

Reaction Paper #3

Section A documents the history of social democracy as a guiding ideology in many countries, including the United States, and its effect on inequality. Heilbroner and Brook look at the Swedish “middle way” which is based on social democrat principles. Heilbroner finds that the main defining point of the Swedish system is the greater power and authority of unions and workers, while in America there is a “democratic deficit” as seen in the enormous power of corporations. Brook also makes note of the high unionization in Sweden and points out that despite globalization, Sweden has maintained equality and economic growth showing that there is a way to accomplish both within current circumstances. The Pierson, and Lipset and Marks articles focus on the social democrat movement and its future. Pierson says that Social democrats used Keynesian economics to “manage capitalism” and create a welfare state which only worked after WWII because of the unprecedented growth and subsequent cooperation between capital and labor, which declined when the overall economic status of the US declined in the 1970s. However, the new right movement thwarted the coalition of voters that supported social democrats and the Keynesian welfare system was itself fated. Lipset and Marks, however, point to high notions of individualism and statism in this country and the design issues of separation of power and fragmentation of authority under federalism as ills to the social welfare state. While Pierson believes that social democrats have to revive their party, Lipset and Marks do not believe that capitalism is here to stay because it causes pain to too many people and will be overcome by new movements and communitarian efforts.

Section B mainly outlines the statistical evidence that displays the growing inequality in the United States, mainly since the 1970’s. The Wolff article is interesting in that it considers wealth and shows that there is major inequality in the distribution of wealth and goes on to refute nay sayers arguments against growing inequality. Two such arguments are that taxes cause the rising

inequality, which Wolff shows is untrue, and the other is that the upward mobility of American society remedies the inequality, which Bernstein shows to be untrue.

Section C starts with your article which outlines three major detractors to equality with in the United States, they are unions, globalization, and the post 1970's racially divisive Republican south movement. Subsequent articles in the section then explore each of these factors in more depth. You also raise the new idea that progressive political strategies have no effect on lowering inequality and the only time inequality was substantially remedied in this country was in major crisis periods like the Great Depression. You also advocate a progressive tax system in order to remedy inequality. The issue of who pays taxes and how much is a recurring idea through all the articles in this section.

The Farber and Western articles attribute the decline of unions to a shift in employment towards non-union firms, and are pessimistic in their predictions for unions. The Edsall article chronicles how Republicans used the issue of who pays taxes and who receives benefits in a racially divisive fashion in order to gain working class voters. Working class voters were forced to pay for the majority of the benefits going to minorities after the civil rights movement, and also saw growing poverty, violence, and welfare dependence by minorities. The republican's populist stance on taxes also attracted voters away from Democrats, and made taxes a very important issue. This realignment and tax revolt came from the 1964 presidential election and corresponds to the rise in inequality since the 1970's as documented in the Wolff article. The Rodrik article combines the ideas of globalization and tax by positing that increases in openness to trade have resulted in reductions in social spending and government consumption, which have led to inequality in income distribution. Also, as openness has increased, the tax burden has shifted from capital to labor. This is due to decreasing restrictions of capital and its growing mobility. Rodrik also raises the point that as globalization increases along with openness and risk so do people's demands for social safety,

but inherent in growing openness is the lessened ability to provide these social insurances. The Krugman and Weisman article demonstrate how important taxes and who is taxed is to what social insurances are provided and inequality. As the marginal tax on the wealthiest portion of society has decreased, inequality has increased, and the deficit has worsened which has thus put the future of social security, Medicare, and Medicaid in jeopardy. Krugman also explores what republicans motives are behind tax cuts and their supposed supply side economics. He says that they are a way to eventually reduce government by starving it and making working class people hate government and its taxing ability. George W. Bush has done this by disguising tax cuts to the wealthy as tax cutes for middle class workers. He reduced the government's income and at the same time deceived working class people into thinking that they are paying fewer taxes.

The idea of progressive taxes was continually stressed in the readings. It is what has kept the Swedish system functioning, a long with small wage differentials. Also, the post WWII social welfare society was also very much due to a progressive tax on wealth. The presence of unions is also key. In European countries where social democracy is still present unions are very important and the decline of unions and increase in inequality is reiterated in many of the articles. There is also a tendency of some of the authors to have hope in a new democratic party that can unite more voters, while others see present conditions leading to class division and a new movement all together. It seems unlikely that any party could now pass increases in taxes on either the wealthy or corporations. Also, the occurrence of a slight backlash to globalization that occurred after the 1890's is unlikely to occur since the forces of globalization are much stronger and inequality is more pronounced. This is in accordance to what you say is the growing feeling among people that government does not serve their needs and the fact that the growing budget defecit will put a strain on the current system of social welfare. This may lead to the type of crisis needed to launch a movement against inequality.

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