government, intensely oppose taxes, and defer to the workings of private markets even if they strip individuals of opportunity and deprive them of the conditions to work their way up. This is not true.

Yes, Americans oppose "big government" and have reservations about taxes in the abstract. They are conservative philosophically. But Americans are pragmatists when private-market outcomes erode opportunity for themselves and their neighbors. Most Americans strongly and consistently support concrete government programs that protect genuine opportunity against the threat of widening economic inequality. Most support the taxes to pay for them. Put simply, Americans are conservative egalitarians, turning to government to sustain the conditions for individual opportunity.

These are not the slogans of "class war." Far from it. Americans agree across economic classes and political party loyalties.

The big question is whether our elected officials will respond. We take up that challenge in the conclusion.

2

Caring about Economic Inequality

The idea that Americans are aware of economic inequality and are quite concerned about it flies in the face of conventional views of America. To some, the very suggestion that Americans care about inequality borders on fantasy or, worse, invites dangerous demagogic appeals.

Despite such denials and warnings, solid evidence from surveys unmistakably demonstrates the truth: Americans know about, and worry about, the large and widening gap between the rich and everyone else. Far from engaging in a much-feared "class war," majorities of Americans from different political parties, different social classes, and different income groups *agree* that inequality exists, is a problem, and needs to be reduced.

A Word about Our Evidence

Before discussing how Americans think about inequality, we need to mention our sources of evidence about public attitudes. One source is an original national survey (the Inequality Survey) that was conducted for us during the summer of 2007.[1] A second source is an exhaustive search of past polls and surveys related to economic inequality since the 1930s.

We used past research to shape our own survey—to identify old questions that should be repeated, and to pinpoint new topics that should be examined afresh. As a result, our survey is not just a one-shot exercise to measure public opinion at one moment in time, but rather it brings up to date long-standing trends that stretch back in some cases to the 1930s. We are able both to study today's public attitudes and to see how they have changed over time. This is an enormous advantage. It greatly expands the amount of evidence at our disposal and allows us to confirm, update, or (in some cases) refute the main conclusions of previous researchers. (Most of the details about past findings are relegated to endnotes gathered at the end of the book; only major continuities or changes are mentioned in the text.)

In short, our rich and extensive body of survey data positions us to confirm and update patterns that are broadly accepted by all serious students of American public opinion, and also to present some new and startling findings.

We now turn to some reasons why Americans might not consider inequality much of a problem.

Why Americans Might Not Care Much about Inequality

Study after reputable study has shown economic inequality to be greater in the United States today than in the past, and greater than in European countries—all of which have vibrant private market economies. Yet there are reasons to expect that Americans might not care (or at least not care intensely) about our lopsided distributions of income and wealth.

"WORSHIP THE RICH—IT COULD BE ME." Human nature and American culture tend to exalt the rich. Sure, we sometimes resent the shallowness of movie stars or big-name business executives—

why would anyone spend hundreds of thousands of dollars on a champagne fountain? But periodic digs at the pettiness and bad behavior of a few super rich are accompanied by a deeper fascination with wealth and adulation of it.

Adam Smith—the often misunderstood icon of free-market advocates—recognized but strongly disapproved of the adulation of the rich. In a book devoted to good morality, he worried that the "disposition to admire, and almost to worship, the rich and the powerful, and to despise, or, at least, to neglect persons of poor and mean condition is the great and most universal cause of the corruption of our moral sentiments."[2]

In modern times, Smith's disdain for worship of the rich has given way to uninhibited adulation. Hollywood has ridden the fascination to the top of the rating charts. *The O.C.* shows off the travails of affluent teenagers in California's Orange County. *Laguna Beach* does much the same, while *The Hills* moves into the fashion world. Paparazzi favorite Donald Trump hosts a competition to select his next high-paid business assistant. (Is $250,000 a year enough to take Trump's abuse?)

The allure of the rich is partly voyeuristic. We enjoy a peek over the tall walls into home theaters, riding stables, and Italian-marbled, supersized bathrooms. But it is also based on hope. Glimpses of rich lifestyles offer a sort of "preview of coming attractions," a trailer about what any ambitious American might achieve if he or she works hard and sacrifices enough.

Washington Post and *Newsweek* columnist Robert J. Samuelson doubts that the public cares how rich Bill Gates is. "On the whole," Samuelson reasons, "Americans care less about inequality—the precise gap between the rich and the poor—than about opportunity and achievement."[3]

For many Americans, public displays of wealth are a reminder of our greatest myths—the rags-to-riches stories of Horatio Alger and Ben Franklin. (By the way, neither story is true—Alger was a second-generation Harvard man, and Franklin's story was puffed up after his death.)[4]

Americans don't care about inequality, according to one powerful account, because they want to be rich themselves. The American Dream is to move up to the mansion through hard work and tenacity. Political scientists Samuel Popkin and Henry Kim report that "most Americans do not equate inequality with injustice and will not sacrifice their own opportunities to help those who do not help themselves."[5]

While Hollywood portrays riches at the end of the rainbow, the news media spotlight our neighbors' work and sacrifice to realize the American Dream. Take Sharon Rhodes, who works for a Georgia manufacturer of custom mill work. With a middle-class background, divorced, and no college degree, she worked her way up to nearly a six-figure salary. She offers herself as the real face of American mobility—"If you are hard-working, if you apply yourself, I believe that you make your own luck."[6]

