

Losing Our Country

By PAUL KRUGMAN - New York Times - June 10, 2005

Baby boomers like me grew up in a relatively equal society. In the 1960's America was a place in which very few people were extremely wealthy, many blue-collar workers earned wages that placed them comfortably in the middle class, and working families could expect steadily rising living standards and a reasonable degree of economic security.

But as The Times's series on class in America reminds us, that was another country. The middle-class society I grew up in no longer exists.

Working families have seen little if any progress over the past 30 years. Adjusted for inflation, the income of the median family doubled between 1947 and 1973. But it rose only 22 percent from 1973 to 2003, and much of that gain was the result of wives' entering the paid labor force or working longer hours, not rising wages.

Meanwhile, economic security is a thing of the past: year-to-year fluctuations in the incomes of working families are far larger than they were a generation ago. All it takes is a bit of bad luck in employment or health to plunge a family that seems solidly middle-class into poverty.

But the wealthy have done very well indeed. Since 1973 the average income of the top 1 percent of Americans has doubled, and the income of the top 0.1 percent has tripled.

Why is this happening? I'll have more to say on that another day, but for now let me just point out that middle-class America didn't emerge by accident. It was created by what has been called the Great Compression of incomes that took place during World War II, and sustained for a generation by social norms that favored equality, strong labor unions and progressive taxation. Since the 1970's, all of those sustaining forces have lost their power.

Since 1980 in particular, U.S. government policies have consistently favored the wealthy at the expense of working families - and under the current administration, that favoritism has become extreme and relentless. From tax cuts that favor the rich to bankruptcy "reform" that punishes the unlucky, almost every domestic policy seems intended to accelerate our march back to the robber baron era.

It's not a pretty picture - which is why right-wing partisans try so hard to discredit anyone who tries to explain to the public what's going on.

These partisans rely in part on obfuscation: shaping, slicing and selectively presenting data in an attempt to mislead. For example, it's a plain fact that the Bush tax cuts heavily favor the rich, especially those who derive most of their income from inherited wealth. Yet this year's Economic Report of the President, in a bravura demonstration of how to lie with statistics, claimed that the cuts "increased the overall progressivity of the federal tax system."

The partisans also rely in part on scare tactics, insisting that any attempt to limit inequality would undermine economic incentives and reduce all of us to shared misery. That claim ignores the fact of U.S. economic success after World War II. It also ignores the lesson we should have learned from recent corporate scandals: sometimes the prospect of great wealth for those who succeed provides an incentive not for high performance, but for fraud.

Above all, the partisans engage in name-calling. To suggest that sustaining programs like Social Security, which protects working Americans from economic risk, should have priority over tax cuts for the rich is to practice "class warfare." To show concern over the growing inequality is to engage in the "politics of envy."

But the real reasons to worry about the explosion of inequality since the 1970's have nothing to do with envy. The fact is that working families aren't sharing in the economy's growth, and face growing economic insecurity. And there's good reason to believe that a society in which most people can reasonably be considered middle class is a better society - and more likely to be a functioning democracy - than one in which there are great extremes of wealth and poverty.

Reversing the rise in inequality and economic insecurity won't be easy: the middle-class society we have lost emerged only after the country was shaken by depression and war. But we can make a start by calling attention to the politicians who systematically make things worse in catering to their contributors. Never mind that straw man, the politics of envy. Let's try to do something about the politics of greed.