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## Fading Glory: America's Disappearing Dream

Scott NORTH

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## Fading Glory: America's Disappearing Dream

Scott NORTH

### High Water

They say a rising tide lifts all boats, but as the flood caused by hurricane Katrina was pumped out of New Orleans in September 2005, the receding water revealed a ghastly, sodden landscape of ruined homes, businesses, and rotting bodies. The destruction was indiscriminate and widespread. The lawlessness and government incompetence in the days following the disaster were a national disgrace. As the water receded, it was impossible to overlook the fact that the majority of the victims were Black people too poor or weak to heed the evacuation order and escape the doomed city. Press and pundits around the world noted that the storm had revealed the way race and inequality continue to be linked in the United States. There was palpable shock and dismay that the world's most powerful country was so slow and inept in aiding its least fortunate citizens, despite ample warnings that a disaster like Katrina was certain.

"It's not just Katrina, it's povertina," declared Dr. Cornell West of Princeton University. "People were quick to call them refugees because they looked as if they were from another country. They are: Exiles in America. Their humanity had been rendered invisible. [...] Almost everyone stuck on rooftops, in the shelters, and dying by the side of the road was poor black." (West 2005)

As I write, it appears that New Orleans will be rebuilt. Such opportunities for profit are the stuff of dreams for developers. But Katrina's devastation once again exposed as illusion the glorious notion that every American has an equal chance to develop his or her own personal version of the American dream. The larger picture left in Katrina's wake is that the American Dream of upward social mobility is fading into a nightmare of permanent and growing inequality. Katrina's fury simply uncovered and brought to the surface unpleasant political facts, which have long known to be buried in the soil of places like Louisiana and Mississippi, but are in reality no less common in other parts of the country.

My purpose in this paper is to consider the American Dream today: the possibility that one can make a better life than one's parents had. Drawing on recently published

reports and analyses to build a picture of the current state of the dream, I introduce first four factors related to America's place in the process of globalization and consider how they affect the standards of living and the range of possible dreams in American society. I then consider variation in life chances for five key groups of American workers: the young, the unemployed, the retired, white-collar professionals, and executives. The focus of the second half of the paper is what is happening to health care, the essential first step on the ladder of human needs and foundation for realizing any dream. In closing, I consider examples of proposals and practices for broadening the possibility of dreaming in America. The American ideal of individual equality in a relatively classless society has long been a beacon of hope that drew immigrants and guided social movements around the world. If it is fading, it signifies a major flaw of American's neo-liberal ethos. Without its inept communist antithesis to provide contrast, contemporary American capitalism may be exposed as little better than the rigid European class hierarchies it is supposed to have superceded.

### Globalization's Influence on the American Dream

In the wake of the Cold War, America emerged as the lone superpower. Recently it is common to call America an empire. That alone should be a warning of decline to come, for empires always collapse. The Bush administration claims that because America is an empire it makes its own reality (Suskind 2004), but this point of view inadvertently substantiates historical understanding of why empires collapse.

In addition to imperial hubris, Kirkpatrick Sale (2005) identifies four key factors common to imperial collapse: environmental destruction, excess consumption, military overstretch, and domestic rot. All are related to globalization and implicated in the decline of the American dream.

### Environmental Destruction

Empires must grow to survive, but as empires grow, they challenge the reproductive capacities of local environments. In the current historical moment, America's empire is the most recognizable face of capitalist globalization. In practice, this globalization is virtually indistinguishable from terrorism. In the words of the American president, George W. Bush, terrorism is, "An unseen hand that strikes from nowhere without accountability, destroying innocent lives." (Bush 2002) For those in the global South, this describes the impact of globalization, but less recognized is how the same globalization

undermines the conditions for life in the global North as well (Brennan 2003). The economic deregulation that allows capital to move freely about the globe to escape taxes and pursue profit has a biological correlate. Social theorist, Teresa Brennan, (*ibid.*) calls it "bioderegulation." Bioderegulation, including climate change, results from speeded-up production and the pursuit of limitless growth. Going farther and faster to find raw materials, labor, and markets, incessant economic development destroys the constraints of time and space that make reproduction possible. In the US and other so-called advanced countries, working hours are growing longer and birthrates are falling below replacement levels (Basso 2003).

### Excess Consumption

The United States is the world's biggest energy consumer, using approximately one-third of global production (United States Geological Survey 2005). Its economy is based on cheap energy, most of which is imported. At the same time, the US overconsumes imported goods. Manufacturing accounts for only 13 percent of US GDP (Morici 2005). To cover this trade deficit, the US borrows almost \$2 billion a day from the rest of the world. Prominent among the buyers of US Treasury Bills are China and Japan (Gross 2004).

In addition to a grossly distorted balance of international payments, the US runs a massive domestic debt. Average national savings are estimated to be less than one percent of income (Weisman 2005). The combination of debts and the lack of domestic saving, makes America dependent on infusions of foreign cash to achieve its dreams.

### Military Overstretch

By definition, empire implies colonies. America's excess consumption is enabled by a host of client states that depend upon or fear American military might. Defending the interests of American global businesses is an expensive proposition. According to the Congressional Budget Office (2004a), the United States maintains more than 700 military bases abroad and nearly 1000 at home. It has soldiers in 153 countries. One trenchant critic, Chalmers Johnson, a professor emeritus at the University of California, argues that, "militarism and imperialism always bring with them sorrows." In the case of the US the sorrows will include: 1) perpetual war and constant retaliation against Americans, including possible nuclear weapons use; 2) the rise of a military junta and consequent loss of civil liberties at home; 3) the sacrifice of truth to propaganda and

the glorification of war; and 4) financial and social bankruptcy, as the military enterprise siphons off funds for the education, health and welfare of US citizens (Johnson 2004).