Ernie Frazier—a sixty-five-year-old Houston real-estate investor—agrees. Success, he explains, "has to do with a person's willingness to work hard." He is convinced that "the system is as fair as you can make it."[7]

Even when Americans wrestle with downsizing and layoffs, many remain optimistic about the benefits of working hard. Diana Lackey, a sixty-year-old homemaker and wife of a retired contractor in economically depressed upstate New York, remarked, "They call it the land of opportunity, and I don't think that's changed much."[8]

The chancellor of the New York City schools, Joel Klein, grew up in public housing and moved up the ladder. "I thought education would create opportunities my family didn't have. My father said if you want to grow up and not live in public housing, pay attention in school."[9]

Some of our political leaders—from members of Congress to presidents—themselves showcase the American Dream. Bill Clinton was born into a struggling family and moved up through education and hard work. So did Barack Obama.

Forbes magazine compiles lists of the four hundred wealthiest Americans. According to a recent list, only thirty-seven were given or inherited their wealth, compared to nearly half of those on the list two decades ago.[10] The "working rich" appear to be on the rise.

These success stories feature remarkable people. Although statistical research indicates that a *smaller* proportion of Americans are now able to move up the economic ladder (more on that later), the American Dream seems to provide a powerful rationale for inequality. Higher rewards for those who work harder and are smarter are said to generate incentives for a vibrant and expanding economy that could benefit everyone.

Larry Kudlow, host of CNBC's *Kudlow & Co.* and an editor at the *National Review*, praises inequality and the drive to work hard to succeed and become rich. "I'm not denying that there's inequality," Kudlow says. Far from it. "[T]here should be inequality, that's what capitalism is all about." Reading from the prayer book of the American creed, Kudlow preaches: "The free-market system has equality of opportunity," which opens the door for the hard working and lubricates a prosperous economy that benefits everyone else.[11]

Another set of commentators object to how inequality is publicly portrayed. "[D]iscussions of income distribution," one group reports, are "inherently misleading. . . . [because] income is not distributed, it is earned." They protest that higher-income Americans are vilified as "at best lucky and at worst criminal" when "differences in income relate directly to differences in work." The reality, they insist, is that "[f]or the most part, upper-income American families do better than lower-income families because they work more" while those in the lower end of the income spectrum rarely work as hard or at all. They "question whether the fact that harder work is typically rewarded with higher incomes really constitutes 'inequality.'"[12]

We socialize young children to work hard and pay attention in school, and we hope that these efforts produce broadly shared economic and social benefits for our communities. As one economist explains, "Most people are working very hard to transmit their advantages to their children. And, that's quite a good thing."[13]

Most Americans do indeed have deep faith in the American Dream and in the rewarding of hard work and skill. But we should not automatically assume that this tranquilizes the public against caring about inequality. As we show below, Americans *both* embrace the

American Dream and recoil from the extreme, growing gap between the rich and everyone else. In fact it appears that the hope and expectation of living the American Dream is actually leading majorities of Americans of diverse backgrounds to *oppose* extreme inequality, as unfairly curtailing opportunity to all and stacking the deck in favor of the rich and their offspring.

FINDING WALDO—WE ALL LOOK THE SAME. Imagine a world without Paris Hilton, Donald Trump, or racks of magazines that beam out images of the wealthy's Land of Oz. Would we notice the rich?

A century ago, everyday life was filled with markers of wealth, from clothing, speech, and entertainment to religious affiliation and home address. Those with money were white, attended the stiff-backed Protestant churches (often Episcopalian), and were educated at Ivy League colleges. "They" stood out, by design.

Workplace environments were elaborately choreographed with clear norms and rules of hierarchy. Factory workers and clerks were openly treated as unequal to owners and managers. Each had their "place." Bosses were addressed by formal title or as "Mr." (rarely "Miss" or "Mrs."), a hit-or-miss occurrence today. Administrative staff were "secretaries," by whom curt orders were expected to be fulfilled without question. Underlings were expected to follow etiquette in style and comportment.

The least well-off stood out by what they lacked or by deliberate efforts to stigmatize them. The English at one point used a red-hot brand to literally scar the flesh of poor people who depended on government aid for survival.

Today, everyday markers of wealth and poverty exist, of course, but they are blurred. Low-wage factories around the world flood America with inexpensive consumer goods, from shoes and dresses to cell phones and electronic gadgets. What used to be high-end fashion is now outnumbered by discount imitations. Torn or beaten-up clothes may be considered fashionable, not markers of deprivation. High-end sports cars have their Ford or Chrysler knockoffs.

Barriers of race, religion, and educational background seem to have receded. Blacks, Jews, Catholics, and Mormons can all be found leading businesses and government. The bosses less often come from an "Ivy" school.

In American workplaces, stores, and neighborhoods, workers and bosses are often outwardly treated as coequal colleagues or acquaintances. Formal distinctions have faded. CEO Smith may be called "Joe." It is the height of poor manners today for a manager to brusquely order around a staff member. Better to ask a question in a low-key manner and welcome feedback from a "team" member.

