

is obviously indeterminate. Initial changes would likely involve greater state/regional autonomy in connection with economic and environmental matters, reductions in federal preemptive powers with regard to corporate regulation, limitations on the impact of WTO and other trade treaties on state/regional legislative authority, and alterations in current Constitutional Commerce Clause restrictions related to state/regional economic rights. Beyond this, much larger issues concerning the apportionment of power might well be posed.

The nations of the European Union are currently groping toward a constitutional structure that begins with highly decentralized nation-state political units (roughly similar in scale to U.S. regions)—and attempts to move from this basis centripetally, toward greater power at the center. The United States may well find itself moving in the direction of a similar long-term structural end-point—beginning, however, from the other direction and moving outward, centrifugally, to greater independence of regional-scale units away from the center.\*

Quite apart from population and other pressures that may force change—and the many uncertainties that would ultimately have to be confronted and resolved—over the long arc of the twenty-first century, Americans who are committed to a renewal of democracy are unlikely to be able to avoid the truth that in all probability this can only be meaningfully achieved in units of scale smaller than a continent but also of sufficient size to be capable of substantial semiautonomous functioning: the region.

\* European experience also demonstrates that civil liberties and civil rights can be protected in systems involving substantial decentralization—indeed, sovereignty. In the opinion of many specialists the European Convention of Human Rights and subsequent protocols provide greater protections in many areas than U.S. practice. See, for instance, Nadine Strossen, "Recent U.S. and International Judicial Protection of Individual Rights: A Comparative Legal Process Analysis and Proposed Synthesis," *Hastings Law Journal*, vol. 41, no. 805 (April 1990); and Paul R. Dubinsky, "The Essential Function of Federal Courts: The European Union and the United States Compared," *American Journal of Comparative Law*, vol. 42, no. 295 (1994).

## PART IV

# TWENTY-FIRST-CENTURY POPULISM

THE TRAJECTORIES OF EMERGING theory and the evolving new forms of ownership and community restructuring suggest that the opening decades of the twenty-first century are likely to establish significant foundations for what potentially could become much more far-reaching change in the direction of Pluralist Commonwealth ideas.

Is there any chance that the large-order power arrangements of the U.S. political economy might ever be challenged to permit a major rather than a minor political dynamic that builds upon such foundations over time?

An initial issue is whether longer-range system-oriented change is absolutely precluded. If so, even under the most favorable circumstances the steadily evolving developments are likely to remain at the margins of American politics—even if substantial advances are achieved.

The answer can never be certain, but as we have noted, larger-order political realignments have been common in U.S. history. During the last several decades alone, important political movements on both left and right have also

developed unexpected power despite the conventional wisdom of the time that little of importance was likely to change.

Americans on the left commonly think of the unpredicted explosions of the civil rights, feminist, and environmental movements—but of equal interest was the rise against once seemingly impossible odds of the conservative movement over the second half of the twentieth century. Especially given the extraordinary technological changes now under way, it would be a mistake to assume that the possibility of very great future change is excluded.

Indeed, partly as a backlash phenomenon, partly in response to new domestic and global political-economic developments, and partly because of important demographic changes, a variety of growing pressures suggest the emergence and likely sharpening of a new and potentially explosive line of political cleavage—and a slowly evolving trajectory of political crisis—which converges with, and is likely to greatly reinforce, other evolving forms of Pluralist Commonwealth-related change.

The line of political cleavage, and the potential crisis, center on the privileged position of top elites and major corporate actors—and the question of who should own and control large-scale income and wealth as we move ever deeper into an era characterized by great technological abundance, on the one hand, and great social pain, on the other.

## The Logic of Long-Term Political Refocusing

AT THE BEGINNING OF THE Bush era the Democrats were completely stymied. It was obvious no one wanted to risk proposing a tax increase—despite the fact that once in office, the new administration quickly pushed through \$1.35 trillion in tax cuts largely favoring the rich, thereby squandering a massive surplus and limiting all future public programs.

Then it slowly began to dawn on several leading figures where a possible point of vulnerability might lie.

Gene Sperling, Bill Clinton's politically sophisticated former economic adviser, was one of the first to put his finger on the issue. Just before the events of September 11, 2001, Sperling proposed holding off "full repeal of the estate tax, and the second and third stage of the [Bush] tax cut for those in the top 2%"—so that funds could be made available to close at least half the Social Security deficit. The proposal would save more than \$1 trillion and would ensure that 98 percent of Americans would still "get their full tax cut."<sup>1</sup>

A few months later the Senate's liberals joined in. The late Paul Wellstone proposed freezing future income tax reductions for the top 1 percent and retaining the corporate Alternative Minimum Tax—saving an estimated total of \$134 billion over ten years. Ted Kennedy proposed delaying tax cuts for families with incomes over \$130,000 and keeping the estate tax (while gradually raising the value of exempted estates from a then current \$1 million to \$4 million by

2010). Kennedy estimated this would save \$350 billion over ten years.<sup>2</sup>

The political arithmetic of strategies that offered gains to 98 to 99 percent and losses only to the extremely wealthy 1 to 2 percent also began to capture the attention of those beyond traditional liberal ranks. In late May 2002 the centrist Democrat Joseph Lieberman urged postponing both the full repeal of the estate tax and reductions in the top tax bracket rates. Lieberman estimated that a trillion dollars could be saved over twenty years. The Bush tax cuts were simply unfair, he said, "giving the biggest benefit to those who needed it the least." By the fall of 2003 virtually all the Democratic presidential candidates had put forward one or another variation on the same general theme.<sup>3</sup>

What are we to make of such ideas?

The political logic of small versus large numbers has been present for much of history. It has also rarely led to sustainable large-order challenges to either the income or wealth of top elites. Moreover, even the more modest proposals that Democrats have offered face a highly uncertain future. Indeed, in its second major tax initiative the Bush administration secured passage of legislation to reduce dividend and other taxes of importance to the rich, and to accelerate the earlier tax reductions, and it continued to push for making repeal of the estate tax permanent.<sup>4</sup>

On the other hand, the new round of tax proposals encountered growing resistance even among conservatives as the fiscal implications began to hit home. The critical longer-term question is: under what circumstances might new strategic alliances be developed that could ultimately achieve power and momentum following a thoroughgoing elite-challenging paradigm?

Put another way, might the situational logic of the emerging political-economic context open the way for a narrowly focused exception to the general rule that traditional progressive "after-the-fact" strategies are largely at a dead end—

and further, in so doing could this in turn define new political alignments of more far-reaching importance to longer-term Pluralist Commonwealth change?

Four key points stand out when such questions are considered in terms of their larger twenty-first-century possibilities. The first is negative. The experience of the last several decades suggests that any strategy that depends heavily on further taxation of the middle-class suburban 20 percent is simply unlikely to achieve significant gains (see Chapter 1).<sup>5</sup> This door is largely closed.

Second, an attempt to challenge the position of elites at the very top at least in principle inherently narrows the political focus to an extremely small number—either the top 1 to 2 percent, or perhaps the top 1 to 5 percent. It also implicitly places up to at least 95 percent of the electorate on the other side of the interest-group line.

Third, a political-economic strategy that targets elite income also inevitably brings into focus other related ideas—as in the case of estate taxes—for challenging concentrations of elite-owned wealth. Several experts have already begun to refine new approaches to such taxes, and the need for larger resources than can readily be attained by taxing income alone seems all but certain to force greater attention to wealth as well as income as time goes on.

Finally, there is an important connection between such efforts and new Pluralist Commonwealth wealth-ownership principles. Indeed, as we have seen in connection with certain "stakeholder" proposals, the strategy of challenging existing wealth concentrations, on the one hand, and building an alternative paradigm of wealth-ownership designed to benefit broad publics, on the other, has already been explicitly articulated in some proposals (see p. 23).

A certain perspective may also be gained by recalling that it was once thought impossible to tax income in general—until passage, after a long prehistory of debate and political agitation, of the Sixteenth Amendment to the U.S. Constitution in

1913. For many years the amendment in practice *meant* targeting elites: significant income taxation was largely restricted to roughly the top 2 to 4 percent until World War II.<sup>6</sup>

Even more important is a rarely discussed truth at the heart of the modern history of taxation. For many decades the current income tax has, in fact, been organized in a manner that rests directly upon the logic of elite targeting—even in the Bush era, and even in a society preoccupied with terrorism and war.

In 2000 the top 1 percent of households paid 36.5 percent of federal income taxes.<sup>7</sup> The top 5 percent paid 56.2 percent of income taxes. Although detailed calculations are not available as of this writing, the massive elite-benefiting Bush tax cuts are not expected to significantly alter these basic orders of magnitude. (It is estimated that the ultimate impact of the tax reductions may at most modify the figures by no more than two or possibly three percentage points.)<sup>8</sup>

Quite simply, the argument that challenging elites is politically impossible is belied by the realities of the contemporary income tax system—even under a very conservative Republican administration.

Moreover, far greater taxation of elites has been accepted policy for substantial periods of modern American history under both Democratic and Republican presidents. It also has often been associated with great economic success. Thus, throughout the post-World War II economic boom—including the Eisenhower years and up to the early Johnson era—income of those at the very top was taxed at 91 percent. The rate was reduced to 77 percent in 1964 and 70 percent in 1965, and it remained at that level or higher—including the Nixon years—until the Reagan era.<sup>9</sup>

There is also evidence of profound concern with the growing inequities of American society. In 1988 only 26 percent of those surveyed judged the United States to be a “have/have-not” society; in 2001 the figure had increased to 44 percent. A 1998 Gallup poll found that roughly seven in

ten felt that “the rich just get richer while the poor get poorer.” A full 63 percent agreed with the statement that “money and wealth in this country should be more evenly distributed.” A report done for the conservative American Enterprise Institute at the same time noted that three-quarters of Americans consistently state that high-income families pay too little in taxes.<sup>10</sup>

Public attitudes shifted briefly after the events of September 11, 2001, but even during this period of high patriotism, 69 percent still complained that “the rich get richer and the poor get poorer.” Again, although several polls indicated that roughly half of those surveyed approved the first major Bush tax cut, *when offered a choice*, large majorities (two-thirds to three-quarters) indicated they would have preferred to spend the surplus on Social Security, health care, or reducing the deficit.<sup>11</sup>

Sociologist S. M. Miller and activist Chuck Collins observe that public awareness of deep inequalities of wages, income, and wealth has moved through three distinct stages in recent decades:

In the first stage, class and inequalities were forbidden topics. . . .

In the second stage, data continued to show disturbing increases in income and wealth inequalities. Statistical debates followed: conservative economists contended that inequalities disappeared if the “right” years, the “right” data or the “right” statistical manipulations were used. Gradually, even they gave up the fight. . . .

In the current stage, the scene has changed dramatically. . . . The heavy hand of an upper class or even an over-class is recognized as distorting the economy to its special advantage. A profound change has occurred in a very short time.<sup>12</sup>

The trend of growing awareness and underlying concern has been reinforced by a related trend of growing distrust of

large corporations, the ownership of which is heavily skewed to elites. A 1966 Harris poll found that 55 percent of Americans surveyed had a great deal of confidence in major corporations. During the 1970s the figure collapsed to the low twenties (21.5 percent); in the 1980s and 1990s it fell further to the high teens (17 to 18.5 percent). By 2002 the number expressing a great deal of confidence in corporations had declined to 13 percent.<sup>13</sup>

Such surveys now regularly find that an extraordinary 80 to 85 percent of the public believe large corporations have excessive political influence. The Enron scandal and the many others that followed drew widespread attention to executive greed, only adding to long-standing and deeply rooted public distrust. A 2002 Harris poll reported, "Very large majorities of the public believe that big companies (87 percent) . . . have too much power . . . in Washington."<sup>14</sup>

Two fundamental contextual changes are likely to set the terms of reference in which new political alignments, new political targets, and new Pluralist Commonwealth-related issues will be considered in the coming period. The first involves the growing financial pain and increasingly stressful time pressures experienced by the average American family.