The US reportedly accounts for nearly half of global military spending but publicly acknowledged spending does not include secret budgets that some experts say nearly double US military outlays (Moore 2004). America is also the world's leading arms dealer.

### Loss of Vitality

One readily visible cost of imperial domination based on the threat of violence is a mood of fear and defensiveness inside the United States. By itself this mood destroys the possibilities for dreaming of a better life. Denial is a common method for coping with this loss. To avoid recognizing how imperial ambitions ruin America's international reputation and lead to rot at home, large numbers of Americans have sunk into an orgy of overeating, television, video games, pornography, drugs, and alcohol. Fundamentalist Christianity has become a popular alternative to rational thought.

A Pew Research Center Poll found that 42 percent of Americans are strict creationists, and 44 percent of those who support some form of evolution say it is guided by a supreme being (intelligent design). Seventy-two percent say they believe in the virgin birth of Jesus. Sixty-four percent of Americans are open to the idea of teaching creationism in addition to evolution. Thirty-eight percent favor teaching only creationism. Only 26% say they think evolution occurred through natural selection. Sixty-one percent of Americans believe that religion can solve most problems. Fifty-nine percent think that the end of the world is approaching, as foretold in the Bible (Goodstein 2005). Many Americans who retreat deeply into faith and superstition move farther and farther away from understanding that the causes of declining opportunity are manmade. It prevents them from seeing how solutions to such problems are also within the realm of human agency.

To the extent that other societies share these four traits the American example may function as the canary in a coalmine. If the "most affluent nation" and strongest military power cannot realize a rising standard of living, maybe others would be wise not to imitate the US. Once a beacon of hope, America is now becoming a warning about the dangers of social inequity.

## The Polarization of Dreams

For individual Americans, the influences of global forces on the American dream are manifest in small declines in standards of living. The same deregulation that clears the way for faster corporate growth goes hand in hand with the decline of secure employment, health insurance, pensions, social security, and bankruptcy protection. Increasingly, each individual has to be responsible for him or herself. This is advertised as a gain for "freedom." Such rhetoric, and the incremental nature of the loss of security, obscures the reality of diminished opportunities. But 25 percent of Americans say they worry "all or most of the time" about being able to pay their bills (Uchitelle 2005). That is a high level of social anxiety.

As the social safety net and the social fabric of America are rent by deregulation, wages and opportunities for employment are shrinking. In spite of increased productivity, up 4.1 percent per year since 2001, wages have risen only 1.5 percent per year. Workers are working more and producing more, but the percentage of national income going to wages now is at a historic low. Had wages and productivity risen together, as they have historically, today's median family income in the US would be \$20,000 a year higher than it is (Tasini 2005).

Although the focus in this paper is on recently erected barriers to social mobility, it is important to remember the effects of long-term trends, too. From the end of World War II to the oil crisis in 1973, US wages and productivity rose in tandem, at about three percent per year. Then, until a brief period of prosperity in the late 90s, wages and productivity stagnated. Since 2001, 70 percent of US income growth has gone to corporate profits. Heretofore, 77 percent of income growth had gone into wage increases for workers (*ibid.*).

The reasons for this shift are multiple and overlapping. Policy choices that favor the already wealthy are one aspect. "Tax relief" has primarily benefited those who have the highest incomes. Fifty-two percent of the benefits of the 2001-2003 tax cuts have gone to the wealthiest one percent of the US population (those with average annual incomes above \$1,491,000). Only 1 percent has gone to the bottom 20 percent, whose incomes average \$12,200 a year (Hochschild 2005). The New York Times' columnist, Bob Herbert (2005b), calls the result a "one-sided class war," in which, "the rich are freezing nearly everybody else in place, and springing off with the nation's bounty."

To counter the tide of falling incomes, US families are working more, with much of the increase due to women entering or staying in the work force. The US eclipsed

Japan as first in working hours among the industrialized nations (ILO 1999). Nevertheless, the poverty rate is rising. Officially, nearly 13 percent of Americans live in poverty and income inequality, the gap between rich and poor, is also growing (Leonhardt 2005). Both of these developments reflect policy choices.

A pattern of rewarding the rich while punishing the poor is also evident in the recently passed legislation that makes it harder for people to declare bankruptcy. Almost all personal bankruptcies are due to illness, divorce, or job loss, but the new law treats nearly all bankruptcies equally. Regardless of whether the bankruptcy is caused by willful abuse of the credit system or by factors beyond the control of the individual (hurricanes, for example), individuals will be held responsible, creating what economist Paul Krugman (2005a) calls "the debt-peonage society," in which debtors are forced to work for their creditors to pay off their debts.

In addition to domestic policy choices, workers incomes are declining because globalization is putting pressure on employers to keep wages down and profits up to remain competitive. In his new book, *The World is Flat*, Thomas Friedman (2005) emphasizes the role that information technology plays in bringing Chinese and Indian workers into direct competition with American workers in some categories of work, such as insurance claims adjusting, technical support, or medical records evaluation. Even when the jobs stay in the US, wages are being hit by the use of computers and machines to replace people. Finally, simplified production techniques allow employers to threaten to ship whole factories abroad to sites with lower labor costs if American workers do not agree to wage and benefit cuts.

