

Inequality, U.S.A.

by [Wm. Michael Jenkins](#) in the [October 9, 2002](#) issue

Wealth and Democracy: A Political History of the American Rich. By Kevin Phillips. Broadway, 473 pp., \$29.95.

The argument of Kevin Phillips's provocative and disturbing new book could almost be rendered as a cliché: the rich get richer and the poor get poorer. According to Phillips, the very rich in the U.S. have gotten much richer over the past two decades while virtually everyone else has gotten a good deal poorer, despite the widely publicized financial gains of the 1980s and '90s.

The evidence Phillips marshals in support of his thesis is convincing and disturbing. Under the heading "The United States Leads in Inequality" he observes that "those in the top fifth in the U.S. make 11 times more than those in the bottom fifth." In 1997 the top 1 percent of the population held 40.1 percent of total household wealth. The only comparable moment in American history was in 1929, prior to the stock market crash and the Great Depression, when the top 1 percent held 44.2 percent of household wealth.

Despite the rhetoric of both the Democratic and Republican parties heralding the U.S. as a republic of stockholders, Phillips observes that "middle-class families held (just) 2.8 percent of the total growth in stock market holdings between 1989 and 1998, but accounted for 38.7 percent of the rise in household debt." And although the "pro-wealth policies of the right have enjoyed sustained low- and low-middle-income support, particularly among religious voters enlisted by cultural facets of conservatism," these households have lost ground precipitously.

Why has the net worth of median-income families stagnated or depreciated? Consider that while a family's "minuscule stock 'portfolio' or pension fund interest had grown by \$2,600 or even \$6,100," the family's typical "debt load for college, health insurance, day care, and credit cards had jumped by \$12,000." The *Wall Street Journal* in 1999 noted the disparity between the very rich and everyone else with growing concern: "Nearly 90 percent of all shares were held by the wealthiest 10 percent of households." And the top 1 percent still own approximately 45 percent

of all privately held stock.

Even these numbers fail to tell the whole story. Citing figures from the Bureau of Labor Statistics, Phillips notes that by the mid-'90s "only 26 percent of employees in the bottom 10 percent had health insurance provided by their companies, down from 49 percent in 1982. For mid-range employees, 84 percent had coverage in 1996, down from 90 percent in 1982." This at a time when the pay ratio of the top corporate CEOs to the hourly wages of production workers soared from 93 times that of workers in 1988 to 419 in 1999.

The "upward redistribution of wealth" which Phillips charts has more often than not been aided by political power. "From the nursery years of the Republic, U.S. government economic decisions in matters of taxation, central bank operations, debt management, banking, trade and tariffs, and financial rescues or bailouts have been keys to expanding, shrinking, or realigning the nation's privately held assets." Robert Reich, secretary of labor in the first Clinton administration, memorably criticized the hypocrisy of the wealthy and powerful who condemned government assistance for the poor while pocketing their own corporate welfare. The data Phillips cites bear out Reich's observation. Though the principles of risk-taking and adventurous entrepreneurship were publicly lauded as fueling the engines of wealth in the '80s and '90s, the creation and protection of corporate wealth owed more to the influence of "friends in high places" than to the inveterate courage of entrepreneurs.

Phillips, a contributing columnist for the *Los Angeles Times* and a former Republican political strategist, is no stranger to issues of wealth and political power. His previous study, *The Politics of Rich and Poor* (1990), laid the groundwork for what the *Economist* called "a personal, populist radicalism." Perhaps it would be more accurate to characterize Phillips's perspective as economic progressivism. While not a radical populist, Phillips is concerned about the consequences of that "fusion of money and government" which can be described as "plutocracy."

Placing the American experience in a larger context, Phillips considers three earlier economic powers: Britain, the Netherlands and the Spanish Hapsburg Empire. Those who have read Phillips's *The Cousins' Wars* (1999) will be familiar with his ability to draw together a web of historical correspondences to serve his thesis, though this strategy is less successful in *Wealth and Democracy*, tending to diffuse the core argument. He does, nonetheless, succeed in drawing a parallel between the decline

of those imperial powers and the present situation, observing that in their twilight they (like the U.S.) came to value finance over industry and commerce. Owning came to take the place of creating.

Today's global economy only makes the situation more volatile and perilous—not least for the millions of working men and women whose economic fate lies at the mercy of vast international financial markets in which short-term gains for stockholders can win out over the long-term stability of communities.

That Phillips's central arguments become, at times, lost in a clutter of redundant data and sometimes irrelevant digressions does not, finally, take away from the book's significance. It especially deserves to be read by leaders of religious institutions, scholars and religious laypeople. *Wealth and Democracy* raises two particular concerns for these audiences, the first (explicitly) regarding the health of the democratic experience itself, the second (by extension) related to the role of the church in this democracy.

Corruption and graft—the manipulation of political processes by moneyed special interests—feed cynicism and undercut the popular trust necessary for democracy to thrive. If the U.S., as Arthur Schlesinger Sr. once observed, has become “a government of the corporations, by the corporations and for the corporations,” how can it be saved from a cynicism that inevitably erodes people's fundamental confidence in democratic institutions?

Phillips argues that meaningful economic reform (such as that which occurred in the 1830s under Andrew Jackson's leadership, in the progressivism of Theodore Roosevelt and in Franklin D. Roosevelt's New Deal) is the only effective means of combating such cynicism. Carefully scripted public relations campaigns orchestrated by the White House will not undo the damage done by wealth's undue influence over the nation's political processes.

The second concern remains even more intractable. The church seems to have largely abandoned its prophetic office with reference to American economic policy. The reason for this is unclear. Is it because many religious groups are too preoccupied with sexuality, sexual misconduct or other issues of individual morality, or their own institutional survival? Or have churches allowed their own financial interests to compromise them? What is clear is that this compelling and provocative book has much to say to religious leaders concerned about the integrity of democracy in America and about the integrity of the church in its public

commitments.