This leveling of social distinctions in our ordinary interactions tends to create an appearance of "sameness" in everyday life. The affluent no longer automatically stand out.

The absence of everyday symbols of stark social distinctions may fuel a sense of contentment for what Americans have, reducing awareness of what they lack or others have more of. Wanda Brown—fifty-eight-year-old wife of a retired planner for the Puget Sound Naval Shipyard—enjoys the pride of having grown up poor and now being able to declare "we are comfortable and we are middle class and our son is better off than we are."[14]

Statistical evidence of large and widening economic disparities may now be easier to ignore: "out of sight, out of mind." Americans may literally not see the divides and may instead focus on the slice of society's pie that they do get.

AMERICAN CONSERVATISM. Americans might recognize the wide and growing disparity of income and wealth and yet remain unalarmed, owing to their genuinely conservative philosophical orientation, and specifically their disposition to favor hard work and material rewards.

Two themes resonate in Americans' economic conservatism. First, most Americans accept a substantial degree of inequality. They do not want to "level" all incomes. They oppose putting limits on how much people can earn and they do not envy or resent the rich.[15]

Public-opinion experts Everett Carll Ladd and Karlyn Bowman found that Americans accept and even welcome the affluent. Sixty-two percent of the public conclude that America "benefit(s) from having a class of rich people." Only a fifth of Americans agree that the rich "keep the common man from his proper share of the wealth," and only 29 percent attribute "many of society's ills" to the rich. Even when pressed about millionaires, majorities or solid pluralities report that society would be worse off without them.[16]

Our own Inequality Survey confirms that Americans recognize the merits of allowing some degree of economic inequality. They firmly reject the idea everyone should be paid the same amount. When we asked how much people in different occupations should be paid, we were consistently told that CEOs, heart surgeons, doctors in general practice, and owners of small shops (in that order) should earn substantially more than skilled factory workers, and much more than unskilled factory workers or sales clerks.

A second theme in Americans' economic conservatism is that they believe inequality drives work and accomplishment. Fifty-eight percent of those we interviewed told us that, in order to get people to work hard, large differences in pay are "probably" or "absolutely" necessary (most said "probably.")[17] (While a majority of Americans recognize the likely motivational power of inequality for individuals, however, we will see below that most actually doubt that large differences in pay are necessary to fuel prosperity for the society as a whole.)

The public's conservatism is widely embraced; it is not limited to a small segment of the population. Research by Stanley Feldman and John Zaller reveals that even self-identified liberals harbor unease toward government and potential infringements on individuals.[18] In our own survey, solid majorities of Democrats[19] (58 percent) and of low-income earners[20] (62 percent) said that large differences in pay are probably necessary to get people to work hard (see fig. 2.1).

Americans fundamentally accept the fact that private markets allocate more income and wealth to some than to others. They reject radical redistribution that would level the differences. The authen-

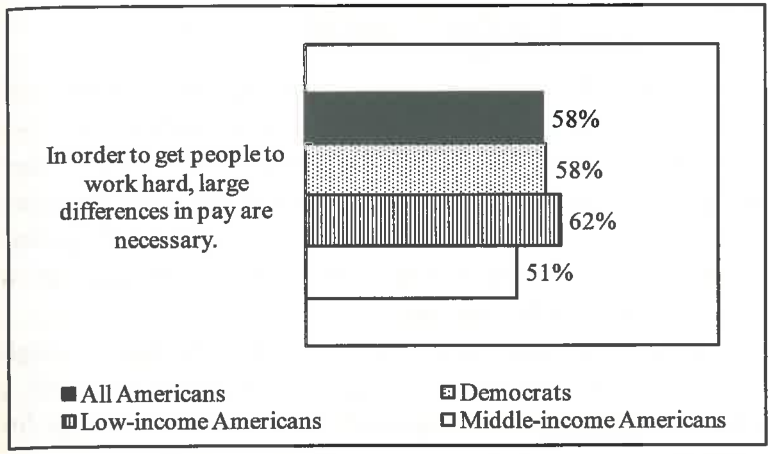

FIGURE 2.1 Americans, including Democrats and those with low incomes, accept some inequality. Source: Inequality Survey.

tic conservatism of ordinary Americans tells only one side of our country's story, however. Alongside conservatism stands a strong tendency toward pragmatism and a belief that everyone should enjoy genuinely equal opportunity. Americans' pragmatism sits uneasily with their conservative inclinations and, at times, overtakes them.

LIVING IN THE REAL WORLD. Americans live in the present, alert to the concrete challenges and threats they and their neighbors face. They may dream the American Dream, but they live day to day with eyes wide open. Indeed, the high expectations of Americans—that everyone should have the opportunity to translate hard work into generous rewards—make them acutely attentive to barriers that unfairly advantage others and deny them their own chance. Far from being unaware or uninterested in inequality, Americans are sensitive to lost opportunities and to the unfairness of undeserved riches going to a few. They demand a society that is truly modeled on the American Dream.

These concerns lead to a keen and reasonably accurate awareness of high and rising inequality in income and in wealth.