Taking an even broader view, Richard Freeman (2005) argues that global capital to labor ratios have been cut by the entry of China, India, and the former Soviet bloc into the world market. The arrival of these new players doubles the number of workers in the global economy and puts downward pressure on wages everywhere. Well educated but low-paid Chinese and Indians will henceforth compete for jobs that pay Americans and Europeans much higher salaries. Guess who is likely to win.

Rising costs for energy and declining employee benefits, such as health care and pensions, are also adding to workers' "fear of falling" out of the middle-class. To keep enterprises attractive to investors, businesses need to show a high rate of profit. This leads them to cut benefits, if not wages. For example, at Sprint, an American telephone company, offshoring and rising benefit costs are both cited as reasons for the failure of months of negotiations between management and the workers' union to produce an increase in pay. "It's like their wages are in a severe coma," said the union representative (Greenhouse 2005a). With inflation, their real wages, and consequently living standards,

will probably drop.

The picture of the American dream emerging from these developments over the last five years is one of extreme polarization. Ninety-five percent of workers are stuck with wages that have been flat or falling. The top 5 percent have grabbed the lion's share of the gains. In August 2005, a national poll commissioned by the AFL-CIO (Grant 2005) showed that the vast majority of Americans (89 percent) did not feel that their incomes were keeping up with the rising cost of living. Fifty-three percent said that their incomes were falling behind. Of that 53 percent, less than one third said they were "doing better" than their parents had at the same stage of life. More than two-thirds said that, even with a college degree, it is very difficult to find a job with a good salary and health care benefits. Only one-third of respondents trusted employers to treat workers fairly.

The poll results were supported by a series of stories in the Los Angeles Times entitled "The New Deal," which detailed how the last 25 years have brought most American workers increasingly unstable lives and incomes. Both government and employers have cut away safety nets that protected employees. Nobel laureate and University of Chicago economics professor, Gary Becker, opines that this shift in responsibility to individuals has been good for the whole economy rather than just the wealthy classes. "On the whole, we have moved toward a freer market, a more competitive economy and a richer one. [...] There has been a shift toward people taking more risk on themselves...and the economy has gained for it." (Gosselin 2004a).

Becker's sanguine view of the US economy's makeover ignores the price paid by families who directly feel the loss of stability and benefits once provided by employers and government programs. Jacob S. Hacker, a Yale economist, sees the shift to individual risk as a dangerous high-wire act. "Working Americans are on a financial tightrope. Business and government used to see it as their duty to provide safety nets against the worst economic threats we face. But more and more, they're yanking them away." (*ibid.*)

Overall income volatility is estimated to be as much as five times greater than in the early 1970s (Gottschalk and Danziger. 2003). This means that, overall, the chances of realizing the American dream of a better life than one's parents had are increasingly less certain. But what the odds are depends on who you are. As C. Wright Mills observed, "The first lesson of modern sociology is that the individual cannot understand his own experience or gauge his own fate without locating himself within the trends of his epoch and the life chances of all the individuals of his social layer." (Mills, 1951: xx). Therefore, having sketched the broad trends diminishing dreams of economic

security for most Americans, in the following section I briefly survey what increased individual risk means in some key social groups: young people, the unemployed, retired people, white-collar professionals, and executives.

## Five Key Groups of American Workers and Their Chances of Realizing the Dream

### ***Young Workers***

America's young people are finding it harder to find work. Youth employment is divided into two age groups: 16-19 and 20-24. For young men and women in these groups, work experience sets the stage for future careers. If young people cannot build a work history, it diminishes their career, marriage, and home-buying prospects.

The Congressional Budget Office (2004b) reports that between 1979 and 2003, youth employment decreased for men in both age groups. Only young women between 20 and 24 showed gains, of about 7 percent, in employment during that time. Part of the decline was due to increased school enrollment rates: students are less likely to seek work. another factor is change in the labor markets where youth typically work, including increased competition from unskilled immigrants and contractions in the sectors of the economy that have typically employed unskilled, out-of-school youth, such as gasoline stations.

While male and female youth aged 16-19 maintained employment rates between 44 and 49 percent until 2000, employment for this group declined to 36.3 percent in 2004, the lowest figure for this group ever recorded (Hebert 2005a.) Older youth, 20-24, also lost ground, falling from 72.2 percent employed in 2000 to 67.9 percent in 2004. According to Andrew Sum of Northwestern University's Center for Labor Market Studies, "Younger workers have just been crushed." In spite of economic growth, very little additional income is being distributed to workers. Compared to families thirty years ago, "Two-thirds of this generation are not living up to their parents' standard of living," said professor Sum (*ibid.*)

The picture is particularly bleak for minority workers in certain parts of the country. In Chicago, or example, only one in ten black teens was employed in 2004 (*ibid.*).

Another key variable is education. Overall, college graduates are able to achieve standards of living similar to those of their parents at the same age, however, they are less likely to have pension plans or be able to afford adequate health insurance. In the current housing bubble, even college-educated workers are finding it hard to buy homes. Those who have affluent parents, however, will do better. With their parents'

help, they can avoid borrowing money for college. Their parents may "loan" them the money for a down payment on a house or pick-up unexpected medical expenses. Robert Kuttner (2005) points out that achieving these two key elements of the American dream, a college education and a home, is increasingly a matter of parents' status. This he says, reflects a deliberate political choice for "socialism within the family" rather than social policies that would provide education, health, and home loans to all hard-working young people. "The children of the non-affluent" are among those workers most likely to be hurt by flat or falling wages and benefits. But their pain pales in comparison with the jobless.

