan horse" to redistribute income in favor of the wealthy "It's kind of hard to sell 'trickle down,' so the supply-side formula was the only way to get a tax policy that was really 'trickle down.' Supply-side is 'trickle-down' theory" (cited in Greider 1981: 46).

[45] Gallup polling found that 70 percent of Americans in the 1970s had "trust and confidence" that the government could handle domestic problems. Michael F. Ford of the Xavier University's Center for the Study of the American Dream finds that today 78 percent of Americans said they have less trust in government (Ford 2012: E2). Some recent advertising has exploited and reinforced this distrust in government. American Star Tax Centers ran TV ads in November 2011 that stated: "Are you in Trouble with the IRS? The IRS can take advantage of taxpayers who don't know the law. Call 1-800-243-0786".

of their high personal indebtedness, twenty three percent blamed government (cited in Rose 2010: 211).[46]

Once the view that government is the problem began to limit the budgets of agencies providing social services, the process became self-propelling. Public-sector wages sank below those in the private sector, demoralizing public workers. The deterioration of services provide evidence for the inefficiency of government and support for the claim that they should be cut further, or their provision should be privatized.[47]

WHAT FUTURE FOR INEQUALITY?

What hope remains for greater equality? By crafting their self-interested ideology to be ever more convincing to the larger population, elites have managed over the past four decades to appropriate ever larger shares of national income, wealth, and privilege. It is plausible that the legitimacy of such ideology can only be effectively challenged by an extremely severe crisis – one that severely reduces living standards and security – an event as extreme as the Great Depression. But what if an elite that controls the state by controlling ideology also manages to learn the lessons of the Great Depression and other ideology-shattering social catastrophes?[48] Suppose elites and those in their employ in control of government develop a deeper understanding of crises and generate responses that effectively limit their destructiveness? The manner in which the severe crisis that began in 2008 has been managed suggests that adequately limiting damage may be feasible. The economy was massively stimulated as the crisis worsened and at the G20 meeting in London in 2009, there was a commitment of world leaders to avoid the mistakes of the early 1930s by coordinating fiscal and monetary expansion and avoiding protectionism. Only when the threat of depression seemed averted did increasing voices insist on fiscal austerity. If the lessons have been adequately learned, then a broad rejection of the ideology of the elite such as occurred in the 1930s might not be a threat and limits on surplus extraction would not arise. The delegitimation of the elite's ideology in the 1930s and the sustained decline in inequality over the subsequent 40 years may have been a historical singularity.

Softly, under an ideological umbrella, more and more measures could be launched that would further increase the elites' extraction of surplus. For instance, for the sake of deficit reduction, selective cutting of government spending would continue the decline in quantity and

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[46] The *Wall Street Journal* has been a constant cheerleader for those campaigning to turn Americans against government. In an infamous editorial, it went so far as to suggest raising taxes on the working class so as to get their "blood boiling with tax rage" (cited in Krugman 2003: 4).

[47] The ideology of "government as the problem" has been so successful that a huge percent of Americans do not even recognize very substantial benefits they receive from government. For instance, Krugman points out that 40 to 44 percent of those who receive Social Security, unemployment benefits, and Medicare claim that they "have never used a government program" (2012: 9).

[48] Wilkenson and Pickett (2009) have found that it has typically been some form of external threat or shock that has prompted countries to adopt policies that result in greater equality. The U.S. imposed such policies on Japan after World War II. The Scandinavian countries turned toward more egalitarian policies in the 1930s when they faced the extreme threats of Bolshevism and Fascism. Britain became more equal in the 1940s when its very survival was threatened.

quality of public services that began over 30 years ago.[49] Conservative policies could insure that real wages continue to stagnate or decline as they fail to keep pace with inflation, or relatively decline as they fail to keep pace with productivity gains. Pensions could continue to erode. Social Security benefits could be cut, or privatized. The economic distance between an elite and the remainder of the population would then continue to grow. Could it then be that rising inequality could continue until virtually all surplus is appropriated, that is, to the conditions that existed prior to the modern era?[50]

Should the scenario sketched above be accurate, then the only hope might be either some means of institutionalizing the delegitimation of the ideology of the rich, or that the rich would come to a realization that lessened inequality would not in fact be in their own interest. In the first instance, the greater body of the people, not unlike Ulysses, would have to find means of protecting themselves from yielding to the seductive sirens' songs of a privileged and powerful elite.