Eyes Wide Open—Inequality of Incomes

The reality is that Americans have long recognized economic disparities. Three decades of surveys have regularly shown that about seven or eight out of ten Americans believe that "the rich get richer and the poor get poorer." Leslie McCall, analyzing these and other survey questions, concludes that "despite the prevailing image that Americans are tolerant of inequality, well over half of the population thinks that inequality is too high."[21]

Our Inequality Survey confirms these earlier findings. Although Americans accept the idea that unequal pay motivates hard work, a solid majority (59 percent) *disagree* with the proposition that large differences in income are "necessary for America's prosperity."

Our survey probed further into Americans' awareness and understanding of discrepancies between the incomes earned by people who work in different occupations.

We asked those we interviewed to estimate the annual dollar amounts (before taxes) taken home by people in a variety of jobs—from general-practice doctor, heart surgeon, and boss of a large national corporation to department-store sales clerk, small-shop owner, and unskilled or skilled worker in a factory.[22] These were "open-ended" questions, asking for actual dollar amounts rather than merely a choice from a fixed list of options. Few had any trouble coming up with responses.[23]

The responses told us several striking things. One is that Americans think about how much others earn. All but a few readily made estimates of annual incomes. And these estimates were not wild-eyed flights of the imagination; they had solid connections with reality.

SEEING DIFFERENCES. Americans perceive very large differences in the wages and salaries accruing to different occupations. Doctors and corporate executives are seen as earning a lot more than ordinary workers. The annual earnings of general-practice doctors were estimated as $130,000, heart surgeons were pegged at $250,000, and corporate heads were put at $500,000. (These estimates are median or

midpoint figures. That is, they are figures that landed in the middle of the approximations offered by those we interviewed.)[24] The estimated salaries of the doctors and corporate titans were far higher than what Americans believe sales clerks and skilled or unskilled workers bring home each year—from six times higher to more than eleven times higher. As we will see, most Americans think this is too much inequality.

The sensitivity of Americans to differences in incomes is not merely idle guesswork or a passing fancy. It is the kindling that ignites disputes and high-profile controversies that land in community newspapers.

Madison, Wisconsin, was the site of a nasty fight between teachers and school board president Juan Lopez, whom the teachers had helped sweep into office but who then voted against their contract and set off a strike. One teacher walking the picket line—Pat DiBiasse—bitterly complained of reports that "Juan said teachers make too much money." "The problem," according to DiBiasse, "is not that teachers make too much money." "Some doctors make too much money. Professional athletes make too much money. Corporate CEOs make too much money." But for DiBiasse and others on the picket line, "Nurses, social workers, fast-food workers, secretaries and a lot of other people make too little money."[25]

Although the culture of sameness may have removed many nineteenth-century social distinctions, the real-world struggle of middle-income earners sometimes puts into sharp relief the life of the rich.

San Jose, California, offers especially sharp contrasts. Construction crews at the airport are building a hangar for another fleet of private jets owned by Silicon Valley's better-off. Meanwhile, the middle class struggles to pay for housing, health-care costs, and other essentials. Take train conductor Terrence Dicks, who works the line through San Jose. Dicks earns $63,000 a year and finds it difficult to be a "regular Joe." "People in the middle," he explains, "they are definitely pinched."[26]

And, if Dicks thinks too hard about what he lacks and not what he has, he is readily reminded that his job is one that many Americans would like. Even before the economic crash, some 10 to 12 percent of Americans regularly said that they were very likely or fairly likely to lose their jobs in the next year.[27] Many more are anxious about their future and about the prospects for their friends and neighbors.

Scott Clark would have job envy. He lost his well-paid job building submarines. Scott picked up a delivery-service job that pays far less and forces him to work from 2 a.m. to about 3 in the afternoon. Job conditions? He drives in the middle of the highways around Richmond, Virginia, to "give me a chance if a deer runs in from either direction." Gone are OSHA protections, let alone health and pension coverage and plans for retirement by his midfifties.[28]

According to the catechism of the American Dream, working hard and getting a good education is the secret to success. But college-age kids are discovering a little secret. Winning the lottery of admission to a good college does not neatly follow the Horatio Alger myth about getting ahead on your own merit. It turns out that getting into the elite colleges may require a veritable consulting team of advisers, test coaches, application gurus, and, for some, ghostwriting essayists. Guess who can afford the consultants and experts (let alone the tuition money). It usually is not folks from middle- or lower-income families.

Take the case of Kevin Robinson, in eastern Pennsylvania. His single mom, who works in a state transportation office, lacked the money to pay for consultants or preparers. To Kevin, "I felt it was unfair that other applicants had tutoring and things like that." Kevin's mom cuts to the chase. "It frustrates me to know there isn't a level playing field. You have some kids with options and advantages that others don't. And the colleges have no way of knowing. They think they're comparing apples and apples when they're not."[29]

Down on the street, differences in income and what it means can become obvious. Inequality is not an abstract notion raised by outside troublemakers. Americans see inequality because they live it.

The advantages of the better-off are irritating to the middle class. They are enraging to Americans who are struggling to make ends meet.