### ***The Unemployed***

Economic growth is supposed to lead employers to hire more workers so they can meet the rising demand for their products. Since November 2003, America's economy is said by economists to be in recovery. True, the unemployment rate has declined from 6.3 percent in 2003 to 5 percent in June 2005. But this statistic fails to account for the millions of Americans who have stopped looking for work. Were they included, the rate would be around 8 percent (Bradbury 2005). Thus, business is recovering, but the labor market is not: employment has not kept pace with corporate profits. Without stable jobs, American workers cannot afford to dream. Indeed, many seem to have given up dreaming of working at all (Krugman 2005e).

Especially notable in the last five years is the increasing length of time that workers who lose their jobs remain unemployed. In the US unemployment benefits typically last six months. In 2004 the average length of time for workers to be unemployed reached 20 weeks, up from 13 weeks in 2001. One out of every 5 unemployed workers was out of work for more than six months. 1,800,000 people used up their unemployment benefits, the most since at least 1975 (Lealand 2005).

When people lose their jobs they can become victims of a negative cascade of events that can sap family savings and rob people of the will to seek work. Job loss in the US often means the loss of health care benefits. If a family member becomes ill, the family may use savings to pay medical bills, but this in turn may deplete funds intended for education. And many American families lack savings. The loss of a paycheck or unemployment benefits makes them immediately vulnerable. If the family car should breakdown, they may not have funds to fix it. Consequently, they will have no easy way to seek work or, if they find a job, no easy way to get there. When whole areas or neighborhoods lose their livelihoods, property values may fall and people will be forced to retreat into the informal or underground economy, as Michael Moore

showed so clearly in the film "Rodger and Me," in which the city of Flint, Michigan was devastated when General Motors, the city's biggest employer, closed its factory there.

The stress of not knowing how one will live from day to day is intense and withering. In addition, the stigma of being unemployed and therefore unable to provide food, clothing, medical care, or entertainment for one's family is an enormous psychological burden in contemporary America. Seasonal, temporary, or contract work may be available, but these are inferior job categories, generally with low pay and no benefits. Not being a full-time worker makes people feel like outcasts in their own society and turns the promise of the American dream into an American nightmare of second-class citizenship.

### ***Retirees and Pensioners***

Over the last century, the number of people able to retire to a life of relative comfort and enjoyment of hobbies and grandchildren has risen dramatically. For no other group, perhaps, has the promise of the American dream been so fulfilled. In 1950, 87 percent of men 55-64 were working. It fell to 65 percent in 1994, but rose to 69 percent in 2004. Thirty-one percent of women over 55 work now, up from 21 percent in the late 80s. In the last decade, people over age 55 have become the fastest growing segment of the work force. It is estimated that by 2012 nearly 1 in 5 US workers will be over 55 (Porter and Walsh 2005).

The forced march back into employment is the product of three factors. Global competition has eroded American dominance. Falling equity prices from the bursting of the stock market bubble in 2000 undermined pension funds at US companies, whose retirees continue to increase as the baby boomers leave the work force. Finally, health care costs are rising like a rocket and people are living longer and requiring more care.

In the post World War II era, America's global dominance in many fields allowed companies to feel confident that the social contract of secure retirement in exchange for loyal service between workers and employers, could be maintained. They promised their workers and retirees generous pensions and lifetime health care. But that middle-class contract is now being dismantled in the U.S. and reconfigured in Europe and Japan, (Zunz, Schoppa, and Hiwatari 2002).

Retired workers whose benefits are cut feel betrayed. But companies feel that they cannot continue to support large numbers of long-lived retirees and still remain viable. For example, consider Lucent Technologies. To stay competitive and attractive to investors, Lucent has shed workers to cut labor costs. Currently the firm has just

20,000 US employees. But they must support 120,000 retirees, whose health care costs are eating up 70 percent of Lucent's annual profit. Lucent has therefore had to cut retirees health benefits and raise the portion of health care costs borne by the retirees themselves (Porter and Walsh 2005).

Perversely, companies that try to honor their commitments to retirees increasingly find themselves the targets of take-over bids. Takeover artists can buy a majority stake in such firms, drive them into bankruptcy, and then ditch their pension funds, forcing the firm's retirees to rely on the Pension Benefit Guarantee Corporation (PBGC). Firms that go through this process often emerge stronger and can be sold for a handsome profit, because they no longer are burdened with expensive pension plans. But the PBGC is an under-funded government agency that was established to help cover the pensions of workers and retirees of firms that fall into bankruptcy. It was not intended to support hostile takeovers that push companies into insolvency, but that is how it is being used (Walsh 2005).

To cover lost retirement income and the high and rising costs cost of health care, retirees have returned to work, if they can find it. Many employers do not want to hire older workers and the jobs that are available are often so low paid that they do not match the increased costs of health care insurance. The dream of comfortable and secure retirement has receded for both the retired and the soon-to-retire. The typical household headed by someone aged 47 to 64 is poorer today than similar households in 1983 (Porter and Walsh 2005). Instead of retirement, many baby boomers will be forced to work until they die.

### ***White-Collar Professionals***

Highly educated workers in professional fields, such as computer programming, medicine, or law, might be expected to have a better chance of living the American Dream. Indeed, although they are generally non-unionized, these workers have good jobs, with a fair measure of social honor and relatively high salaries and good benefits.