Critically, real hourly wages of the bottom 50 percent of wage earners went *down*, not up for more than two decades between 1973 and 1995. Wage changes for those even in the sixtieth and seventieth percentiles amounted respectively to a mere 1 cent per hour (down) and 41 cents per hour (up) over the twenty-two-year period. Though a slight upward blip occurred in these numbers at the end of the 1990s, with the slowing of the economy after 2000, the modest gains began to recede again (see p. 18).<sup>15</sup>

Total family income rose a bit more than hourly wages during the final decades of the century. The gains, however, were not large. Whereas median family (inflation-adjusted) income had more than doubled during the previous (1947 to 1973) quarter-century, more than a quarter-century later, in

2000, it had increased only modestly—from \$42,590 to \$52,977 (in 2002 dollars).<sup>16</sup>

Most of the increase came about because people worked many more hours, not because pay increased. Indeed, on average, individuals in 2000 worked more than an additional month each year to achieve the gains. Average hours worked increased from 1,679 in 1973 to 1,878 in 2000.<sup>17</sup>

In all of this, the contribution of wives was of central importance. Families with a wife in the paid labor force registered a substantial increase in median income—from \$53,421 to \$72,299 between 1973 and 2000 (2002 dollars). Families in which the wife was not in the paid labor force saw median income rise only very slowly during the same period, from \$40,032 to \$41,752 (in 2002 dollars).<sup>18</sup>

As noted in Chapter 1, we are fast approaching a limit to the number of wives who will be able to make additional contributions to family income. The annual rate of wives joining the labor force fell from 1.3 percent in the 1970s to 0.8 percent in the 1980s and 0.4 percent between 1989 and 2000. Unlike the final quarter century of the twentieth century, there will be no qualitative shift in the number of those working to help the family out during the twenty-first century (see p. 18).<sup>19</sup>

None of the underlying factors that have been at the root of growing inequality and stagnating family incomes—the decline in manufacturing, the reduction in union bargaining power, changes in technology, competition from low-skilled immigrant labor, and new global competitive pressures—are expected to change significantly in the coming period.<sup>20</sup>

At the same time, the rising cost of essential goods and services has created increasing pressures on family budgets and on family time alike. For families with children, two important changes have been particularly threatening.

Child care costs have been rising much faster than both income and inflation. Although the consumer price index increased only 29 percent during the 1990s, fees charged



by child care centers and nursery schools shot up by 56 percent.<sup>21</sup>

The costs of college have been rising even more dramatically. The average tuition at public four-year universities increased from roughly 4 percent of a middle-class family income in 1980 to almost 7 percent in 2000. Private tuition costs increased even more—from 19.1 percent of median family income in 1975 to 37 percent of median family income in 1996. In the post-2000 period the overall fiscal crisis has especially impacted the public institutions to which most families send their children: State colleges and universities raised in-state tuition by an average of 14.1 percent for the 2003 to 2004 academic year (on top of a 9.6 percent hike for the 2002 to 2003 academic year). Overall, public tuition costs increased 47 percent for the decade 1993–1994 to 2003–2004.<sup>22</sup>

Housing expenses—the biggest single item in the family budget—have placed additional pressure on family budgets. The median sales price of homes increased from \$23,000 in 1970 to \$62,200 in 1980 to \$147,800 in 2001. In constant dollars the increase was over 60 percent. A 2002 federal commission concluded that almost 28 million households—one in four—spend more on housing than the 30 percent of income commonly considered affordable. Again, the share of household income used to pay rent has been trending upward; it rose roughly 11 percent between 1984 and 2001. (Nearly 40 percent of renters spend more than 30 percent of their income on shelter, including about one in five who spend half or more of their income.)<sup>23</sup>

The real “cost” of housing has, in fact, increased far more in recent decades than such figures suggest. Large numbers of families have chosen to pay more *in time* for the housing they need by moving farther and farther away from the city,

\* Lower interest rates in 2001 to 2003 reduced mortgage payments for those who purchased homes or refinanced. Partly in response to the collapse of the stock market, however, housing prices also rose dramatically in many markets as investors rushed to real estate during this period.

where prices have not (yet) risen as dramatically. In 1983 the average miles driven to work per household totaled 3,538 each year. Miles driven rose to 4,853 by 1990 and to 6,492 by 1995—an overall increase of more than 80 percent.<sup>24</sup>

Health care costs and retirement costs will be taken up in Chapter 16. Suffice it to note at this point that as health costs have exploded, families in different income categories have inevitably felt the impact. A 2001 survey by the Pew Center for the People and the Press found that over a quarter of respondents (27 percent) said they didn’t have enough money in the past year to afford health care—up from 15 percent in 1976. More than 43 million people were without health insurance in 2002. With the steady decline of unions, more and more corporations have begun to attack both health and pension benefits and are likely to continue to do so, increasingly, as time goes on.<sup>25</sup>

Needless to say, the general pressures facing families throughout the income distribution are most extreme among those at the low end of the scale. At the turn of the century almost one-third of all African American children were being raised in poverty. In African American female-headed households the figure for children under six was a chilling 54 percent.<sup>26</sup>

\* In all probability, the level of stress has risen even more because of a major historical shift in expectations. What a family now feels it is obliged to do with its limited resources has increased much more dramatically even than the costs it faces. A college education was once something reserved only for elites. In 1950 only 9 percent of Americans age twenty to twenty-four were enrolled in any kind of school. By 2000 fully 32.5 percent of twenty- to twenty-four-year-olds were attending college or other vocational schools (and fully 44 percent of twenty- to twenty-one-year-olds)—and millions of families knew that they had better plan for this major expense or their children would fall behind. And it was one thing to save for retirement in 1950 when a forty-year-old white male might expect to live only six years after stopping work at age sixty-five. Quite another financial challenge was posed by 2000, when post-sixty-five retirement life expectancy had doubled. National Center for Education Statistics, *Digest of Education Statistics, 2001*, chapter 1, table 6, [nces.ed.gov/pub2002/digest2001/tables/dt006.asp](http://nces.ed.gov/pub2002/digest2001/tables/dt006.asp) (accessed 04/09/03); *Historical Statistics of the United States: Colonial Times to 1970*, vol. 1, p. 56; and *Statistical Abstract of the United States, 2002*, table 93, p. 73.

Families under growing pressure—with no relief in sight from the fiscally constrained public sector—define one critical element of the emerging context. The long-term environment in which questions of large-order political-economic strategy will be posed will also be profoundly shaped by fundamental demographic trends.

California, as we have noted, already has a Hispanic and nonwhite majority, and Texas will join California by the end of the decade—possibly as early as 2004—as a state in which non-Hispanic whites will be in the minority. A similarly dramatic change in ethnicity and race will become the national norm as time goes on.<sup>27</sup>

By the midpoint of the century blacks, Hispanics, and other people of color are projected to become nearly a majority of the nation as a whole—and more than a majority ten years thereafter. Non-Hispanic whites, currently 70 percent of the population, are expected to decline to 53 percent of the population in 2050, then to just under 50 percent by 2060, and (on midrange census calculations) to a mere 40 percent by the end of the century.<sup>28</sup>

The changes have already been—and promise increasingly to be—historically revolutionary. Before World War II roughly nine out of ten Americans were non-Hispanic whites!<sup>29</sup>

The extraordinary demographic changes that will occur over the coming period have been noted by many observers. Some analysts, impressed by the general voting patterns, see the numbers as leading to a resurgence of traditional liberal politics and programs. One of the most optimistic is *New Republic* senior editor John Judis: “[T]he two pillars of the McGovern coalition—minorities and highly educated social liberals—have been growing, as a proportion of the electorate, at an extraordinary rate. Combine them with labor . . . and you have an enduring political majority.”<sup>30</sup>

Others disagree. Michael Lind argues that divisions between blacks and other minorities will make “rainbow coalition” politics highly problematic—and further, that over time intermarriage will lead to what he calls “a mostly white mixed-race

majority.” Many hold with Tom and Mary Edsall that racial divisions are now so easily exploited that traditional liberal alliances can no longer be sustained (see p. 16).<sup>31</sup>

These various perspectives miss a critical historic change. The long evolving, deeply entrenched political-economic patterns we have reviewed suggest that even if Democrats can be elected, it is highly unlikely a program can be enacted that alters fundamental distributional and public program trends—at least not through traditional strategies (see Chapter 1).

The question, in short, goes well beyond who gets elected to whether serious change can occur.

Such considerations return us to the contextual logic forcing consideration of new strategies over the long haul. The obstacles facing traditional approaches suggest that a coherent elite-targeting strategy is likely to continue to develop during the coming period, in the first instance in response to the fading away of all other alternatives.

Especially important are the long-term decline in union membership and the continuing inability to tax the suburban middle class. The two are related. Critically, although labor will inevitably still play a significant political role—and although occasional temporary progressive upswings may occur—union money and organizational efforts no longer have the capacity to undergird a sustained revival of traditional progressive strategy.

The larger and profoundly important result is that the emerging context of the twenty-first century is likely to steadily destroy the illusion that traditional strategies can achieve their most important goals, no matter how hard they are pressed—even as the growing fiscal crisis intensifies.

If so, the problems facing key groups under pressure must increasingly sharpen new choices. The most obvious initial place to secure significant resources is among the very top groups that control disproportionate shares of income. Related to this are challenges to the corporations that the elites overwhelmingly own and largely control.

The political choice facing the expanding numbers of black, Hispanic, and other minority groups, on the one hand, and white nonelite groups, on the other, is likely to be posed in ever more stark terms: either find a way to overcome traditional divisions, or allow those with opposing interests to divide and conquer the nonelite majority.

It is sometimes argued that Americans are opposed to taxing elites because they admire them and aspire to reach the same income levels. Steven R. Weisman has demonstrated in *The Great Tax Wars* that the central issue is neither admiration nor aspiration. What matters is necessity. When there is a strongly perceived need, "the historical record tells us that there will be a demand to impose those higher taxes especially on the wealthiest, who can bear them with the least amount of pain."<sup>32</sup>

Sperling, Wellstone, Kennedy, and even Lieberman came to the realization that the way forward was to narrow the focus to an increasingly obvious—indeed, the only possible—political target allowing full exploitation of the logic of large versus small numbers: the extremely wealthy elites, and the corporations they control, at the very top.<sup>33</sup>

The same logic has begun to hit home where the greatest fiscal pain has been felt in recent years—at the state and local level. Under the pressure of declining resources and expanding needs, growing numbers of states have begun to increase taxes on elites. Many have acted to maintain estate taxes on the wealthy by "decoupling" from the federal system. Others have voted to raise corporate taxes or to

\* Ronald Reagan even signed a significant rollback of corporate taxes into law when fiscal pressures intensified in 1982. George H. W. Bush in 1990 and Bill Clinton in 1993 both proposed and secured enactment of new taxes on the very top groups when faced with severe fiscal problems. See Paul Krugman, "The Great Taxer," *New York Times*, June 8, 2004, p. A25; Leonard Burman and Deborah Kobes, "Income Tax Brackets Since 1985," *Tax Notes*, July 28, 2003, p. 557; and David E. Rosenbaum, "The Deficit Disappeared, But That Was Then," *New York Times*, September 21, 2003, p. D3.

"decouple" from favorable federal depreciation changes. In 2003 the Republican-controlled Virginia state Senate added higher tax brackets for incomes between \$100,000 and \$150,000 and for incomes above \$150,000.<sup>34</sup>

The obvious question is how the overarching logic is likely to play out as the pain increases over time.



## Social Security, Retirement, and Health Care

THE LOGIC OF GROWING pain and declining alternatives that has begun to confront key groups in American society is further illuminated by considering long-term financial problems developing in connection with Social Security, with retirement in general, and with health care. In each area, to varying degrees, there is little political prospect of finding a serious solution following traditional strategies. Accordingly, as fiscal difficulties continue to mount and social pain increases, other major constituencies are also increasingly being forced to consider their alternatives.

Indeed, in each area there are already indications of a refocusing and realigning of political targets—away from attempting to further tax the suburban middle class, and toward challenging top elites. In addition, several important initiatives have moved beyond income taxation to strategies based on wealth-related principles—a trend that is also likely to continue as fiscal pressures continue to intensify.

Although near-term Social Security funding problems have often been exaggerated, the long-term difficulties facing the system are quite real and will increase over the course of the century. Pressures are building in regard to the system's internal financial viability and in regard to an external environment of steadily growing crisis in connection with problems of retirement in general. The less commonly discussed

general retirement crisis is likely to feed back into, and exacerbate, difficulties facing Social Security on its own terms.