M. D. Richberg earned a bachelors degree but lost his job of twenty-two years when the rehabilitation center in Dayton, Ohio, closed. He was hit with a pay cut of $12,000 to take another job. "It's been devastating," Richberg reports, "I'm barely holding on." "My son had to drop out of college. . . . [and] there's no upward mobility and no overtime."[30]

Donald Roberts—an unskilled worker in Dayton supporting a disabled wife and two children—struggles to pay his bills by working two jobs that pay a bit more than minimum wage. "I guess I could quit a job, keep the [Medicaid] insurance and not have a place to live or enough to pay my bills," he speculates before revealing his frustration—"They make it practically impossible these days for a person busting his butt trying to provide for his family."[31]

SEEING THE TRUTH. Americans rather accurately estimate the income of the kinds of people they know personally. Table 2.1 shows that they are close to the mark when sizing up how much sales clerks and factory workers take home each year. For unskilled factory workers, Americans estimated $22,000 when in fact (at the time of the survey) they earned between $16,000 and $20,000. Sales clerks were pegged at $22,000 and actually earned about $26,000. The estimates of GP doctors' earnings, too, came fairly close to reality, but the incomes of heart surgeons were seriously underestimated.[32]

Americans know that the rich take home a lot more. But as if estimating how far away Betelgeuse is, they can't fathom how much more. Corporate bosses were seen as pulling in half a million dollars per year—more than twenty times the estimates for unskilled workers and sales clerks. The reality is that, at the time of the survey, CEOs of S&P 500 companies reaped about $14,000,000 per year: seven hundred times more than the average factory worker and 540 times more than sales clerks.[33] Forbes.com in 2007 listed eight CEOs with total compensation of more than $100 million each. (Forbes, no enemy of business, noted little connection between pay and performance.)[34]

How would Americans react if they understood that the gap between what their neighbors earn and the jackpot lottery that corporate bosses win every year is nearly thirty times as great as they

TABLE 2.1 Americans know their neighbors' incomes, but underestimate those of the affluent

	Real-world annual income	Perceived annual income (median estimate)
Unskilled factory worker		$22,000
production worker	$16,000	
machine operator	$20,000	
Sales clerk	$26,000	$22,000
Skilled factory worker	$44,000	$40,000
Owner of a small shop	$60,000	$50,000
Doctor in general practice	$185,000	$130,000
Heart surgeon	Over $400,000	$250,000
CEO of a large national corporation	Over $14,000,000	$500,000

Sources: Real-world income, simplyhired.com, November 8, 2007, and January 9, 2008; indeed.com, November 8, 2007; 2007 AMGA survey at cejkasearch.com; HR survey by salary.com; Corporate Library survey reported at aflcio.org/corporatewatch/paywatch. Perceived annual income, Inequality Survey, 2007.

think? One can imagine that the existing opposition to inequality would be even greater.

Although the magnitude of the gap between the rich and average workers is unfathomable for most Americans, they clearly do appreciate that the gap is large and growing. A 2007 Pew survey found 63 percent of Americans saying that the country is "losing ground" on the gap between rich and poor.[35]

Eyes Wide Open—Wealth Inequality

The distribution of wealth appears to be less of a mystery to ordinary Americans. Most have a fairly good idea of what wealth is. It consists of your house's value (subtracting mortgage debt), your money in a bank, and any stock, bonds, or other assets you own. Income is what comes in from earnings, dividends, and so forth; wealth consists of material possessions or resources.

SEEING DIFFERENCES. Americans know that wealth in the U.S. is very highly concentrated. Part of this is obvious. You can see that Bill Gates lives in a mansion and that Donald Trump's cars—including a Cadillac DTS Executive Limo and a Mercedes-Benz SLR McLaren—are worth a fortune.[36]

Kevin Godsea, who works for the U.S. Fish and Wildlife Service in Fort Myers, Florida, concludes that "the wages of middle class workers are stagnant" but that the "ultra-rich and the rich continue to have mechanisms to make money like the stock market." This isn't the talk of a flaming liberal Democrat; Godsea is a registered Republican watching with uncertainty as his world changes.[37]

The Americans we interviewed offered an astounding estimate of how much wealth is held by a tiny number of people. The median response was that the richest 1 percent hold fully 50 percent of all the wealth in the country.[38] And an overwhelming 81 percent of Americans believe that the gap in wealth between wealthy Americans and middle-class Americans has gotten larger in the past twenty-five years.

The concentration of wealth among a few is not new. The rich have been around a long time. Some pundits and politicians are fond of insisting that "all boats are rising"—those owned by the rich and by the lower- and middle-income classes as well. The problem today, as one expert explains, is that "the rich [are] getting richer and nobody else [is] making much progress."[39]

It does not take a Ph.D. in economics to spot the obvious. Dana Eichelberger works at a shoe store in Hanover, Pennsylvania. Her life has taught her that "the rich are just going to keep on getting richer and the poor are going to keep on getting poorer."[40]

SEEING THE TRUTH. The Americans we interviewed were a bit high in their estimate of wealth inequality, but they came fairly close to the mark. Table 2.2 shows that our interviewees estimated that the super rich controlled half of the country's wealth, while in the real world 1 percent of U.S. households own about one-third (34.3 percent) of all the net wealth. This figure rises to 42.2 percent if we focus on net

TABLE 2.2 Americans size up the fabulous wealth of the rich

	Real-world: Wealth held by richest 1 percent	Perception: Median estimate of wealth held by richest 1 percent
Super rich (including home equity)	34.3% (2004)	50%
Super rich (excluding home equity)	42.2% (2004)	

Sources: Real-world, Edward N. Wolff, "Recent Trends in Household Wealth in the United States" (working paper 502, Levy Economics Institute of Bard College, June 2007), 11. Perception, Inequality Survey, 2007.

financial wealth, excluding home equity—which is the most widely held asset.[41] (Millions of Americans hold no positive net worth at all except in their homes. The dangers of treating home equity as a usable asset became painfully evident when home prices plunged.)