In the 1990s, Silicon Valley was the center of the new culture of work in which individual workers were less employees than independent entrepreneurs. For the long hours they put in, they were not compensated with overtime pay but with performance-based salaries and a workplace atmosphere that was more like a college campus than a corporation. Workers could dress as they liked and work when they wished. To help them deal with the rigors of flexible, but often very long hours, firms provided gyms, game rooms, organic cafeterias, nap rooms, dry cleaning services, and access to acupuncture and massage. Bonuses and stock options were used to reward performance. In

a variety of white-collar professional jobs, similar working conditions began to proliferate.

But what appeared at first to be a new world of work on the cutting edge of the new economy had a dark underside. Workers in these fields were in fact working longer hours for less security. The consequence of merit-based compensation was to lengthen the working day and make family life more difficult to achieve or maintain (Reich 2000). The flexibility to live and work differently promised by faxes, email, and pagers became instead the means of blurring the boundaries between home and work. In addition, the new technologies provided employers with new tools for assessing performance. In the words of one seasoned business reporter, professional employment had assumed the character of a "white-collar sweatshop." (Frasier 2001) In the global competitive environment, even workers whose skills might be supposed to give them a leg up on achieving the dream, found themselves exposed to increasingly harsh and competitive workplace regimes.

Quantitative measures of performance, such as number of billable hours (law) or numbers of patients seen per hour (medicine) robbed professionals of the autonomy and control over the pace and quality of work that formerly characterized their occupations. The result has been a stark reduction in workers' professional pride. In Silicon Valley, where support for individual creativity motivated the invention of the corporate campus, complaints about "crunching" symbolized how professionals were being shortchanged. Crunching is putting in long, sustained periods of work in the run-up to the release of new products. Lawyers, bankers and others also "crunch," but crunching is most common in the computer and software industries.

Electronic Arts of Redwood City, California, and Sony Computer Entertainment of America have both been sued over crunching. The plaintiffs claim that crunching damaged the health of workers and that they were not adequately compensated for working 80 or more hours per week: overtime pay would have amounted to more than the bonuses they received (Richtel 2005). Spokesmen for Electronic Arts point out that the workers are comparatively well compensated. The firm also suggests that that it would be possible to have the same work done abroad for far less money, demonstrating how global competition weakens the bargaining power of even the most educated workers.

### ***Executives***

Sammy Sosa, the former Chicago Cub, now with the Baltimore Orioles, had a 2005 salary of \$17,875,000 (ESPN 2005). Given his performance this year, he was fortunate to find a team that would buy his contract. Had he retired, his 2005 take would have

totaled only \$8 million dollars, including severance and contract buyout payments. Compared to the meager severance payments of ordinary workers, Mr. Sosa (who ended the 2005 season batting only .221) has nothing to complain about. \$8 million for retirement is a figure that most Americans can only dream about.

But even professional athletes of Sosa's stature cannot compete with corporate executives when it comes to retirement payments. Consider, for example, the Bank of America's former president, Charles Gifford. Although his job performance was "decidedly mixed," upon retiring in 2005 he received \$16 million in retirement bonus, plus an additional \$8.67 million for work done over the past 13 months before he left the firm. He will receive \$3.1 million per year for life and if he dies before his wife, she will get \$2.3 million a year for the rest of her life. He will receive a \$50,000 a year consulting fee, 120 hours of free flight time on a company jet, an office, a secretary, \$38.4 million in stock, and the right to buy 60 tickets to Boston Red Sox games each year for the rest of his life (O'Brian 2005).

Even executives who run their companies into the ground receive such "golden parachutes." Executive severance payments generally include three-year's worth of salary, bonuses, and benefits like lifetime health care. In 2002-3 the average compensation for departing executives was \$16 million. They continue to collect these payments even if they become employed again.

In contrast to the compensation of ordinary employees, executive pay is determined in relative secrecy. According the Annual CEO Compensation Survey conducted by the Institute for Policy Studies and United for a Fair Economy, CEO's pay rose 463 percent between 1990 and 2001. The pay of ordinary workers rose 42 percent, just above inflation, which rose 36 percent during the same period. In 2001, CEO compensation at firms with over \$500 million in annual sales was estimated at 411 times the annual wage of the average worker at such firms, ten times as high as the 42 to one ratio of 1982. Had the wages of ordinary workers risen at the same pace, the 2001 average would have been \$101,156 instead of the actual \$25,467 (Klinger et al. 2002). In Japan CEO compensation in 2000 was ten times the salary of the average worker (Business Week 2001)

Naturally it makes sense to compensate workers well for work done well. But the extraordinary wage gains of the wealthy, in combination with tax policies that also overwhelmingly benefit the top income earners, have produced wealth and income inequalities, not to mention proportionally unequal tax burdens, that have terminated social mobility in the United States. Conservative pundits see only the positive side of this explosive growth in the resources of the wealthy. "In this income data I see a snapshot

of a very innovative society. Lower taxes and lower marginal tax rates are leading to more growth. There is an explosion of wealth," said Tim Kane of the Heritage Foundation. But others, including George Soros, think that the excessive concentration of wealth diminishes incentives for innovation (Johnston 2005).