Might grounds for optimism be found in the popularization of the results of studies that reveal that inequality is harmful to society? Much research challenges the claim of a positive relationship between inequality and economic dynamism, finding instead that greater income inequality causes economies to grow more slowly (Alesina and Rodrik 1994; Easterly 2002; Persson and Tabellini 1994). Wilkinson and Pickett (2009) have found that more unequal societies score lower on practically every measure of quality of life. Even within the United States, states with higher levels of inequality typically have more severe social problems. There is even evidence that a high degree of inequality may threaten the very future existence of humanity by impeding adequate responses to environmental devastation (Diamond 2005; Wisman 2011). Might the elite come to recognize that greater inequality is not in fact in their long run best interest?[51]

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[49] In his last major work, *The Revolt of the Elites* (1995), Christopher Lasch noted that as economic elites take an ever-greater share of income and wealth, they tend to isolate themselves in social enclaves such as gated communities, exclusive clubs, and private schools. They tend to work in jobs, live in neighborhoods, and move in circles where they literally do not see those struggling to stay on their feet in the economy. Because of elites' disproportionate political power, this withdrawal from wider society and from direct contact with the concerns of other citizens erodes support for public services on which those further down the economic ladder depend -- services such as schools, parks, transportation, even public safety. The decay of public services encourages those beneath the elites to do what is necessary -- reduce saving, become more indebted, or increase work hours -- to enable them to live in safer neighborhoods, send their children to decent schools, and play at country clubs. And, of course, as those who can afford to consume the private provision of these services opt out of consuming the public ones, political support for, and the quality of, the latter continue to deteriorate. A vicious cycle promising increasingly inferior public goods and ever-more superior private goods for the wealthy is set in motion.

[50] There is, of course, the possibility that ever greater inequality will lead eventually to severe social dysfunction. Prior to the latest surge in inequality, Williamson and Lindert concluded that the greatest degree of inequality occurred around 1860, 1914, or 1929, and that "each of these pinnacles was followed by a major upheaval – civil war and slave emancipation, world war, or unparalleled depression…" (1980: 51).

[51] Elites do not, of course, embrace doctrines that blatantly benefit themselves. Instead, they generally understand themselves to be in favor of higher principles that are for the general good. David Harvey has characterized their ideology as "a class project that coalesced in the crisis of the 1970s" and was "masked by a lot of rhetoric about individual freedom, liberty, personal responsibility and the virtues of privatization, the free market and free trade…" (2010: 10).

Yet optimism is hard to muster. Evidence appears overwhelming that an elite in the U.S. has acquired such command of society's ideological infrastructure that it can effectively continue to amass ever more relative income, wealth, and privilege. The force of their inequality legitimating doctrines appears sufficient to persuade not just themselves, but a majority of voters that all is for the best, even as the latter are condemned to sink ever relatively lower. Should this be true, the freedom and democracy we celebrate would be nothing more than an ideological front for plutocracy -- rule by the rich elite. Democracy means more than simply one person, one vote. To have meaning, it requires that there be a degree of equality in control of the instruments of persuasion.

Finally, Jared Diamond reminds us that in past civilizations elites pursued their own immediate self-interest even when they had before them the evidence of severe environmental decline, their civilization's decline, and thus the long-run ruin of the foundations upon which their own privileges and livelihoods depended (2005). Diamond's investigations suggest that elites do not manage to recognize and act upon their enlightened long run interests.

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