

GVPT419H
Gar Alperovitz
February 17, 2005

Reaction Paper
Class IV: The Corporate Economy and Welfare State

The readings for Class IV made me very distraught over the level of injustice in the United States. It reinforced my idea that democracy, especially our peculiar form of quasi-democracy, in no way guarantees just outcomes. Lyndon B. Johnson and the Democrats completely dismantled the bottom-up coalition of the Democratic Party by endorsing civil rights and paved the way for the top-down coalition of the Republican Party. I think these readings make it clear that democracy, especially our current form, might not be what one would want from government at all. This can be evidenced by the legacy of exploitation of African-Americans and Indians is still being lived out today.

In *America Beyond Capitalism*, Alperovitz notes that the ideal of liberty this country was founded on is being consistently encroached upon by ever-expanding government, the Patriot Act, and fewer entrepreneurs while growing numbers of employees. This divergence is being realized through rethinking among “groups on all sides of the traditional political divide.” The next few selections are about Sweden’s social-democratic system. The Swedes have been able to keep up the same growth rate in GDP as the US while redistributing income much more equally. According to Heilbroner, this is due to the power of the Unions in Sweden in which 90 percent of blue collar and 70 percent of white collar workers belong to. The strength of labor also guarantees strong benefits for the unemployed through its political force. My question is how Sweden got this system in place. Was it the homogeneity in culture, the size of the country, or its history? In *Socialism After Communism*, Pierson argues that the Swedish

model is falling apart due to globalization. The Keynesian policies, he argues, cannot remain competitive in a globalized economy where capital is so mobile. I remain unconvinced by Pierson's argument, as Sweden's economy has been able to keep pace with the US economy, but I do see the threats of globalization. In Rodrik's piece, he explains that globalization makes the demand for unskilled and semiskilled workers more elastic, and thus their bargaining power erodes and this shifts the burden of paying for better working conditions on the employees. He asks how far globalization can go in destabilizing social institutions. While economists agree globalization is efficient, my question is how to compensate the losers of globalization. Like the article asks, how can we reconcile increased economic efficiency from globalization with social stability? Rodrik points to evidence that the more open an economy is, the more social insurance there is, as is the case with Sweden. In *It Didn't Happen Here*, it seems that part of the reason that labor gained so much strength in Europe and not in the US is because of the widespread destruction of Europe in World War II. Socialism did not succeed in the United States because of a culture of individualism and antistatism, and the American political system. The checks and balances, or the fragmentation of authority, in the American system serves to maintain the status quo due to all the chances to block legislation, while European parliamentary systems are more amenable to social welfare than the US system.

The next section of articles deals with the rising inequality in the US and the emerging caste system. According to the Bernstein article, upward mobility is fading fast. Krugman claims that if one likes a caste society, they would abolish the estate tax, create tax shelters and reduce taxes for the rich, and cut back on healthcare and public

education while breaking up unions and privatizing government functions. All of these actions have been done by the conservative party, thus ensuring the position of economic elites as long as this system is in place. In *Top Heavy*, Wolff focuses on growing wealth inequality rather than traditional income inequality. Sure enough, wealth inequality has skyrocketed along with income inequality. This is due to changing American policy that has encouraged such rising inequality. In *The State of Working America*, the authors dispel the myths that the rising income gap is due to changes in demographics or that the gap does not matter because there is rising income mobility. Both are simply untrue. Changes in tax policy have undoubtedly been the cause. While technological shifts and globalization also force incomes further apart, tax policy is largely able to either correct this, or in our case, emphasize it.

The final section is on how in the world this crisis of inequality came about. According to Alperovitz unionization is a great predictor of greater equality. In the US, a trend towards equality only occurred because of the New Deal systems put in place to combat the Great Depression. “Even in the best of times, the capacity of traditional political strategies to achieve major impact on their own in ‘normal’ circumstances has been far weaker than many commonly acknowledge” (17). The current widening gap is due largely to racism and the top-down coalition of Republicans. According to Farber, the decline of Unions in the US can be attributed to declining employment in the union sectors and rapid growth in the nonunion sectors and that accordingly, a resurgence of unions is unlikely. In *Chain Reaction*, Thomas and Mary Edsall explain how the issues of race and taxes created the conservative majority, and thus the widening gap in incomes. Johnson, by defining Democratic support of the civil rights act of 1964 busted

up the Democratic Party through alienating southern segregationists. While morally justifiable, the civil rights act of 1964 was political suicide. Accordingly, Republicans have been able to build a top-down coalition through catering to the interests of economic elites and tying the interest of elites to lower and middle class whites tired of paying taxes they see as going to minority welfare. Then, the Republicans got white fundamentalist Christian support through opposition to IRS Policies prohibiting tax exempt status for segregated Christian academies. Clearly this is an awful example of how politics can get in the way of justice. This top-down coalition also has the advantage of business and money. The following two articles illustrate the heinous injustices that have occurred in this country towards blacks. One of the problems I see is who will pay for the grave injustices against slaves and the Indians? None of the current generations committed any of the wrongdoings, but whites are still benefiting from it, and blacks and Indians are still being hurt by the legacy. Finally, Krugman exposes the Starve-the-Beast strategy of conservatives and how they co-opted supply-siders to cut down big government. It reveals the political lies and inaccuracies our system allows. How can we get a system that guarantees honesty and justice?