A great deal of public discussion has focused on claims that a Social Security funding crisis already exists. On conservative assumptions, it will be necessary to begin to tap the Social Security Trust Fund to pay benefits by 2018, and the fund will be exhausted by 2042. Thereafter (again, on conservative assumptions) major cuts in benefits or substantial tax increases will be necessary.<sup>1</sup>

This, however, is the projected scenario if nothing is done in the interim. But that *if* is the rub. One analyst, Dean Baker, suggests the claim of a crisis is "a crisis in the same way that a car headed westward in the middle of Kansas faces a crisis. If it doesn't stop or turn, the car will eventually fall into the Pacific Ocean, but it's hard to get too worried about the possibility."<sup>2</sup>

Baker and many others point out that modest changes—especially raising the \$87,000 limit on income subject to Social Security taxation, possibly postponing the age of retirement a bit, perhaps slightly increasing taxation rates, and/or slightly decreasing benefits—can easily manage the short-term problems. An International Monetary Fund report concurs: the "financing problems of Social Security are not large . . . and could be addressed through relatively small adjustments in the program's parameters."<sup>3</sup>

The longer-term problems Social Security will face over the course of the century, however, are more serious. Basically, the present "pay-as-you-go" system operates on the principle that today's generation will pay benefits for current retirees—just as current retirees once paid for those who retired while they were working and just as a subsequent group will pay for the benefits received by those now working when they retire. This kind of system works especially well when both the economy and population grow—and especially when population grows in a manner that increases the number of workers at each stage faster than the number of retirees (as it did for much of the postwar period).<sup>4</sup>

When, however, each new cohort of retirees expands faster than the current cohort of workers who pay the bills, problems begin to multiply.

In 2000 the census counted slightly fewer than 35 million elderly. By 2030 this number will more than double—to in excess of 70 million. By the end of the century midrange Census Bureau projections suggest there may be more than 131 million elderly. If such numbers are realized, the elderly will explode from a current 12.4 percent of the U.S. population to 20 percent by 2030 and 23 percent by the end of the century.<sup>5</sup>

The ratio of workers to retirees declined from 5.1-to-1 in 1960 to 3.3-to-1 in 2004, and under midrange assumptions it is projected to decline to 2.0-to-1 by 2040. By 2080 the ratio drops to 1.9 workers per retiree. The bottom line is that the system must face growing difficulties as these ratios continue to shift.<sup>6</sup>

An additional long-term financial challenge stems from the fact that the number of retirement years that must be financed has been increasing as average life spans have been increasing—and will continue to do so as time goes on. At the beginning of the twentieth century, the average American male could expect to live forty-six years. Currently male life expectancy is seventy-four years. The Census Bureau projects male life expectancy to grow to eighty-five years by the end of the twenty-first century.<sup>7</sup>

Given such realities, and depending upon the particular assumptions made, the current estimate of the underfunded Social Security liability “gap” rises to \$3.7 trillion for the next seventy-five years—and considerably more for the century as a whole.<sup>8</sup>

In theory, answers to some of the longer-term problems can be found by raising the amount of income taxed, increasing the rate of taxation, postponing retirement, reducing benefits, and the like. In addition, increasing the number of workers (and thereby the ratio of workers to retirees) through greater immigration could obviously help.<sup>9</sup>

In the real world, however, there are limits to all of these responses—especially to significantly raising taxes or significantly cutting benefits. The political problems are especially challenging in connection with workers who might be more heavily taxed and among retirees who might lose important benefits.<sup>10</sup>

At a deeper level there is the fact that Social Security taxation is one of the most regressive parts of the overall tax system. It is a “flat tax,” applied across the board to low- and middle-income earners alike—but one with limits set so as to *not* apply to the higher income of the rich. In fact most Americans (71 percent of households) now pay more in payroll taxes than they do in income taxes.<sup>\*11</sup>

The trend is extraordinary: Social Security payroll taxes amounted to only 5 percent of federal revenues in 1950; they had increased to 17.4 percent by 1970; and are now 29 percent of such revenues.<sup>†12</sup>

Conservatives have attempted to focus blue collar anger at Social Security’s growing costs by responding to the short- and long-term crises with much-discussed proposals for privatization—that is, permitting individuals to invest in stock by shifting part of their current payments into individually managed brokerage accounts. The stock market collapse of 2000 to 2003 temporarily undercut the politics of this idea, but there are fundamental problems with the approach—and little reason to believe it will ever offer anything other than a token “solution” to the growing difficulties.

First, if current payments are shifted into brokerage accounts, this will reduce funds needed to meet current Social Security obligations—and proponents have failed to offer a convincing proposal for how the “transitional” gap

\* Moreover, of course, payroll taxes apply only to wages, not to capital income—rent, dividends, interest, and so on—which is heavily concentrated at the top of the income scale.

† This is for Social Security alone; all social insurance and retirement receipts rose from 11 percent to 23 percent to 40 percent over the same years.

(estimated at between \$400 billion and \$1.1 trillion) can be filled during the extended period before the investment of diverted payments might begin to pay off.<sup>13</sup>

Second, if individuals are allowed to invest freely in stocks, and if they invest badly, or if (as in 2000–2003) the stock market happens to fall at the time they retire—the entire premise of a system designed to establish a floor under retirement security collapses.<sup>\*14</sup>

A number of liberal and other economists have responded to the longer-term crisis by offering reasonable proposals that emphasize raising the level of income that is taxed and, for instance, taxing all Social Security benefits received by upper-income groups. Others, like Ted Halstead of the New America Foundation, have proposed exempting the first \$10,000 of wages from payroll taxation.<sup>15</sup>

Even if combined with other strategies, however, progressive lines of attack like those implicitly or explicitly require additional taxes on the upper range of the middle class to achieve the required financial flows—at a time when the political possibility of major gains in this direction is increasingly problematic.<sup>16</sup>

Given that neither side of the conservative-liberal debate appears to have much chance of dealing in a thoroughgoing way with the underlying problems, the prospect is likely to be one of continued frustration and political posturing. It is not surprising, given this context, that a number of analysts have

\* Privatization is also expensive—especially in that: (1) the management of individual brokerage accounts, unlike pooled pension accounts, is extremely inefficient and costly; and (2) when individuals must provide for their individual security, they cannot take advantage of the actuarial benefits that accrue to large numbers, which—as in all insurance schemes—allow the pooling of risks so that those who end up living longer than average can be supported by the payments of those who live shorter than average. In addition, Social Security also provides disability insurance and survivor benefits for spouses and dependents. The value of the total package of services is often overlooked in comparison with alternatives, as is the fact that retirement benefits are provided as an inflation-adjusted annuity, while most private annuities are not protected against inflation.

recognized the need to look for other, more far-reaching alternatives—or that, once again, there is only one place where significant new resources are likely to be found.

We noted earlier Gene Sperling's proposal to postpone elite tax reductions in order to support Social Security. Sperling subsequently offered additional details in other writings: "I believe we should freeze at current levels only the top two tax rates (which affect families making over \$190,000), avoid new measures to enhance deductions and exemptions for high-income taxpayers, and double the exemption from the estate tax from \$2 million to \$4 million (but not repeal the estate tax entirely). Then we should devote all of the savings to a Social Security Reserve Fund dedicated to lowering deficits and debt, unless it were part of a comprehensive reform to extend Social Security's 75-year solvency." Sperling stresses: "if it is made clear that these savings would be used for saving Social Security first—not last—it could be as politically viable as it is economically sensible."<sup>17</sup>

Similarly, Paul Krugman points out that the projected 2025 Social Security deficit (\$419 billion) is far less than the elite-oriented provisions of the 2000 Bush tax cut—"which the administration insists is easily affordable—[and which] will reduce revenue in 2025 by \$700 billion." Chuck Collins and William Gates Sr. urge: "Congress should explore the possibility of linking estate tax revenue to the Social Security Trust Fund, providing long-term solvency for the Fund without increasing payroll taxes or reducing retiree benefits."<sup>18</sup>

Hofstra law professor Leon Friedman has gone further. He suggests a 1 percent net worth tax levied on the top 1 percent of households. Friedman estimated such a tax (in 2000) "would allow us to eliminate the estate tax, thus solving the family-business problem, while still raising enough revenue to pay off the national debt, save Social Security, and have money left over for targeted tax cuts."<sup>19</sup>

In these and other recommendations the logical progression that begins with relatively routine tax and other changes

moves directly to the targeting of elite income—and ultimately toward Pluralist Commonwealth-related questions of wealth, both in the most obvious case of estate taxation and in Friedman's further suggestion of a net worth tax. The logic that has begun to reorient discussions of Social Security is likely to further intensify as new factors add to the pressures shaping the longer-term context in which the central issues are posed.

The overall U.S. retirement security system has traditionally been described as a three-leg stool in which Social Security is only one of the basic elements. Although Social Security provides substantial support for some retirees, in many ways it is best understood as a bottom-line guarantee against true disaster for the elderly. The maximum monthly benefit in 2001 was \$1,538; half of those on Social Security received less than \$900 a month.<sup>20</sup>

The other two legs of the stool are private pensions and private savings. The problem is that both of these mainstays of the traditional system have also begun to decay as income has stagnated, as corporate practices have shifted, and as labor's power, on the one hand, and progressive politics, on the other, have faltered.

The second leg—a traditional pension—once provided many Americans with a certain level of guaranteed income they could count on in retirement—that is, an annuity. In 1975 just under 40 percent of private-sector workers had some form of traditional (“defined benefit”) pension plan. The downward trend since that time has been dramatic. By 2003 only 20 percent of private-sector workers were covered by such pensions.<sup>\*21</sup>

Traditional pensions have given way to the government-encouraged savings plan—commonly an IRA—and the

\* Further complicating the picture is the severe underfunding of many plans. Retiring workers in airline and other companies facing bankruptcy are unlikely to receive full retirement benefits even if their pension plans are taken over by the Federal Pension Benefit Guaranty Corporation—a painful reality that many have already had to face in connection with the LTV, National Steel, Bethlehem Steel, and PanAm bankruptcies.

employee-sponsored defined contribution plan such as a 401(k). These do not guarantee any assured level of retirement income. The funds that can be drawn upon in retirement depend upon how much is contributed—and what happens to the investments selected over time. The percentage who have such individual retirement account plans has gone up dramatically—from 5.8 percent in 1975 to 40 percent in 2003.<sup>22</sup>

The amounts involved for the average person, however, are not large. The median net balance in the most common 401(k) form of plan was a mere \$13,493 in 2000. The median IRA value in 2001 was \$30,000. These figures include young and old alike. For those nearing retirement, such accounts taken together averaged roughly \$50,000 in 2001—an amount that, invested at 5 percent, would yield \$2,500 a year in income, far less at rates commonly available in 2003. With the decline of the stock market, moreover, many plans lost value—shrinking, as a bitter joke put it, to “201(k)” and “101(k)” plans.<sup>23</sup>

Strikingly, 41 percent of those working in the private economy simply do not have either a defined benefit pension or defined contribution plan!

The amount of retirement income generated by all forms of pensions taken together is modest. Median pension income for retirees who received such income in 2000 was \$7,800. Since more than half received no pension, however, the average (mean) for all retirees was much less, roughly \$4,000.<sup>24</sup>

Private savings, the third leg of the traditional three-leg retirement stool, have also not kept up—in part because a defined contribution plan is in practice an alternative form of savings that substitutes for, and currently does not significantly augment, traditional private savings. The growing financial pressures reviewed in Chapter 15 have had a devastating impact on the average family's capacity to save. The personal savings rate (which includes private savings and 401(k)s, IRAs, and the like) has declined dramatically in recent years (from 9.2 percent in 1985 to less than 3 percent in 2003). On average—which, of course, includes top

groups—those over sixty-five draw upon assets (savings and home equity) for a modest \$310 a month. (The median is a mere \$160 per month.)<sup>25</sup>

The growing general retirement crisis thus adds to the long-term challenges confronting Social Security. This has helped create an environment in which, by necessity, much more far-reaching ideas have begun to be put forward. These in effect take up the key point of those who would privatize the Social Security system, but turn it on its head to produce an approach that is more coherent in its ultimate retirement support capacities.