The public's perceptions of an increase in the wealth gap over the last twenty-five years may or may not be correct in terms of the precise timing, but the concentration of wealth has increased greatly since World War II and has probably increased since the 1960s. The top 1 percent of super rich households held 125 times more wealth than that of the median household in 1962 (impressive enough); by 2004, it controlled 190 times more. Put in dollar terms, the average net wealth of the super rich in the top 1 percent was nearly $15,000,000 in 2004 compared to about $83,000 for the bottom 80 percent.[42]

Americans Oppose Growing Inequality

Americans are awake to the stark and growing gap between the income and wealth of the super rich and everyone else. And they don't like it.

Nearly three quarters (72 percent) of Americans agree that "differences in income in America are too large."

Two-thirds (68 percent) reject the idea that the current distribution of money and wealth is "fair." Instead, this large majority says that "the money and wealth in this country should be more evenly distributed among a larger percentage of the people."

Jane Huntley, aged seventy-seven, a retired elementary school teacher in New York state, is alarmed that "we are creating have and have-not classes in this country."[43]

These are not just fleeting results from one survey. Americans' basic opposition to inequality has been evident since at least the mid-1980s. Figure 2.2 shows that about six out of ten Americans have consistently favored having money and wealth "more evenly distributed" and have rejected the proposition that it was already fairly distributed. This remarkable finding comes from eleven surveys conducted between 1984 and 2007. Our 2007 survey detected a twenty-year high point in support for a more even distribution of money and wealth.[44]

Let us look beyond broad generalizations about wealth and income to consider how Americans respond to differences in pay for specific

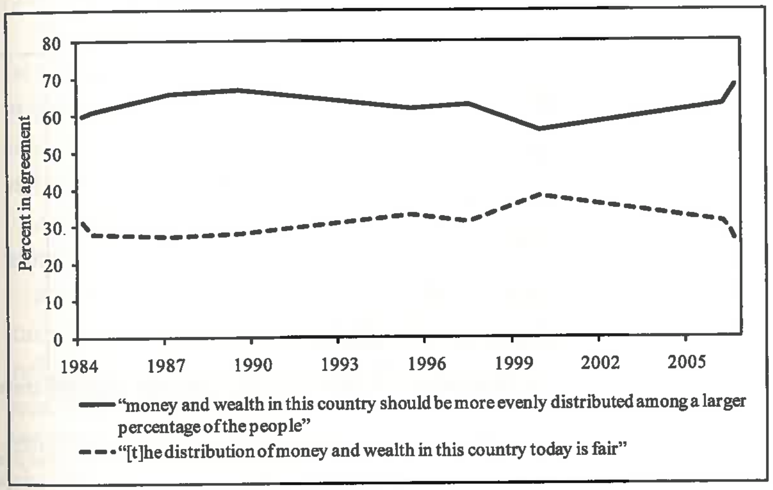

FIGURE 2.2 Americans favor more even distribution of money and wealth. Source: Gallup; *Los Angeles Times*, April 1985; Inequality Survey, June 2007.

occupations. After all, we would expect Americans' conservatism to lead them to support higher pay for CEOs and for doctors who save lives.

Americans do in fact want people in occupations that require more responsibility and skill to be paid more. Radical equalizers should take note—Americans do not believe that everyone should be paid the same amount.

But Americans do believe that the enormous economic gulfs in our country should be narrowed (not eliminated). This striking finding emerges from comparing how much the public believes that different occupations *actually* earn, with how much Americans say they *should* earn. For each of the occupations about which we had asked how much they "ACTUALLY earn," we also asked how much they "SHOULD earn."

In figure 2.3 we put answers to both types of question together. The figure reveals that the public favors two changes from the situation it perceives to exist now: more pay for lower-income occupations, and less pay for the highest-income occupations. Sales clerks and factory workers should earn $5,000 more a year (about 23 percent

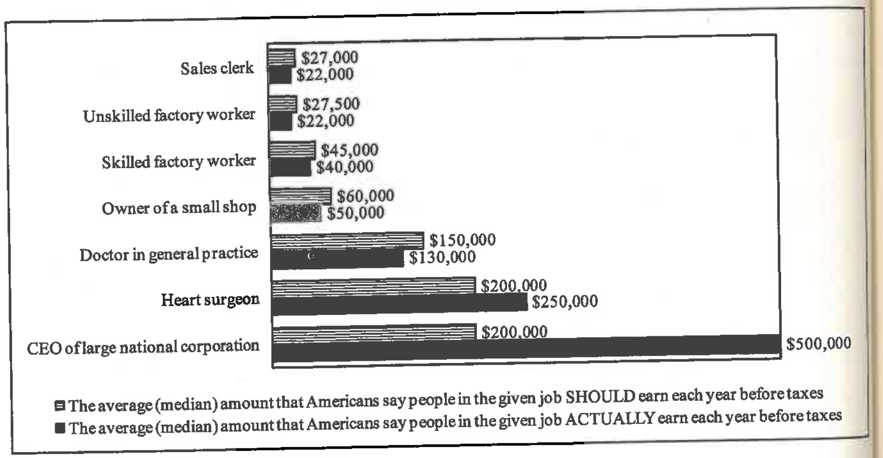

FIGURE 2.3 Americans favor paying low-wage workers more and CEOs less. Source: Inequality Survey.

more), according to the median responses of those we interviewed. Even general-practice doctors—already seen as doing pretty well—are slotted by Americans to receive more than what they are believed to be earning now.