If people think they can hope to achieve the American Dream of a better life, they will strive no matter how rich the rich may be. But when that hope is shown to be empty, the striving, and its associated innovation, cease. Nothing deflates such hopes faster than the realization that one is not a fully valued member of society. And nothing conveys a sense of one's worth like the sort of care one receives when ill. As seen above, over the last 30 years, protections for workers and their families have been reduced and job stability has declined. Unemployment lasts longer, fewer workers have adequate health or pension benefits. Many have none at all. Bringing the American dream to more than just the rich depends on government policies that moderate the worst excesses of the trend toward neo-liberal market fundamentalism. That such policies are lacking is nowhere more clear than in the field of health care.

### The Nightmare of Unmet Needs

The psychologist Abraham Maslow argued that there is a hierarchy of needs, which people must satisfy in order to reach the ultimate goal of "self-actualization" (Maslow 1943). When satisfaction of these needs is thwarted, people may be said to be sick. Health, therefore, consists, at least in part, of meeting these needs.

The most basic needs are physiological. Should the needs for adequate nutrition, rest, and pleasure not be met, the other, higher, needs in Maslow's pyramid - safety, belongingness and love, esteem, and self-actualization - will be deferred.

Taking Maslow as a guide, what can we say about the role of policy in helping Americans climb the hierarchy of needs to reach self-fulfillment? A Harvard University study of public policies protecting family and personal time examined 168 countries (Heymann et al. 2004). In all the nations studied, time, specifically the lack of protected free time, was the top issue. But in terms of meeting basic human needs, the policies of the United States placed it in a low position relative to other industrial nations. The findings include the following:

- ¶ Only 23 percent of American workers report coming to work refreshed on Monday.
- ¶ Thirty-seven percent of women making less than \$40,000 a year get no paid vacation.

- ¶ The average US worker works 350 hours more per year than the average Western European worker.
- ¶ 163 countries guarantee childbirth leave for women. 45 offer it to fathers. The US does neither.
- ¶ 139 countries guarantee sick leave. The US does not.
- ¶ Ninety-six countries guarantee paid annual leave. The US does not.
- ¶ Eighty-four countries have laws that set a maximum limit on the workweek. The US does not.
- ¶ Thirty-seven countries guarantee parents paid time off when their children are sick. The US does not.
- ¶ Only 18 percent of US part-time workers have any form of paid sick leave.

Relative to the hierarchy of needs, these and other findings reveal that neo-liberal aversion to regulation in the United States tend to thwart the satisfaction of basic needs. In Maslow's view, people in such situations will consequently be forced to focus exclusively on the first level, the satisfaction of physiological needs. Consider the ramifications: Without paid leave, people may not be able to afford to become sick or bear children. Those who take leave to care for their physical needs or those of other family members may be laid-off. If you may lose your livelihood due to illness, you cannot feel safe. If illness or care giving are sufficient reasons for being terminated, it is difficult for workers to feel a sense of membership or self-worth. Lacking the esteem and care of others, self-actualization becomes nearly impossible. Dreaming constructively of a better life for one's children becomes extraordinarily difficult under these conditions.

The consequences of this policy failure include fraying family ties and faltering marriages. Furthermore, children raised in such environments do not experience domestic happiness and therefore will find it difficult to produce in their own marriages. Community building and civic participation will be sacrificed to work. Emphasis on speed and efficiency means greater use of disposable goods, which cause environmental damage. Lack of sleep and exercise damage health. The US Department of Health and Human Services recommends 60-90 minutes per day of exercise to keep fit and to reduce stress. Having to choose between working or caring for self and family is profoundly stressful. This stress is commonly thought to victimize women most, but men who do not have time for a family life suffer the loss of experiences that enhance their quality of life. In addition to the lack of time for partner, children and self, being forced to emphasize work over other priorities leaves little time for spiritual pursuits or the appreciation of art, music, and hobbies (Graaf 2003).

The poor and marginally employed are least likely to enjoy protected time off. While they have to work too much for too little pay, others may not have enough work at all. There is an imbalance in the division of labor and it is reinforced by a style of spending and consumption that appears almost pathological. If people had more time, and if there were adequate provisions for meeting their basic physiological needs, many would choose to live differently.

In *The Wealth of Nations*, Adam Smith (1776) declared that pursuit of self-interest in the market via specialization was the most efficient path to social development. In time, he said, the division of labor would lead to "universal opulence." However, people who are forced to sacrifice health and family to work cannot be said to be pursuing a freely chosen vision of self-interest. Smith understood that government policy to restrain the worst excesses of the market would be needed and stated that wise government was a key condition for development.

Progressive developments in the mid-20th century, such as the 40-hour workweek, Social Security, and statutes regulating occupational health and safety improved the lives of American workers. However, recently the US government has been visibly reluctant to intervene in the rough and tumble of the market to protect families and individuals and help them to climb toward self-actualization. From both Smith and Maslow's perspectives, America's market-based approach to health care stands out as the foremost example of policies that fail to protect and support the dreams of ordinary Americans. In the next section, I consider not only how this hurts individuals, but also how it weakens the social fabric of the nation.

### America's Health Care Crisis

Health care in America is sick. The most prominent symptoms of the illness are the nearly 46 million Americans who do not have health insurance, roughly 16% of the total population. Just under 60 percent of Americans and their families currently have some highly variable degree of health coverage through their employers, the other 24 percent receive care through Medicaid or the Veterans Administration. (Swann 2005). In 2004 800,000 workers found their job-based health benefits withdrawn (New York Times 2005). As the cost of health insurance rises, employers increasingly push costs onto workers, cut benefits, or cut health care all together. A UC Berkeley study (UC Berkeley Center for Labor Research and Education and Working Partners USA 2005) estimates that by 2010 only 50 percent of adults will have job-based health care insurance. Of those who retain job-based insurance, those in the middle and low-income

brackets will be increasingly unable to afford coverage as prices rise. Those lower-income people represent more than half of the recently uninsured.