Proponents of investing some part of Social Security's assets in equities are correct to suggest that over the long haul, a comprehensive retirement security plan that includes an investment component may be capable of paying higher benefits than a pay-as-you-go system—especially if new population cohorts do not grow faster than older ones. All traditional private pension plans and public employee pension plans are based on this understanding (including, as we have noted, the Federal Thrift Savings Plan, which currently serves federal employees and the employee pension plan provided by the Federal Reserve Board).

That with proper safeguards Social Security—or an even broader future system—might logically move in this direction is not in principle an unreasonable idea. Indeed, the U.S. Social Security system in its original form was based on precisely this concept. Instead of operating on a pay-as-you-go basis, it was planned initially as a system that would utilize contributions both to provide income support and for further long-term investment.<sup>\*26</sup>

\* The original plan was abandoned during the late 1930s in large part because Keynesian economists worried that the system's initial reserve buildup might undercut attempts to stimulate economic recovery from the Depression. See Henry J. Aaron and Lawrence H. Thompson, "Social Security and the Economists," in *Social Security After Fifty*, ed. Edward D. Berkowitz (New York: Greenwood Press, 1987), pp. 79–100.

In this same vein, one of the architects of the modern system, the former commissioner of the Social Security Administration, Robert Ball, has proposed investing roughly 40 percent of the Social Security Trust Fund in equities (the exact amount to be determined on the basis of an actuarial accounting of needs). The investments would be managed through several competing mutual funds. Ball offered his proposal in 1995 as a member of the Social Security Advisory Council and—importantly—was supported by a number of other progressive members of the council, including representatives of the Machinists and Electrical Unions, and by the president of the AFL-CIO.<sup>27</sup>

A first-step variation on the same theme was formally proposed by the Clinton administration in 1999. Clinton suggested allocating a portion of new Social Security contributions to an equity-invested fund that might be managed along the lines of the Federal Thrift Savings Plan. The fund would be limited to a maximum of 14.6 percent of the Social Security Trust Fund's overall assets. Clinton would have used the then available federal budget surpluses to close the transition "gap" that diverting a portion of the contributions to investment would create.<sup>28</sup>

Economists Henry Aaron and Robert Reischauer have suggested a related midrange strategy that would invest Social Security reserves in excess of one and a half years' expenditure requirements. A very expansive proposal to invest Social Security reserves based on state and other pension fund precedents—and the current Canadian national system—has been offered by management professor Alice H. Munnell and Brookings fellow R. Kent Weaver.<sup>29</sup>

The underlying logic of allocating publicly controlled funds to wealth-owning strategies of this kind has been fully extended by specialists on both the left and the right who have looked to still longer range solutions.

Economist Thomas Michl has put forward a proposal for what amounts to a return to the initial Social Security concept.



His plan would ultimately establish a "fully funded system [that] in an idealized model returns participants the same yield as a diversified portfolio of stocks." In 2001 Michl proposed revoking the Bush income tax cuts to begin funding such a system on a permanent basis. Significantly, after the kind of "reassessment" that has become increasingly common, Michl subsequently concluded that relying on a general increase in income taxation was probably futile, that the target had to be sharpened, and that a progressive wealth tax dedicated to funding Social Security now had to be considered.<sup>30</sup>

The conservative Nobel-prize winning economist Robert Fogel has also outlined a fully funded investment-based plan—one that would be subsidized in part for those with low incomes by "a tax of 2 or 3 percent applied progressively to the top half of the income distribution." In addition, Fogel put forward an important societal goal for a nation as richly endowed as the United States: unlike solutions offered by those on the left and the right that would save money by delaying the retirement age and thereby reducing the total years of retirement, his proposal would begin retirement earlier (routinely at age fifty-five)—and would increase the number of years free from work at the end of one's career as the nation's wealth increased over the course of the century.<sup>31</sup>

Finally, sociologist Robin Blackburn has offered a partly public, partly private long-term system that would use several sources of funding to achieve a major revolution in retirement financing. A first tier would expand and increase Social Security. A second would reform private pension efforts so as to increase their impact and make them more secure by, among other things, requiring companies to contribute stock to pooled funds in order to maintain greater investment diversification.<sup>32</sup>

Blackburn's third strategy draws upon the 1970s Swedish Meidner Plan (a watered-down version of which was implemented between 1983 and 1991). This would require firms to issue and set aside stock equivalent to 10 to 20 percent of profits each year in order to increase pension fund capital. The

stock would be managed by new publicly accountable agencies and could not be sold for at least five years. Financing through a "share levy" of this kind (like current stock options given to top executives) dilutes the value of outstanding stock and in practice is thus similar to a wealth tax.<sup>33</sup>

The first question of interest in connection with the trajectory of development traced by such proposals is over what time span the implications of the dead ends facing traditional strategies sink in. A second is how long it takes before growing problems in this area and elsewhere, along with increasing pain levels, force the inherent logic of such Pluralist Commonwealth-related principles they embody into ever sharper public and political focus.

The growing pressures that are steadily producing an explosion of new wealth and investment proposals are sharpening another very large-order, long-term challenge: extraordinary increases in the cost of health care. This is an area where growing distress, particularly among the elderly, has been generating new demands for change for some time.

The basic numbers are already staggering. Spending on health care more than doubled from 5.1 percent of GDP in 1960 to 14.9 percent in 2002. It is projected by the U.S. Center for Medicare and Medicaid Services to rise to 18.4 percent of GDP by 2013. Some well-informed experts predict that health care expenditures could reach as high as 25 percent of GDP by 2025—and potentially far more in the later years of the century as the baby-boom generation ages and the population cohorts continue to shift.<sup>34</sup>

Such estimates do not include, as yet, an attempt to provide assured care to the more than 43 million Americans who have no insurance coverage at all. And the financial problems facing Medicare and Medicaid far exceed those of Social Security: the long-term medicare funding gap alone is estimated to be at least five times that of Social Security.<sup>35</sup>

\* In addition, Blackburn would use such funds for long-term investments aimed at achieving broad community, regional, infrastructure, and environmental goals.

The explosion in health care costs can be traced to many factors, including high personnel costs, technological improvements, the cost of drugs, and administrative inefficiencies. It is also fundamentally related to the dramatic changes in the percentage of elderly in the population and to their increased health needs.

Per capita health care expenditures after age sixty-five are commonly three times greater than before sixty-five—and the number of elderly, as we have seen, could well reach more than 131 million by the century's end. The share of the very old (eighty-five and older) among the elderly is also increasing, and those eighty-five and over commonly consume three times as much health care as those in the sixty-five to seventy-four range. Health economist Victor Fuchs observes that for such reasons the problem of financing health care for the elderly could "soon equal and then surpass the problem of financing retirement."<sup>36</sup>

Two points are especially worth emphasizing from the perspective of our overall concern. The first simply continues and underscores the line of analysis that has emerged in connection with several other issues: the growing difficulties must inevitably increase the pressure to find new solutions, both in this area and generally as problems in each sector ramify and feed back into other areas experiencing financial and political challenges. With traditional solutions blocked, the search for alternatives—and given the emerging logic, for Pluralist Commonwealth-related alternatives in particular—is all but certain to intensify.

A national campaign to cover the uninsured, led by former presidents Gerald Ford and Jimmy Carter, and backed by the Chamber of Commerce, the AFL-CIO, and many other groups, is already under way. In the last several years proposals for universal coverage have been introduced in numerous state legislatures. Several Democratic presidential candidates, including John Kerry, put forward a range of plans during the 2004 primaries—virtually all financed in

whole or in part by rescinding Bush elite tax cuts. Further proposals are certain to be put forward as time goes on.<sup>37</sup>

The second point takes us beyond the logic, trends, and trajectories so far reviewed to the general observation that when pressures build that simply cannot be dealt with by traditional means—or even the kinds of alternatives now beginning to be discussed—very different possibilities and unexpected options and alliances often suddenly become thinkable.

It is rarely recalled that in the early 1990s, a number of leading corporations strongly urged President George H. W. Bush to do something dramatic about the health care costs that were consuming a growing proportion of corporate profits (56 percent of pretax company profits in 1991, up from just 8 percent in 1965).<sup>38</sup>

Similarly, early in the Clinton years, leading corporations urged enactment of a single-payer system like that of Canada. Chrysler, Ford, American Airlines, and General Motors (among others) joined in a coalition with labor and consumer advocates to support universal coverage plans—including both the single-payer model and the Clinton proposal.<sup>39</sup>

The three leading business lobbies—the Business Roundtable, the U.S. Chamber of Commerce, and the National Association of Manufacturers—and business-oriented health coalitions such as the Washington Business Group on Health, the National Leadership Coalition for Health Care Reform, and the Jackson Hole Group—all also publicly endorsed universal coverage.<sup>40</sup>

Although a successful counterattack by the insurance industry and its allies thwarted Clinton's proposals for universal care, it is unlikely the issue will remain closed forever. Critically, however, the most obvious health-related cost-saving possibilities offered by managed care and HMO measures have now been largely exhausted. Conventional proposals for change based on private insurance models promise little in the way of cost-saving.<sup>41</sup>

In this situation, as the extraordinary financial pressures continue to build—and as political demands for a solution grow—ultimately, as many studies and the experience of other nations have demonstrated, an alternative in this area that involves radically different system-changing principles of public-benefiting ownership and control is also likely to offer the only way forward.<sup>\*42</sup>

\* Administrative costs of the current U.S. system are estimated to be almost 31 percent of health care expenditures—as compared with only 16.7 percent in Canada. See Steffie Woolhandler, Terry Campbell, and David U. Himmelstein, “Costs of Health Care Administration in the United States and Canada,” *New England Journal of Medicine*, vol. 349, no. 8 (August 21, 2003), pp. 768–775. As we have noted, the U.S. system currently absorbs roughly 14 percent of GDP—and much higher percentages are expected in the future. The Canadian system absorbs far less—9.7 percent of GDP (2001); that of Sweden, 8.7 percent (2001); and that of Japan, 7.6 percent (2000). Organization for Economic Co-operation and Development, “Health Data 2003—Frequently Asked Data,” table 10, [www.oecd.org/document/16/0,2340,en\\_2825\\_495642\\_2085200\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/16/0,2340,en_2825_495642_2085200_1_1_1_1,00.html) (accessed 10/28/03); see also *OECD in Figures 2001* (Paris: OECD, 2001), pp. 8–9. Between 1997 and 2004, U.S. healthcare expenditures grew 2.3 times faster than GDP compared with 1.7 times faster in all other OECD countries. OECD, “Health Spending in Most OECD Countries Rises, with the U.S. far Outstripping all Others,” [www.oecd.org/home/](http://www.oecd.org/home/) (accessed 06/03/2004). In an August 2003 statement published in the *Journal of the American Medical Association*, some 7,782 doctors (including two former U.S. surgeons general) urged that the time had come for the United States to establish a universal single-payer health system. See Physicians for a National Health Program, “Doctors Call for National Health Insurance,” August 14, 2003, [www.phnp.org/news/2003/august/doctors\\_call\\_for\\_nat.php](http://www.phnp.org/news/2003/august/doctors_call_for_nat.php) (accessed 10/13/03).

## A Twenty-Five-Hour Week?

THE LOGIC OF RESOURCE allocation between elites and nonelites and issues of retirement and health care open converging perspectives on the question of whether the privileged position of those at the top might ultimately be challenged—and on how, simultaneously, the pressure of events is forcing ever greater attention to nontraditional strategies related to Pluralist Commonwealth principles.

The longer-term logic of time use and of gender equality offers additional avenues of approach to the underlying issues—and to the dead ends, realignment possibilities, and new strategic and institutional options likely to face other important constituencies over the course of the twenty-first century. Time and gender issues are also instructive in that they permit the analysis to begin to move beyond pain and difficulty to the question of how the resources of a very rich society might ultimately be used to achieve more fulfilling positive goals.