By contrast, Americans favor reducing the pay of heart surgeons. And they want to cut the income of corporate titans by more than half—from the perceived $500,000 to a desired $200,000. Imagine the reaction of ordinary working Americans if they learned that the CEOs of major national corporations actually pull in $14 million a year.

No Class War

Economic inequality is often portrayed as dividing rich from poor and Republicans from Democrats. Since the New Deal of the 1930s, Republican and Democratic officials in Washington have often battled about whether and how to deal with economic inequality.

Politicians and pundits who don't much care about inequality frequently slam public discussion of it as demagoguery aimed at seeding division and discord, irresponsibility exposing uneasy fault lines just under the surface.

The truth confounds Madisonian warnings about the "violence of factions." It contrasts oddly with the political acrimony among some of today's Washington power brokers. The fact is that most Americans are already aware of the stark economic inequality in America, and most want to see it reduced.

And the majorities who favor reducing inequality are not scary mobs of landless seventeenth-century peasants with pitchforks.

Americans from widely different backgrounds agree that extreme inequality of income and wealth is bad and should be dealt with. This includes low-income groups struggling to make ends meet and Democrats committed to a philosophy of social justice. But supporters of reducing inequality also include most Republicans, most citizens who consider themselves "middle class,"[45] and most higher-income people.

Figure 2.4 shows that solid majorities of Republicans[46] (56 percent)

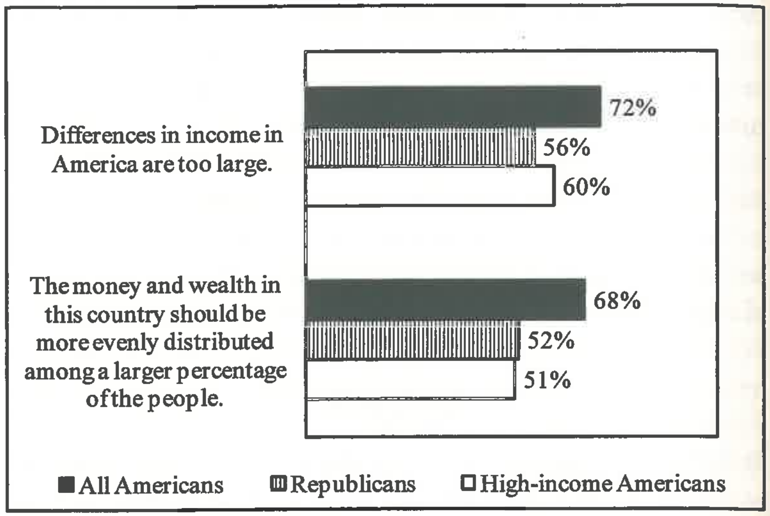

FIGURE 2.4 Americans, including Republicans and those with high incomes, want to reduce inequality. Source: Inequality Survey.

and of high income earners[47] (60 percent) agree that income differences are "too large" in the United States.

Remarkably, then, majorities of those who are often assumed to be *least* concerned about inequality believe that income differences in the United States are too large. They also favor doing something about it. Majorities of Republicans (52 percent) and of the affluent (51 percent) favor more evenly distributing money and wealth. Stop the presses! Most upper-income Americans and most rank-and-file Republicans favor redistribution to narrow the cavernous gaps between the rich and everyone else. Many well-off people go beyond narrow economic self-interest and care about what is happening to others.

A substantial number of government officials and politicians agree with these ordinary Americans in disapproving of today's inequality. They include Democrats like John Edwards and Barack Obama, but also prominent Republicans, and Federal Reserve chair Ben Bernanke. Bernanke has publicly insisted that policy makers

"must try to ensure that the benefits of global economic integration are sufficiently widely shared."[48] Bush administration Treasury Secretary Paulson has similarly called attention to the reality that "many [Americans] aren't seeing significant increases in their take-home pay [because]. . . . [t]heir increases in wages are being eaten up by high energy prices and rising health care costs." Seeking to find common ground with other policy makers, he suggested that "[i]t is neither fair nor useful to blame any political party."[49]

Clearly, Americans are not engaged in a class war based on economic self-interest or partisan loyalties. Of course lower-income groups and Democrats tend to be more inclined to denounce income differences and to call for redistribution. But the most striking finding is the majoritarian agreement among Americans of different classes and parties—and racial groups as well.[50]

America, We Have a Problem

One of the great paradoxes of our time is that certain outward appearances of equality may be at a historic high point just as hard economic data demonstrate that *inequality* has hit its highest level since the Great Depression of the 1930s. Economic disparities are high and rising, but without the old outward signs. Out of sight, bread lines and soup kitchens are in fact facing high demand, but we are not seeing long lines like those captured by the iconic photographs from the Great Depression.