In addition to employers cutting benefits or passing along the increased costs to employees, wages have been stagnant for the last four years and the number of people living in poverty has increased. Only the top 5 percent of income earners have experienced a rise in pay and income inequality is near an all-time high (New York Times 2005). According to Phaedra Ellis-Lamkins, executive director of Working Partnerships USA, the co-authors of the Berkeley study, "The American health care system today is in grave danger. As employers race to shield themselves from rising costs, more and more families are left without coverage, sending the entire system into a downward spiral."

In 2004 there were 5 million fewer jobs that came with health care than in 2001, a trend that has been exacerbated by part-time jobs replacing full-time positions that come with benefits (Krugman 2005b). The UC study estimates that every 10 percent rise in costs means 910,000 Americans will lose their job-based coverage. Of that number, 75 percent become uninsured.

### Dreaming of Income Security and Affordable Health Care

Going without insurance is not a choice people make lightly. The costs of medical care are such that a single illness can wipe out a family's savings or plunge them into bankruptcy. "Half of all people who file for personal bankruptcy do so in the aftermath of a serious medical problem," says Professor Elizabeth Warren of Harvard Law School (Uchitelle 2005). Contemporary Americans' sedentary lifestyles make them increasingly susceptible to a variety of adult onset diseases that require long-term care, such as asthma, diabetes, and obesity. Sixty-five percent of Americans were considered either "overweight" or "obese" in 2000 (OECD 2004). But insurance companies can refuse to insure those with such "pre-existing conditions." Moreover, many who have coverage, are forced to give it up due to premium hikes.

Consider Duane Vickery. Mr. Vickery is healthy and self-insured. His bare-bones policy provides hospitalization in case of serious accident or illness, but he must bear the first \$3,500 in his annual care costs. For this policy, he should pay \$86 a month. But his insurance company determined that his pollen allergies were a "chronic condition" and jacked up his premiums by 25 percent. Increasing the cost of premiums, due to even minor conditions that can be treated with relatively inexpensive medications, is so common that only 9 out of 55 insurers applied to in an exploratory study were

willing to grant such applicants the basic premium rate (Lazarus 2005).

Los Angeles Times reporter, Daniel Costello (2005), found that the rising cost of health care, which increased 59 percent between 2000 and 2004, was forcing 15 million American families to spend 25 percent or more of their incomes on health insurance. But with health insurance rising three to four time faster per year than wages, families were forced to choose drastic changes in lifestyle to make their incomes cover the increased costs of insurance. These forced choices curtailed their dreams of achieving a rising standard of living. Such families may drop car insurance or go without heat in the winter. They give up cell phones. They shop only at flea markets, never eat out, and take no vacations. One woman interviewed by Costello recalled how, when her grandmother died, she made up an excuse so that she would not have to go to an restaurant with the rest of the mourners for a post-funeral meal that she could not afford. Another man abandoned self-employment in the lumber business he had built for 17 years in favor of a job that came with affordable health insurance. Although he and his family were healthy, the insurance company had raised his rates until he was paying almost a third of his monthly income for health insurance. Self-employment is one version of the American Dream. Now this man commutes two hours each way to work.

These families are, in a sense, the lucky ones. By changing jobs or lifestyles, they were able to hold on to insurance that can be the difference between just getting ill and getting ill and going bankrupt. Analysis of data on 5000 US families in the Panel Study of Income Dynamics showed a small drop in the number of families hit by any one of seven "income-shaking events" over the last 35 years, but a nearly two-fold gain in the percentage of families whose incomes dropped 50 percent or more as a result of separation or divorce, death of a spouse, birth of a child, illness or unemployment for the head of household, major drop in a spouse's working hours, or retirement or disability for the head of household. The increases in risk and income volatility were similar for those with college degrees and those without (Gosselin 2004b).

### International Comparison: America as Number 37

If health insurance is such a burden for employers and employees alike, why aren't CEOs and ordinary workers united in demanding a single-payer style government program that covers all Americans? Noam Chomsky (2005) thinks the public supports the idea. "Eighty percent of the population thinks that the government ought to guarantee health care for everyone, and furthermore regard it as a moral obligation." A Business Week poll (Walczak and Dunham 2005) found that 67 percent of Americans think all

citizens should be guaranteed health care. Only 27 percent disagreed. The majority of Americans clearly think health care should be a public good, provided for publicly.

For companies, health care is a crushing burden that affects their international competitiveness. GM's costs for health care for its current and retired workers are roughly \$1500 per vehicle (Krugman 2005d). GM spent more on health costs than steel in 2004. The effect on profits was "tremendous." (Pear 2005) Loses in profitability and market share to Asian rivals got GM and Ford's bonds recently downgraded to junk status (Cain 2005).

Firms in Germany, Japan, France, Canada and other countries with socialized medicine, do not have to pay health care costs for their workers or retirees. Toyota's retiree health care burden is so small it does not ever have to declare it in its financial filings (Hakim 2005). In July 2005, it was reported that Toyota had decided to build a new car factory in Canada partly because of the Canadian national health insurance system, which is part of the system of public provision for health, welfare and education that gives Canada social stability. Toyota made the move in spite of the lure of millions of dollars of tax incentives offered by states in the Southern United States (Krugman 2005f).