Scholars who have studied long-term patterns of work in the United States have documented a clear trend up to approximately the middle of the twentieth century: the typical work-week declined from roughly seventy hours in 1850, to sixty hours in 1900, to fifty hours in 1920, and—allowing for variation during the Depression and World War II—stabilized at a little over forty hours by the middle of the century. After that, further diminution of work-time largely ceased. Indeed, as we have seen, hours worked per week and per year have

increased very substantially for large numbers of Americans in recent years.<sup>\*1</sup>

The pattern is different in Europe: although most Western industrialized nations once lagged behind U.S. developments, in recent years most forged ahead while the United States fell back. In 2000, 76 percent of American workers put in forty or more hours a week—an increase from 73 percent in 1983. In England only about 50 percent worked forty or more hours a week, and in France the share of the employed working that many hours decreased from 36 percent to 22 percent between 1983 and 2000. The reduction in the workweek was even more pronounced in Germany: only 43 percent of the workforce worked forty or more hours in 2000, down sharply from 85 percent in 1983.<sup>2</sup>

In much of Europe four to six weeks of annual vacation is also now mandated by law for all workers (including newly hired workers). In the United States most workers don't receive four weeks of vacation until they've reached twenty years of service. Different methods of data collection make precise comparisons difficult. However, taking hours worked per week together with vacation time, workers in France and Germany reduced work enormously, compared to their American counterparts—by 260 hours per year between 1979 and 2000, the equivalent of cutting six and a half forty-hour-weeks out of the work year!<sup>3</sup>

Not surprisingly, many U.S. workers would prefer to work less—if they could afford to do so. Research by the Families and Work Institute indicates that almost two-thirds (63 percent) would like to work fewer hours—up from 46 percent just a few years earlier. On average those questioned said

\* See p. 175. Academic debate concerning various aspects of the trend (and the use of diary versus census data) is usefully reviewed in Barry Bluestone and Stephen Rose, "Overworked and Underemployed," *The American Prospect*, vol. 8, no. 31 (March 1, 1997–April 1, 1997); see also "The Unmeasured Labor Force: The Growth in Work Hours," Policy Brief #40 (Bard College, N.Y.: The Levy Institute, 1998).

they would reduce their workweek by more than ten hours if they could.<sup>4</sup>

It is theoretically possible, of course, that the richest nation in the world will never move forward in the direction that is increasingly common elsewhere. On the other hand, as technological progress continues—and as the capacity of one hour's work to produce three, four, or possibly even five times what it now produces continues to increase—at some point during the coming century, almost certainly Americans are likely to demand that the United States begin to follow the trend of other nations.

It is at this point that some of the most interesting questions come into play.

In 2003 the U.S. economy produced just over \$38,000 for each individual, or just over \$152,000 for every group or family of four. Per capita production in the United States increased more than sixfold during the twentieth century—even though the economy was jolted by two World Wars and the Great Depression. Although the gains might well have been greater had these costly events not intervened, we may use the twentieth-century trend as an initial rough baseline.

Projecting twentieth-century growth forward yields a very large number by the end of the twenty-first century—minimally \$220,000 per capita and \$880,000 for each group or family of four. (All in 2003 dollars—far more, of course, if inflation is considered.)

Per capita GDP will still be impressive by the century's end if the conservative assumptions used in the Social Security Trustees Report are followed: \$125,000 per person, or \$501,000 per group of four (again, all in 2003 dollars).<sup>5</sup> Even if such projections are substantially discounted (we shall explore ecological limitations shortly), they suggest some obvious possibilities.

In Chapter 2 we noted Segal's proposal that we should aim to reduce the average workweek for both men and women to something like twenty-five hours. The proposal appears utopian in terms of immediate prospects. On the other hand,

it is hardly a major stretch beyond either European practices or the emerging technological possibilities. In France nearly 80 percent of all those in full-time employment worked thirty-six hours or less as of September 2002; in Germany metalworkers, who currently work a thirty-five-hour week, have been pushing to extend this to eastern Germany; and the union's longer-term goal is a workweek below thirty-five hours throughout the country. If the American workweek were even to be cut in half, the U.S. economy would still be able to produce an extraordinary amount for each family by the century's end.<sup>6</sup>

Indeed, greater work-time reductions are conceivable—and in principle could be achieved with no diminution of living standards (and plausibly an increase) for the vast majority of Americans. A recent estimate is that productivity gains of 2 percent per year—if fully translated into reduced work-time—would cut roughly seven hours off the workweek in the course of only one decade.<sup>7</sup>

Although many moderates and liberals have shied away from such questions, Robert Fogel has argued that as early as 2040 current trends and “technophysio evolution” could produce a 1,400-hour work-year, a 30-hour workweek, 30 holidays, and 12 sick days. Further movement in the direction of shorter working hours, he suggests, would continue as the century progresses.<sup>\*8</sup>

The fundamental long-term political-economic problem is not whether major changes in the workweek are likely to be technologically feasible; it is how, specifically, the fruits of technological change can be translated into equitably distributed reductions in the workweek as time goes on. The specific question is how to allocate the financial gains made possible as the productivity of the economy improves.

\* See p. 192. As we have seen, unlike many fellow conservatives who have been seeking ways to reduce Social Security costs by postponing retirement, Fogel has also urged that, given the technological possibilities, we should aim to *increase* the number of years individuals enjoy free from work during life's final years.

The logically available options are not difficult to define. The most straightforward but perhaps least likely method of achieving a reduction in working time is simply to enact legislation reducing the workweek—and then penalize companies that violate the law. The difficulty is that both workers and corporations oppose a mandatory approach. The legally set forty-hour week with pay increases for overtime is the basis of our current stalled system, and legislation making it more restrictive is not likely.<sup>9</sup>

Juliet Schor has proposed that companies be required to allow workers to choose whether they prefer to take the value of some portion of productivity gains in increased pay or in reduced hours. This would give workers the right to take more time off, something few now have as a matter of right. Here, however, powerful corporate opposition stands in the way of mandated requirements.<sup>10</sup>

Given the political realities, almost certainly a strategy that offers carrots as well as sticks will ultimately be necessary. One precedent is the thirty-five-hour-week legislation enacted in France in the late 1990s—an approach that required a reduction in hours worked but compensated employers through the tax system for continuing to provide workers the equivalent of full-time pay.<sup>\*</sup> Variations on this theme can be found in other nations that (commonly to help spread employment) in one way or another also pass through compensatory payments to the company and the worker.

In Austria older workers (men at fifty-five, women at fifty) can reduce working hours and receive partial compensation

\* The payments were initially to last for a five-year phase-in period. The conservative government elected in 2002 amended the law so that it could be more flexibly implemented—which, in some cases, means that more overtime is permitted. Although there is considerable left-right political dispute over other issues, as of this writing the basic financing principle appears all but certain to be retained (though for three years rather than the original five). See Victor Mallet, “French Face Longer Working Week,” *Financial Times*, September 19, 2002; and Jeanne Fagnani and Marie-Thérèse Letablier, *Working Time and Family Life: The Impact of the 35 Hour Laws on the Work and Family Life Balance in France*, forthcoming paper.



for the loss of earnings involved: hours are cut in half, but workers receive 75 percent of their former salary and 100 percent of the employer contributions to the state health care and pension insurance systems. The employer is reimbursed through tax reductions by the government. In Italy full-time workers nearing retirement age who are replaced by new hires may move to part-time work and receive government support to bring wages up to previous levels.<sup>11</sup>

Segal has suggested an expansive work-reduction system that in certain respects both extends European precedents and links them to other well-tested U.S. policies. Segal proposes enacting a "Simple Living Credit" modeled on the current Earned Income Tax Credit (EITC). This would be structured so as to allow individuals to reduce hours worked with a less-than-proportional drop in income. The EITC has proven acceptable to many business groups because it in part implicitly subsidizes labor costs. The enactment of numerous state and local forms of EITC over the last decades also suggests the potential political feasibility of an expanded approach at some point in time. Segal estimates that a phased-in credit of \$10,000 for families with combined income of \$60,000 would permit a reduction in working hours of 25 percent—with a corresponding after-tax income decline of only 10.5 percent.<sup>12</sup>

A fully evolved long-term program would likely build upon either the indirect subsidy route of the French, Austrian, and Italian models, or on Segal's direct approach using EITC-related strategies, or on both so that the workweek could be progressively and systematically reduced over the course of the century.<sup>13</sup>

Drawing in part on the work of the Swedish economist Gösta Rehn, Carmen Sirianni has offered the additional suggestion that reductions in work-time should be tailored to individual preferences. Instead of everyone reducing the workweek by a certain number of hours at the same time, a person could choose to take an equivalent amount of time

off in different ways—perhaps several months at a time for one, perhaps a year for another.<sup>\*14</sup>

Low-income individuals who must work long hours to provide for their families obviously have far less choice than middle- and upper-income Americans. Even assuming support for a general reduction in work-time, a critical long-term question is whether time can be allocated equitably—which is to say, in a manner that also provides benefits to lower-income Americans. A coherent approach would ultimately likely entail both a major expansion of the current EITC and perhaps some form of basic income as proposed by Philippe Van Parijs, Bill Jordan, and others. Over the long haul, such an effort would inevitably also converge with a comprehensive general strategy to reduce inequality (see Chapters 1 and 18).

The obvious issue, again, is how a serious-scale program might ultimately be financed. We are once more back full circle to large-order questions of resource allocation and—given the dead ends facing traditional strategies—whether, over time, a transition to a new approach might one day be achieved. And again, if there is no way forward under current strategies, then either there can be no solution—or ultimately an alternative approach must be considered.

There has as yet been very little discussion of such matters in connection with time-allocation issues. A major shift would clearly require a buildup of understanding of strategies beyond traditional taxation, a much sharper focus on how resources are currently allocated, the systematic organization of an alliance of the majority, and finally a critical (if perhaps slow) return to a moral commitment to achieving equity in the U.S. system.

\* Sirianni has also sketched the many ways productive use might be made of greater free time—including further education, the development of new skills, unpaid home and volunteer work, greater family and community time, and the like. See Carmen Sirianni, "The Self-Management of Time in Postindustrial Society," in *Working Time in Transition: The Political Economy of Working Hours in Industrial Nations*, eds. Karl Hinrichs, William Roche, and Carmen Sirianni (Philadelphia: Temple University Press, 1991), pp. 259–260.

There are reasons to believe the first of these requirements—a buildup of understanding of the need for new approaches—is slowly beginning to develop: we have noted the Ackerman-Alstott suggestion of a 2 percent tax on wealth, the proposal of Thomas Michl for a net-worth tax, and the suggestion of Leon Friedman of a 1 percent tax on wealth owned by the top 1 percent. Kevin Phillips and Jeff Gares (among many others) have also urged that wealth taxation must now be put on the American agenda. Robert Kuttner adds that a wealth tax is “by definition, the most progressive way to raise revenue, since it hits only the very pinnacle of the income distribution.” A large group of multimillionaires has launched a campaign opposing elimination of taxes on inherited wealth—paid only by the top 2 percent—as “bad for our democracy, our economy, and our society.” Even Donald Trump has proposed a one-time 14.25 percent net worth tax on Americans with more than \$10 million in assets.<sup>15</sup>

Economist Edward Wolff points out that most European nations have for years levied general taxes on wealth. Wolff suggests that the United States follow suit with a wealth tax based on the current modest Swiss effort—an approach that, if applied to America, would involve marginal rates of 0.05 to 0.30 percent after exempting the first \$100,000 per household. Existing European practice, in fact, offers precedents for a much more aggressive approach. Wealth taxation rates in ten other European countries are much higher—often between 1 and 3 percent—and would yield very considerable revenues if applied here.<sup>\*16</sup>

\* Wolff calculated that applying a Swiss-style tax in the United States would have produced roughly \$52 billion in revenues in 1998 (and would not have increased taxes for the vast majority—indeed, only 8.5 percent of families would have paid more than \$300). An earlier 1989 estimate by Wolff showed that revenues produced by a Swedish-style wealth tax in the United States would have been far greater—equal, in fact, to 74 percent of all revenues from personal income taxes (or \$545 billion in 1998). Although an updated current estimate is not available, the rough order of magnitude is suggested by the fact that nominal GDP increased roughly 19 percent between 1998 and 2002. See Edward N. Wolff, *Top Heavy: The Increasing Inequality of Wealth in America and What Can Be Done About It* (New York: The New Press, 2002), pp. 53–61.

Taxation of wealth, of course, has long been central to the American tax system *for the kind of wealth most Americans own—their home*.<sup>\*</sup> Broader wealth taxation—a “property tax on wealth”—of the kind increasingly being discussed would likely exempt home-ownership and middle-class levels of other assets and focus primarily on large-order elite wealth concentrations.<sup>17</sup>

A comprehensive long-term approach to managing major reductions in the workweek would also likely require new Pluralist Commonwealth-style investment strategies based in part on analyses like those of Roemer, Meade, and Kelso reviewed in Part I. Groundwork has begun to be laid for an understanding of these as well. The most obvious precedent that might be built upon is the Alaska Permanent Fund. In a good year this already produces an income stream (for a family with three children) that approaches Segal’s goal of \$10,000 in direct payments (see p. 117).