Make no mistake about it. Americans may appear outwardly equal, but inequality does exist. It is causing damage and sometimes anger.

Damage from inequality is all around us. We see it creep into policy debates. The vicious (and fanciful) proposals to wall off America from immigration and to deport the twelve million illegal immigrants already here reflect, in part, a lashing out at a perceived threat to low-paying jobs. The growing resistance to international trade is another sign of economic uncertainty. Immigration and trade policies may offer collective benefits to the country as a whole, but they have become resented symbols for millions of Americans who are worried about making ends meet or holding their spot at the economic table.

Two pillars of America's banks and businesses—Federal Reserve Chairman Bernanke and Treasury Secretary Paulson—call for reducing inequality in order to stem the erosion of public support for policies they see as critical to the country's interests, including openness to trade and immigration.

The damage from inequality extends beyond policy debates. It is sapping the moral foundation of our economic and social system—the notion of equal opportunity and the promise that rewards will flow to those who educate themselves and work hard. Attainment of the American Dream can still be found in the successes of certain remarkable Americans. But these are exceptions to a general pattern of dwindling opportunity.

A growing number of rigorous, independent studies demonstrate that the movement of Americans up the economic ladder has stagnated or declined. A prominent component of America's private-banking system—the Federal Reserve Bank of Boston—reported that fewer families have been able to climb the income ladder since the 1970s. A nonpartisan federal government agency, the Bureau of Labor Statistics, found that mobility actually decreased in the 1990s from where it had been in the 1980s.[51] Using rigorous statistical models scrutinized by independent experts, these studies reach similar conclusions based on very different approaches—from comparing the economic success of parents and their children and tracking the income of families over many years to tracing the incomes of brothers over time.

These findings may be new to researchers, but they are lived every day by millions of Americans who find the value of their paychecks stagnating or declining while their costs for food, energy, and health care are rapidly rising. A researcher in the country's heartland reports that "Middle America and Middle Iowans are getting squeezed."[52] An

Iowa union official who used to represent jobs that put workers in the middle class matter-of-factly reports, "I'm pretty convinced that I will be part of the last generation that will do better than my parents." The implication is obvious: "A lot of people in my age group agree the American dream is slowly fading away."[53]

In Virginia, Chuck Moore got the college degree and white-collar job, but he now finds himself at thirty-five without a job and unable to find work that even matches his starting salary. Concluding that he had no options, he signed up to work at an animal hospital. He's fallen from a professional white-collar occupation to cleaning out kennels, at half his previous salary with no benefits. Capturing the sense of "Dream withdrawn" that is shared by many Americans, Moore blurts out "there's something not right about that."[54] Scott Clark—the 2 a.m. delivery guy who drives in the middle of the road to avoid deer—reflects at the end of the day that he's struggled but still managed to cobble together middle-income pay. But whether his kids will be able to hold on is another matter: "It's just too uncertain. . . . There's nothing you can just count on. I wish there was."[55]

Affluent Americans and Republicans appear concerned about the uncertainty facing middle- and lower-income Americans. The support of GOP and higher-income majorities for diminishing inequality reveals an appreciation for the threats posed by inequality.

Shrinking opportunity and the fear of falling behind may contribute to widespread distrust of government and skepticism about the potential for improvement. Clark is a bipartisan politician hater. He greeted promises to rebuild the middle class from Democratic presidential wannabees with a derisive, "Yeah, right." He flat out nailed President George W. Bush as "a liar" for echoing that call.

Americans see inequality and they don't like it. The bonds that connect us as neighbors are threatened. Our public discussions of policy issues are harder to conduct and decisions harder to reach. A student of Pennsylvania's economic struggles distilled the widening impacts of inequality: "Our economic system depends on people's faith in it. . . . The rising inequality we're seeing has the potential of undermining that faith."[56] The casualties include the life dreams of Americans and their trust in our economic and political systems.

Contrary to conventional wisdom, then, most Americans are aware of the high and growing economic inequality in the United States. Most want to ameliorate the situation. But do they want the government to do it? Conventional wisdom says no. In the next chapter we will see that this conventional wisdom, too, is wrong. Large majorities of Americans favor many concrete, specific government policies that would reduce economic inequality.

3

Looking to Government for Help

Americans turn out to be aware of and concerned about economic inequality. They are not ignorant, unconcerned, or acquiescent. But do they want the government to do anything about it?

Mention of "government" triggers associations with today's political Hatfield and McCoy rivalry—Democrat versus Republican. You can predict what most Republican and Democratic politicians will say in public about government. The well-worn script (you fill in the actors' names) has the Republican extolling the value of private markets and bemoaning the evils of government, while the Democrat evokes the plight of the downtrodden and calls for social justice, closing with a plea for a new government program and taxes to pay for it—which upon closer inspection may not quite cover the tab.

This movie is into multiple reruns, and it does describe part of what goes on in Washington. Republican strategist Grover Norquist bragged that "my goal is to cut government in half in twenty-five years to get it down to the size where we can drown it in the bathtub."[1] Congressmen Newt Gingrich, Dick Armey, and others put together