The numerous investment strategies now increasingly being offered in connection with Social Security also would assemble and invest capital in order to achieve income flows to individuals (in this case the elderly)—and as we have seen, the management mechanisms in common use by public pension funds also demonstrate the feasibility and efficiency of public strategies that invest assets on behalf of broad groups of citizens.

The longer-term logic of such precedents suggests the establishment ultimately of a public authority that would slowly build up a capital reserve for investment to support new time-use (and other) strategies. Such an authority—implicitly a Public Trust, one of the core institutions of the Pluralist Commonwealth—might ultimately draw upon a

\* Taxation of real estate, moreover, is based upon the value of the asset in general—not the value of an individual’s equity: an owner of a \$200,000 home will be taxed on the full value of the asset, even if his or her actual ownership position (with a mortgage debt of, say, \$190,000) is only one-twentieth this amount. The property tax rebellion in California and opposition to property tax increases in many states become readily understandable when such factors are considered—especially given the absence of taxation on other forms of wealth.

variety of additional sources, beyond income and wealth taxation, to finance major system-wide allocations over the long haul of the century (see Chapter 6).

Might clear targets of political attack ever be successfully defined in support of such demanding and far-reaching strategies? Several observers believe that the way to a much more challenging longer-term politics may quietly be developing because of what Paul Krugman terms "tectonic shifts" now taking place among American elites.<sup>18</sup>

The super-elite—the people Krugman, Kevin Phillips, and others have termed the new "plutocracy"—increasingly live in a very, very different world from most Americans and in a radically different culture. It is a world where homes cost \$5 to \$10 million and where \$5,000 grills, \$14,000 Hermès Kelly handbags, \$17,500 Patek Philippe wristwatches, and \$100,000 luxury automobiles are commonplace.<sup>19</sup>

The world of the new plutocracy is also a world of routine white-collar corruption. The former Enron CFO Andrew Fastow as of this writing faces a 109-count indictment for alleged manipulations that prosecutors believe garnered Fastow \$30 million and an additional \$12 million for his associate Michael Kipper (who has pleaded guilty to federal charges). Global Crossing's chairman, Gary Winnick, it appears, may have made off with more than half a billion dollars as his company was moving toward bankruptcy and its own federal investigation. WorldCom, another telecommunications giant facing bankruptcy and criminal investigations, paid out hundreds of millions in bonuses and loans to those at the top during its last years.<sup>20</sup>

Above all, the world of the super-elites is a world in which wealth ownership has become *extremely* concentrated—far more so than is commonly understood. Although many Americans own small amounts of stock, the ownership of wealth—particularly financial wealth—is medieval in character.

The richest 1 percent of households now owns half of all outstanding stock, financial securities, trust equity, and busi-

ness equity in the United States. A mere 5 percent owns more than two-thirds of America's financial assets. In recent years those with incomes over \$1 million—a *minuscule less than two-tenths of 1 percent of all taxpayers*—made more money from stock sales than all the rest of the nation combined!<sup>21</sup>

"The rich have always been different from you and me," Krugman observes, "but they are far more different now than they were not long ago—indeed, they are as different now as they were when F. Scott Fitzgerald made his famous remark" that they were different from most Americans. Political scientist Alan Wolfe adds, "There are really only two classes in America now, the top 2 percent and everybody else."<sup>22</sup>

The Bush administration has showered the super-rich with special benefits—massive reductions in income taxation, in estate taxation, in capital gains taxation, and in dividend taxation. If—when—at some point a backlash occurs among the growing number of Americans experiencing economic pain and the stress of ever greater time pressures, there is a more than reasonable possibility that a target of ever greater clarity at the top may slowly be brought into sharp political focus as the century progresses.

It is even possible that at some point during the century, the majority will wake up to its power and create an alliance to demand change.

Quite apart from the equities involved, more free time is one of the most important requirements of any serious long-term system-wide approach to building solid foundations for individual liberty in the new century. Again, a systematic strategy for opening up free time is absolutely essential if there is to be a renewal of democratic participation (see above and Chapters 2 and 4).

Although such questions increasingly confront both men and women, the painful choices and pressures facing American women suggest that as a group, women are ultimately likely to have the greatest stake in a positive resolution of

time-use issues—and a stake, too, in the difficult challenge of developing a long-term politics that offers hope of altering current work-versus-family patterns.

By now the situational logic facing U.S. families in general and women in particular is well-known. For all but the very well-to-do the choices are stark:

- (1) The husband and wife both work, and someone else is hired to raise the children for many hours of the day.
- (2) The husband and wife both work, and the wife (rarely the husband) does double-duty raising the children.
- (3) Both the husband and wife work and both attempt to raise the children in a shared fashion.

The first choice not only involves leaving the child in the care of someone else for substantial periods; for most people, it increasingly means a series of several "someone elses," since good and sustained help at affordable cost is hard to find—and since most families do not make enough money to pay for such help either in the form of nannies or decent day care. Low-paid, poorly trained help tends to move on, leaving the children to make do as best they can with the next low-paid, poorly trained person . . . and the next . . . \*

Aside from the personal and family costs involved, a substantial body of research suggests that consistent caregiving may be extremely important to both psychological and cognitive development in the very early infant years. This need

\* With day care workers making an average of \$7.14 an hour—less than \$13,000 a year—turnover rates are well over 30 percent in most big cities. A study by the University of California at Berkeley and the Washington-based Center for the Child Care Workforce found that three-quarters of the staff employed at day care centers in 1996 were no longer on the job in 2000. In Missouri, for example, turnover amounted to 60 percent per year. *Then and Now: Changes in Child Care Staffing, 1994–2000* (Center for the Child Care Workforce and Institute of Industrial Relations, U.C. Berkeley, April 29, 2001), [www.cccw.org/pubs/Then&Nowfull.pdf](http://www.cccw.org/pubs/Then&Nowfull.pdf) (accessed 03/23/03); for Missouri turnover rates, see Judy Greenwald, "Day Care Centers Pay Premium for Quality," *Business Insurance*, vol. 35, no. 38 (July 9, 2001), p. 3.

not be the parent; it does need to be someone regularly and lovingly there. The cornerstone of healthy emotional and intellectual development for very young children is also high-quality early child care.<sup>23</sup>

But high-quality care is even more expensive—from a low of \$3,900 a year for minimal levels of quality care to more than \$10,000 in many cities. In 2000, according to the Children's Defense Fund, "the average annual cost of child care for a four-year-old in an urban area center [was] more than the average annual cost of public college tuition in all but one state."<sup>24</sup>

Accordingly, the first option, though available in theory, is rarely available in practice for most Americans—that is, for all but those at the top, who can afford expensive care. The second of the bad choices often produces the anguish of the so-called Superwoman model—a thoroughly exhausted and depleted woman, a tense marriage, and an inadequate capacity to give full attention either to child-rearing or to a career. "There is no more time in the day than there was when wives stayed home," observes Arlie Hochschild, the author of *The Second Shift*, "but there is twice as much to get done."<sup>25</sup>

"Time use studies demonstrate that working mothers put in longer hours than almost anyone else in the economy," adds Ann Crittenden, the author of *The Price of Motherhood*. "On average . . . more than eighty hours a week . . . the equivalent of two full-time jobs."<sup>26</sup>

The problem is significant at all levels—not simply for those with low incomes. Professional women under the pressure of career competition (reinforced by widespread gender discrimination in the workplace) commonly feel they must put in more time on the job and after hours than nonprofessionals. Even when there is more money available, ironically, time may be tighter and the pressures and stress higher among many at the professional level.

The third option—that of the husband sharing a significant portion of child-rearing—offers the logical possibility of

ultimately equalizing gender roles and, too, of a potentially nurturant model of sustained child-rearing. However, given real-world differences between male and female earning capacity, when the male reduces his work-time, this usually entails very substantial costs to family income.<sup>27</sup>

It is an option theoretically available to all, but one that in practice is limited, again, to a small number of families where money either is not important or where women earn far more than median salaries. As Crittenden observes, "[I]n a middle-income family, with one parent earning \$30,000 per year as a sales representative and the other averaging \$15,000 as a part-time computer consultant," the numbers just do not work. In the real world, it means the woman commonly severely compromises her goals and aspirations.<sup>28</sup>

Nontraditional families face many of the same fundamental dilemmas. For most families there are simply no satisfactory ways out of the three-sided box defined by current economic constraints; still fewer are there realistic possibilities for moving toward creative, equal, and more generous gender roles and definitions. There are only poor compromises.

For low-income families, the three-sided box often becomes a slowly tightening three-sided vise that makes any option an excruciating compromise. In all too many cases the painful reality is that two adults together work three or more jobs to make ends meet, and the children are left to their own devices or to be raised by television.<sup>29</sup>

In principle, logical long-term solutions to the basic problem are quite obvious. The first is simply to provide sufficient resources to pay for first-rate day care services. "First-rate" means ongoing caregiving by people who can—and want to—maintain sustained relationships with children. The costs of various national programs have been estimated at between \$50 and \$123 billion per year (the latter figure for free care for all). Brookings scholar Isabel Sawhill calculates that a French style (*crèche*) system of day care would cost about \$8,000 a year per child (or \$61 billion). Economist

Barbara Bergmann suggests beginning with a \$15 billion program targeted to low-income children.<sup>30</sup>

But again, financing a serious strategy in this direction clearly would require confronting the dilemmas of the resource allocation problem in ways that point ultimately to strategies beyond those now at a dead end. Many advocates—Hochschild, Crittenden, Bergmann, and others—have urged that day care be made a priority; few have as yet confronted the need for a fundamentally new political-economic strategy, and new alliances, to achieve the resources necessary to finance it.

A second and more basic solution returns us to the long-term logic of time use. Over the course of the century a reduction in necessary work-time, say, to the twenty-five-hour week urged by Segal, offers the logical possibility of both the husband and wife sharing child-rearing duties if they so desire—or of either or both working more hours (without total exhaustion) to pay for good child care.

Political theorist Philip Green urges that a "democratic division of labor in reproduction requires that as a matter of course, that is of mutual expectation, men share parenting in some rough equality with women, regardless of how much time off from external employments this may require."<sup>31</sup> We cannot ultimately achieve real change, Joan Williams stresses, until—quite simply—we "redefine the nature of equality."<sup>32</sup>

But this, in turn, requires that the benefits of technological progress are translated into financial resources to make this possible. We are back by still another route to the basic questions of how new Pluralist Commonwealth approaches might be developed and how new alliances to achieve them might be fashioned over time. The challenging reality facing those concerned with gender roles and child-rearing, on the one hand, and those concerned with time use and allocation, on the other, is the same.

The strictly political implications are again obvious. If change is ever to occur, at some point women and others



deeply concerned with time problems will have to confront the need for a new political-economic approach—and for a long, difficult struggle. They also will have to come to terms with the question of how to build common cause with others facing similar pressures so that together they can force serious proposals for change.\*

The above formulations focus primarily on middle-income families. Unless problems at the bottom of the system also are addressed directly, however, the solution to a middle-class family's problem can all too easily become just another way to pass the buck to those below—especially to racial minorities and immigrant women. As social historians Linda Martin and Kerry Segrave observe, "Every time the housewife or working woman buys freedom for herself with a domestic, that very same freedom is denied to the domestic, for the maid must go home and do her own housework."<sup>33</sup>

Sadly, Yale's Dolores Hayden points out, many women "may never ask how their private maid or child-care worker arranges care for her own children." Nor, we may add, do many men.<sup>34</sup>

In short, any serious consideration of the larger issue once more forces the profound question of overall income inequality to the surface—and suggests that, difficult as this may be, a serious solution will ultimately require radically new structural arrangements.

In all this we are beginning to confront some of the most fundamental issues posed by the coming technological opportunities, on the one hand, and current political arrangements, on the other. It is clear that quite new and positive possibilities will be well within technological reach. It is also clear that, given the power of existing arrangements,

\* Additional reforms clearly are important—including (among others) equal pay for equal work by women and men, flexible leave laws, and (paid and unpaid) maternity leave for women and men.

a serious way forward may not be possible—even over very long stretches of time.

In larger historical perspective what is important at this point is not simply the question of how time might be allocated over the course of the century, or even the question of how gender roles might be altered. It is whether individuals at all levels begin to confront the emerging logic that suggests that either economic pain and social decay will continue, perhaps indefinitely—or that a new approach must at some point be clarified that allows diverse groups to come together around different strategies aimed at achieving long-term system-wide change.

## Beyond Super-Elites

### and Conspicuous Consumption

#### *Real Ecological Sustainability in the Twenty-First Century*

THE OVERRIDING ISSUE OF ecological sustainability offers a final perspective on the problem of resource allocation, the need for new political-economic strategies, and the possibility of additional groups that might one day join in a realignment of U.S. politics around Pluralist Commonwealth themes. It also casts important light on how a number of initiatives might be combined to reinforce one another and to undergird a longer-term model of sustainable development if and when new political possibilities open up over the course of the century.

Although there is dispute about the precise dimensions of the problem, prudence alone suggests the importance of confronting basic ecological limits. The issue goes beyond the narrow question of physical depletion of specific resources. A deeper problem is the system's finite capacity to deal with the secondary effects of our current mode of economic activity—what ecologists call “sink” problems. The earth's atmosphere simply cannot absorb infinite amounts of carbon dioxide produced by burning fossil fuels; its water systems cannot absorb the runoff of nitrate-based fertilizers used in modern food production without damage to the ecosystem.<sup>1</sup>

Again, the developed world in general—with the United States leading the way—consumes an extraordinary proportion of the world's goods and services. In 1999 the World

Bank estimated that the world's wealthiest nations—with roughly 16 percent of the global population—were responsible for 80 percent of private consumption. The United States, with less than 5 percent of the global population, consumes roughly 25 percent of the world's beef. Americans use 26 percent of world oil, 26 percent of world coal, and 27 percent of world natural gas. The United States produces 24 percent of global carbon emissions. Research by two government metallurgists suggests that in the brief period from 1940 to 1976, Americans alone used up as large a share of the earth's mineral resources as *did everyone in all previous history*.<sup>2</sup>

The late Kenneth Boulding has put the central point acerbically: “[A]nyone who believes that exponential growth can go on forever is either a madman or an economist.” (Boulding, himself a highly regarded economist, was impatient with many in his own profession who were unwilling to look beyond the limits of narrowly defined technical concerns.)<sup>3</sup>

“We are practicing a kind of commerce,” adds Ed Ayres, the editor of *World Watch* magazine, “that is drawing down the Earth's finite resources—its topsoil, water tables, and genetic resources—far faster than natural processes can regenerate them.”<sup>4</sup>

Numerous near-term proposals have been offered to promote greater ecological sustainability—from carbon taxes, recycling efforts, and renewable energy policies, to programs to reduce population growth. Most sophisticated observers understand, however, that even the most promising initiatives, like the “Type A” and “Type B” partial reforms considered in Chapter 13, are likely at best (possibly) to slow the growth of—rather than reverse—ever worsening trends. A coherent approach thus also requires a long-term strategy for dealing with the underlying drivers that create unsustainable growth.

At the outset of the twentieth century Thorstein Veblen coined the phrase “conspicuous consumption” to describe a form of materialism that has far more to do with demonstrating one's

place in society than it does with meeting a physical or other need. Modern scholars have explored related concepts—including hunger for the kinds of "positional goods" that only elites can afford, pressures to emulate those ahead of one in career ladders, defensive strategies to keep from falling behind, and many similar efforts.<sup>5</sup>

Just how strong such pressures can be is suggested by studies of what Americans feel they need in order to achieve their hoped-for goals. In 1986, when median family income was only \$29,458, survey researchers found that on average Americans felt they really needed far, far more—\$50,000—if they hoped to fulfill their dreams. This benchmark, of course, only offers a snapshot at one moment in time. The ongoing moving picture reveals a deeper dynamic. Only eight years later, in 1994, what people felt they needed had more than doubled—to \$102,000 (while actual median family income had risen to only \$38,782 in current dollars).<sup>6</sup>

Not surprisingly, even as incomes have grown over time, Americans (and others) have not experienced greater happiness. Quite the contrary; given the expanding dimensions of their unsatisfied aspirations, millions feel they are on a treadmill running faster and faster simply to stay in place. Over the roughly four-decade period between 1957 and 1995, the U.S. economy and consumption expenditures both just about doubled. The proportion of Americans who described themselves as "very happy," however, did not change in any significant way.<sup>7</sup>

Ever more expansive materialism is driven in significant part by the pattern set by those who can afford high-level purchases. After "the rich and super-rich began a bout of conspicuous luxury consumption" in the early 1980s, Juliet Schor reports, members of "the upper middle class followed suit with their own imitative luxury spending." In turn, the 80 percent below who lost ground also "engaged in a round of compensatory keeping-up consumption."<sup>8</sup>

As we have noted previously, even when there is no worsening in the relative distribution of income, as economic

growth continues over time there must be an expanding absolute gap between those at the top and those at the bottom. To recall, if I have \$50,000 this year and you have \$1,000—and next year I have \$100,000 and you have \$2,000—the *relative* distribution of income has not changed since the ratio between our incomes remains constant at 50 to 1. However, the real-world distance between us has gone from \$49,000 to \$98,000 (see p. 17).

Dynamic processes of the kind that systematically expand the gap between those at the top and those at the bottom generate a powerful "envy machine"—a social and cultural dynamic in which even those who climb the ladder, step-by-step, regularly experience the space between the rungs getting greater and greater and the distance to the top farther and farther away as they climb (if, in fact, they do climb).<sup>9</sup>

"Compensatory consumption" to keep up is also driven by factors that are not directly related to envy or status. Essential to getting into a top college is a high-quality primary and secondary education. However, as Robert Frank has observed, for those who can only send their children to public schools, this almost always requires purchasing a home in a neighborhood supportive of good schools—that is, a location where prices are inflated by high incomes at the top.<sup>10</sup>

Again, the "arms race" among car buyers is not simply a matter of taste or status-striving. To the extent that drivers of small, relatively fuel-efficient cars face the possibility of

\* A classic study by the late Fred Hirsch underscores a related logic of "positional" frustration in connection with education: (1) A Harvard degree is a "positional good"; only so many people can obtain one. Hence striving must always continue—and always also be futile for the vast majority, especially as population increases and the number of candidates relative to job openings grows. (2) If a Master's degree, rather than a Bachelor's degree, becomes a new "standard," then again, all must strive for it irrespective of whether an additional year or two of (any) college actually adds significantly to one's capacities. (If one person stands up to see better at a football game, others must do so, as well.) Fred Hirsch, *The Social Limits to Growth* (Cambridge, Mass.: Harvard University Press, 1976).

collision with a 7,500-pound Ford Expedition, they may understandably feel compelled to buy a larger car for the sake of safety alone.

The capacity of top elites to keep raising the bar in connection with consumption is almost unlimited. Income received by the ten most highly paid CEOs in the United States, as we have noted, rose from an average of \$3.5 million in 1981 to an impressive \$19.3 million in 1988. By 2000 it had skyrocketed to an average of \$154 million. Meanwhile workers' wages did little more than slightly outpace inflation during the same decades (see pp. 10, 18, and 174).<sup>11</sup>

Several scholars have urged reforms that begin to suggest an initial line of attack on the expansive consumption and resource challenges created by such pressures and relationships. Schor, for instance, proposes ending the tax deductibility of advertising costs by corporations as a way to reduce some forms of unnecessary consumption. (A limited version of this approach has also been suggested by Senator John McCain.) Schor and others also urge new taxes on luxury items. One specific proposal would provide that "the high-end, status versions of certain commodities would pay a high tax, the mid-range models would pay mid-range taxes, and low-end versions would be exempt."<sup>12</sup>

It helps to be specific about the meaning of the term "luxury items." We have noted expensive grills, wristwatches, handbags, automobiles, and the like. The luxury (limited edition) fountain pen market, with prices ranging up to \$230,000 for a single pen, is now large enough to have attracted thirty-five competitors. (One recent entrant, Renaissance Pen Company, offers a gold-and-diamond "Michel Perchin" line averaging \$45,000 for each pen.) Nokia recently launched a line of handmade cell phones with sapphire crystal displays and precious jewels as buttons—with a price tag of \$19,450. In 2002 Mercedes-Benz introduced a new Maybach sedan with base prices beginning at

\$310,000 to \$360,000; Ferrari had a three-and-a-half-year waiting list for its \$170,000 360 Modena Spider.<sup>13</sup>

A somewhat broader approach is Frank's proposal for a progressive consumption tax to replace the federal income tax. This would exempt all savings from taxation—plus an additional \$7,500 deductible amount per person (\$30,000 for a family of four). It would then steadily increase the progressivity of taxes on the remaining income devoted to consumption—with a top marginal tax rate of 70 percent on income and consumption expenditures above \$500,000.<sup>14</sup>

Important as such measures are, addressing the huge and growing income disparities that drive wasteful consumption patterns would clearly ultimately require much more far-reaching strategies to deal with the underlying social and economic dynamics. One obvious element of a long-range approach converges with elite-challenging efforts that have emerged in connection with other Pluralist Common-wealth issues—namely, greater elite taxation, including wealth taxes and a return to income taxes that might range up to pre-Reagan era rates of 70 to 91 percent for the top 1 to 2 percent.

Long-haul strategies that challenge elite income and wealth, and thereby consumption, serve both an economic and a larger cultural purpose. They begin to give content to the ecologically—and for many, morally—important principle that at some point *enough is enough* (or should be). Just as the environmental standards developed in local community processes help lay the groundwork for longer-term change,

\* General consumption tax proposals have typically been urged by conservatives—primarily as a way to increase savings and investment and to shift taxes away from business. Such legislation was introduced in 1995 by a bipartisan group in the Senate, and related proposals are discussed in the 2003 *Economic Report of the President*. A progressive consumption tax would also help achieve savings and investment, but its specific features flow in the first instance from ecologically defined and equity-oriented principles. Robert H. Frank, *Luxury Fever*, pp. 223–224, 227; and *Economic Report of the President* (Washington, D.C., Government Printing Office, February 2003), chapter 5.

such strategies contribute to the development of norms that might ultimately undergird a fully developed long-term "sustainability" policy regime (see p. 142).<sup>\*</sup>

A proposal by the former chairman of the House Budget Committee, Martin Sabo, points to a further issue that a serious long-term approach would also need to address—namely, the ratio of income at the top to income at the bottom (i.e., not simply the extraordinary levels of elite income). Sabo has proposed legislation that would eliminate the deductibility to corporations of compensation at the top that is more than twenty-five times that at the bottom.<sup>15</sup>

Taxation that challenges excessive elite income and consumption—both economically and culturally—could also help generate resources that might in turn be channeled back to support an expanded EITC-type program to raise floor-level incomes, thereby reducing the social distances that contribute to compensatory consumption. Additional precedents for dealing with inequality from the bottom up include increasing minimum wage levels and enacting "living wage" requirements.<sup>16</sup>

Over the course of the century, a comprehensive strategy to undercut excessive materialism might slowly reduce ceiling levels of elite income (or minimally, slow the rate of increase of ceiling levels) at the same time that low-income floor levels are raised—so that ultimately the income distribution might begin to compress toward greater degrees of equality.

Additional sources of revenue could be tapped for these and related purposes. We have noted that corporate taxes declined from 35.4 percent of all federal budget receipts in 1945 to 7.4 percent in 2003. Even a partial return to levels of previous years would produce significant revenue flows. (Sev-

\* As the ecological economist Herman Daly observes: first, "there is a limit to the total material production that the ecosystem can support"; second, "I conclude, therefore, that there must implicitly be some maximum personal income." Daly adds that "bonds of community break" if there is not some limit to inequality. *Beyond Growth* (Boston, Mass.: Beacon Press, 1996), pp. 202–203.

eral states have demonstrated that it is politically feasible to move much more aggressively in this area. New Jersey, for instance, more than doubled its corporate tax levy in 2002—after twenty years of decline.<sup>\*17</sup>

David Bollier, the author of *Silent Theft*, has clarified the potential of another source of funding that might be drawn upon for such purposes—increasing the royalties from public mineral, timber, and other resource extraction; from the use of public airwaves and the electromagnetic spectrum; from government-funded research (particularly in connection with pharmaceuticals); and from the use of government's extensive information holdings and other segments of the public "commons." Bollier suggests establishing "stakeholder trusts that give all citizens a personal stake in public assets." In similar fashion, trusts might be used to fund such important public goods as education, public broadcasting, and land conservation.<sup>18</sup>

Bollier points out that the management of the public lands that comprise one-third of the nation has for decades been characterized by "sweetheart deals pushed through Congress and federal agencies." Corporations "have obtained discount access to huge quantities of publicly owned oil, coal, minerals, timber and grass-lands while wreaking serious environmental havoc."<sup>19</sup>

A related proposal is that of Peter Barnes, the author of *Who Owns the Sky?*, for a "Sky Trust" funded through the sale of permits for the right to release carbon into the atmosphere.

\* Also suggestive is the political/policy reaction of several states to other recent Bush administration proposals. A central provision of Bush's 2002 legislation—a major increase in corporate depreciation write-offs—would have cost states \$12 billion in revenue over three years if applied across the board. As of June 2002 thirty states and the District of Columbia had decoupled from federal depreciation changes—including Virginia, at the behest of the largely Republican legislature, and Mississippi, after a finding by the Republican Tax Commissioner that the new allowances were not "reasonable." Robert S. McIntyre, "States Blow Off Bush," *The American Prospect*, vol. 13, no. 10 (June 3, 2002). See also Chapter 15, note 34.



The Sky Trust would make annual payments to each U.S. citizen in a manner similar to that of the Alaska Permanent Fund. Barnes has also proposed a tax of perhaps 5 percent on all initial public offerings of stock to capture some of the value created by the public by virtue of its maintenance of the federal securities regulatory system.<sup>20</sup>

Large-order longer-term system-wide Pluralist Commonwealth Public Trust strategies could permit the development of additional income flows not dependent upon either taxation or increased royalties and the sale of permits. Here a key question is not only who owns the existing productive wealth of the nation, but who will own the new wealth that will inevitably be created in the future.

The United States will be built and rebuilt anew over the course of the twenty-first century. Much of the capital infrastructure—homes, roads, public and private buildings, all forms of equipment and transportation, virtually everything of significant durability—will be replaced and substantially increased. On conservatively estimated current replacement rates, new factories will take the place of old ones at least twice during the century (and the equipment within them will be replaced at least six times), new offices will take the place of old ones at almost the same rate (and office equipment will be replaced fourteen times), warehouses will be replaced twice—and then again early in the following century.<sup>21</sup>

As population moves from 270 million to 400 million and beyond, other entirely new productive investments will also be needed—adding the equivalent, minimally, of capital roughly half again as large as our current stock (far more, of course, if Census Bureau population projections moving toward the 1 billion range are realized).

As we have seen, Louis Kelso and others have put forward strategies that utilize public loan guarantees or other widely accepted forms of government-backed insurance to finance new capital formation aimed at broadening wealth ownership. Strategies based on the same principle could also pro-

vide a major long-term source of capital for Public Trust investment aimed at producing income flows to help narrow the growing income gap and for other public purposes.\*

The invidious comparison and envy machine mechanisms associated with great inequality are not the only sources of ecologically unsustainable growth. Other underlying drivers involve the foundational conditions of everyday work and community life. Among the well-known pressures generating status-oriented consumption in this regard are economic insecurity, a dearth of meaningful personal relationships and a sense of community, and insufficient time and encouragement to pursue creative and fulfilling activities that do not require materialist consumption.

Psychologists Tom Kasser, Richard Ryan, and several other researchers have shown, for instance, that low levels of life satisfaction in social and family relationships are strongly correlated with high levels of materialism. "Faced with the loneliness and vulnerability that come with deprivation of a securely encompassing community," New York University professor Paul Wachtel writes, "we have sought to quell the vulnerability through our possessions."<sup>22</sup> What is often interpreted as materialism, adds Thomas Power, is in reality a

\* See Chapter 1. U.S. asset-based property income currently amounts to 20 to 25 percent of national income (depending on definitions used). It is sometimes suggested that even if all income from capital were allocated entirely to public purposes, this could have only a relatively modest impact on distributional matters. Quite apart from the fact that 20 to 25 percent of current income is a substantial sum, income flows from such assets would have a much greater impact in the context of a long-term ecologically oriented consumption-reducing tax regime that placed severe limits on upper incomes. The reason is obvious: as absolute income (asset-based or other) increases in such a regime, higher and higher absolute amounts become available for distributional or other public purposes as the century progresses. Given high taxation at the top, the capacity of such absolute amounts to make very substantial changes in relative patterns is enormously enhanced. Moreover, as in case of the 1960s "fiscal drag," such flows would in any event have to be substantially redirected if economic activity is not to be retarded. (We may add that a balanced program would also include "asset-based" and other strategies to ensure that adequate savings occur.)

"demonstration of the pathologies of social deprivation." What is really being sought "is participation in authentic social and natural worlds."<sup>23</sup>

Sophisticated advertising professionals exploit this painful reality: Barry Feig, the author of *Marketing Straight to the Heart*, tells fellow marketers that one of the best ways to increase sales is to stress the "real reasons" (as opposed to the "logical reasons") people make purchases—"hot button" emotional needs, including "desire for control," "family values," the "nurturing response," and the "need for belonging."<sup>24</sup>

A number of the community-oriented strategies explored in Part II help open the door to dealing with foundational problems of this kind—especially specific policies aimed at achieving greater local economic stability and thereby individual job security, and the emphasis placed upon strategies designed to nurture community economic and social well-being. Locally anchored worker-owned firms, CDCs, municipal enterprises, and the like also further such goals (as well as the general principle that wealth ownership should benefit the larger community).

The development of a secure community, as we have seen, is of strategic—not simply tactical—importance for other reasons as well. In the absence of economic security localities have very little ability to resist corporate relocation threats that run counter to a variety of ecologically significant measures. This, in turn, weakens the general capacity of communities to develop ongoing support for ecologically significant standards.

Wealth-related approaches to financing changes in work pressures and free time could also obviously help increase community participation and contribute to nurturing the networks that sustain and create the reality of "community" as a lived experience. Free time is the precondition, too, of developing meaningful individual pursuits in the arts, crafts, and education—and thereby encouraging ways other than consumption to fulfill personal identity goals (see pp. 201–206).<sup>25</sup>

Viewed in broader historical perspective, it is clear that the growth and power dynamics of large economic enterprises

(private and public alike) present fundamental environmental challenges in all political-economic systems.\* Corporate growth-driven priorities that are inimical to a regime of reduced consumption, reduced material resource use, and ecological sustainability are particularly difficult to contain. In general, the Pluralist Commonwealth strategies attempt to slowly and steadily undercut the economic and social forces that permit unrestrained expansion by building up converging lines of foundational restructuring over time. Especially important are those that reduce key inequality and psychological consumption drivers, on the one hand, and measures designed to establish conditions needed to develop new community cultural norms, on the other. In addition, public accountability and transparency are basic principles of the Public Trust and other public wealth-investing institutions. We have previously also noted some of the ways public utilities have achieved high efficiencies and reduced energy consumption.<sup>26</sup>

In all of this, we are again obviously beginning to confront some of the most far-reaching and difficult issues likely to challenge not only the U.S. political economy but virtually every political economy over the coming century. It is by no means clear that viable solutions will ever be found to the problem of ecological sustainability—or that those concerned with the environment will come to terms with the need to form alliances with others beginning to confront some of the common resource-related issues and systemic questions involved.

What is clear is that any attempt to deal seriously with the central issues will ultimately require a self-conscious effort to move beyond the conceptual limits of traditional approaches to consider strategies that confront the underlying sources of the problem.

\* Although the corporation's environmental performance is poor, that of its public management rivals has often been worse. The abysmal environmental record of Soviet enterprise is well documented—and the U.S. Army Corps of Engineers and the Atomic Energy Commission evidence large-order ecological failures in public management in the United States as well.

## Coda

*Twenty-First-Century Populism*

WE MAY STAND BACK from these various considerations to reflect upon a larger analytic point. The difficulties facing progressive strategies do not stem simply from the election of George Bush or from the massive and growing fiscal difficulties that his time in office has produced. We are entering an era in which systemic problems are slowly coming ever more forcefully into play. In the first instance the deeper challenges involve the decay of political-economic forces that once helped maintain a modicum of balance in the American system.

For much of the twentieth century organized labor provided powerful backing for progressive politics in general, and for strategies aimed at securing gains for Americans not among the upper ranks of society in particular. Even allowing for the continued importance of unions, this is no longer true. With corporate power increasing as labor declines, and with upper-middle-class suburban-based economic power firmly entrenched, the politics of the twenty-first century will be very different from that which many Americans once took for granted.

One result is that the fundamental stance of social democracy in general, and American liberalism in particular, will continue to come under increasing pressure. A second result is that traditional ameliorative strategies must lose force as time goes on. A third result is that larger, more fundamental institutional issues are likely to become increasingly obvious—and ultimately unavoidable.

History reminds us that the faltering of one form of change is rarely the end of all forms of change. It is commonly observed that when reform is blocked, a radicalization of politics often occurs. Targets of political attack become more sharply focused, anger increases, moderate tactics are abandoned, often violence explodes. We know the scenario—sometimes successful (as, for instance, in the American Revolution); sometimes not (as, for instance, in the radical Southern challenge to the Union that led to the Civil War).

What the situational logic of the emerging context suggests is a new twenty-first-century possibility—one related to, but also different from, the radicalization option. The beginning point is not the total blockage of traditional progressive strategy but a substantial and continual fading away of its promise. Moreover, the nation is extremely rich, meaning that desperation levels are unlikely to reach revolutionary levels (except among tiny groups) or give rise to major—as opposed to occasional—violence.

Something appears likely to “give,” but the traditional posture, tone, and style of reform no longer offer sufficient meaning or hope to mobilize the energies needed for major change. A likely result is the emergence of an intermediate position that involves a more angry, militant, and aggressive (but not revolutionary or necessarily violent) style of politics, on the one hand, and a more aggressively and narrowly focused targeting of politics, on the other.

The term “twenty-first-century populism” points to far more than the mere rhetorical framing of issues implied in some usages. Indeed, it designates a specific and historically distinct strategic arrangement of groups and a distinct and considered understanding of the sharpening of issues required both to mobilize effective long-term political activity and to blunt inevitable elite-driven efforts to divide and conquer those striving for reform.

The politics of the intermediate form of change is inherently hospitable to the simultaneous and converging development of new Pluralist Commonwealth wealth-holding

strategies and principles. Indeed, it requires the kinds of new economic approaches that, as we have seen, are now developing in all parts of the country. The new politics is thus also likely to accelerate and nurture the further development of practical system-shifting institutional efforts.

The overall arc of development also offers the promise of new ways to undergird individual choice—and the time and security to exercise such choice creatively and in the context of communities sustained by new political-economic strategies. It is not, accordingly, simply about social and economic matters or systemic change writ large. It is about individual fulfillment in the context of community.

Historian Lawrence Goodwyn's studies of nineteenth-century populism suggest the emerging changes may offer one additional possibility. Individuals who come together to demand a new way forward, in so doing, may well also rebuild the foundations of "unintimidated self-respect . . . the one essential ingredient of an authentic mass democracy."<sup>1</sup>

## PART V

# TOWARD A MORALLY COHERENT POLITICS

AT THE TIME OF THE DECLARATION of Independence, the United States comprised a modest line of settlements along a thin shelf of land bordering the Atlantic Ocean, plus a smattering of inland farms and small community groupings. The first census in 1790 registered a total population of less than 4 million. Only five cities numbered more than ten thousand; the two largest, New York and Philadelphia, fewer than fifty thousand.<sup>1</sup>

The majority of Americans earned their living in agriculture; technologically, the horse and iron plow were standard. Commerce was mainly restricted to traders and small manufacturers. Neither men without significant property, nor women, nor slaves could vote. For them—a large majority of the population—there was no democracy. Government constituted a tiny percentage of the small postcolonial economy; federal spending had reached only a little over \$7.5 million by 1795.<sup>2</sup>

By the year 2000 dramatic shifts in geographic scale and population had transformed the postcolonial settlements