One reason why health care problems are not getting adequate attention is because Americans think they have achieved the dream of having the world's most advanced medical technology. Perhaps that is true. But having advanced technology is not the same as having a fair and effective health care system. Infant mortality is twice as high in Washington DC as in Beijing. The US is ranked 43rd in the world in this category and nearly 30 percent of American children, though not fault of their own, are without health insurance at some point each year (Kristof 2005).

Despite not insuring all its citizens, America spent almost 15 percent of its GDP on health care, double the OECD average of 8.5 percent in 2002, the last year for which complete figures are available. That comes to \$5267 per capita, nearly 140 percent of the OECD average (OECD 2004). Health care was far and away the fastest rising component of personal consumption spending in the US between 1970 and 2001. In 1970 Americans spent as much on medical care as they did on clothes. Now medical care is the largest component, greater than housing or food (Reinhardt, Hussey, and Anderson 2004).

What do Americans get for this massive outlay? France spends only \$2736 per capita. Canada spends \$2931, yet both countries have better health outcomes than the US. American doctor's salaries are higher and medicines cost much more. In addition, administrative costs, in other words, salaries for employees of private insurance

companies, eat up 31 cents of every dollar spent on health care in the US, compared with just 17 cents in Canada's national health care system, which, it bears repeating, covers everyone (Krugman 2005c).

Japan's health insurance system gives nearly the same health care coverage to all citizens and residents and has been virtually universal since 1961. Increases in health care costs have been kept low in Japan. In 2002, health care spending actually declined. At 8 percent of GDP, Japan's system costs just below the OECD average, even though Japanese go see their doctors 2.5 times more often than Americans, Canadians, or Brits. Of course the system is not without problems: Japan's population is aging and the kinds of illnesses for which the elderly need treatment often cost far more than the ¥50,000 per month cap placed on individual payments. Still, compared to the US, Japan is living the health care dream. It is ranked number 8 in the world in terms of the fairness of cost distribution, number 1 on attainment of health care goals, and number 10 overall. (Ikegami and Campbell 2004).

America, by comparison, spends twice as much, with much heavier burdens on individuals. It ranks 54th in fairness, 15th in attainment of health care goals, and 37th overall (Reinhardt et al. 2004). Unless you buy health insurance at reduced rates through your employer's group plan, in the US the only ways to get coverage are to wait until you are 65 years old so you will qualify for Medicare (basic care for the elderly or indigent), become disabled, join the armed forces, or work for the Federal Government. Otherwise your options are to buy expensive individual insurance or go without.

By 2040, health care spending in the US could reach 25 percent of GDP and yet cover less than half of the population. How can it be that such a rich country can fail to provide care for all its citizens? A wealthy society that does not meet the basic physiological needs of all its people is no dreamland.

### Conclusion: The End of the Dream?

I began this paper with reporting about the disaster in New Orleans. As I write today, the Gulf Coast has been assaulted by another hurricane (Rita). Like health care problems, these natural disasters are predictable. If foresighted policies are introduced, the worst damage can be avoided and the aftereffects can be mitigated.

America's leadership class, however, seems to lack such foresight. Their concern is for the short-term bottom line, concern which they cloak in patriotic rhetoric such as we frequently hear from George W. Bush. The president is the perfect representative of

this class. A failed CEO with a business degree from Harvard, he is incapable of imagining or inspiring policies that can help those who were not born ahead to get there.

But other CEOs should be more inspired. Unlike Bush, they are accountable - to shareholders - who would rejoice at the gains US corporations could make, if they were freed from the burdens of health care and pension costs by the introduction of national share-the-wealth policies. With such guarantees of care, ordinary Americans, too, could rejoice. They might begin to realize the egalitarian promise of their creed as a nation. Certainly there would be a dramatic reduction in fear and anxiety as basic physiological and safety needs were met.

William Greider points out, however, that many of the most influential American political and business leaders do not include a strong, supportive and inclusive social fabric as part of their vision of the "national interest." Their rather narrower definition of what is good for America extends only to "advancing the reach of our multinational enterprises" and ignoring the fact that there is little or no trickle-down to the bottom third of the US population (Greider 2005). It takes storms like Katrina and Rita to expose how the ruling ideology of global expansion at all costs renders the humanity of low-wage Americans invisible and leaves them vulnerable even when they are not threatened by hurricanes.

Today, class matters more than citizenship in America and class mobility is harder and harder to achieve. Deregulation empowers corporations, but the dismantling of constraints, the substitution of space for time that Brennan (2003) refers to as "bioderegulation," is ruining mental and physical health throughout the population. Depression and anxiety are epidemic in the US today. "In our compulsive drive for more, we are making ourselves sick," says UCLA Professor Peter C. Whybrow. (2005). But the need for care is growing just at the time when the possibilities for receiving care are being purposefully diminished.

The American dream that inspired, and continues to inspire, immigration to the US is a middle-class dream. It consists of steady jobs, homeownership, freedom of expression, a measure of dignity, and a chance to do better than one's parents. There may be no better example of why that middle-class dream is fading than Wal-Mart.

Wal-Mart is the world's largest retailer. It locates its stores primarily in working-class and poor neighborhoods. It advertises low prices and draws a low-income clientele. Its workers make an average of only \$8 per hour. There are charges that Wal-Mart fails to pay overtime, that it makes employees work during their lunch breaks or after their shifts are over, and that it locks janitors inside the store at night, leaving them no exit in case of fire or other emergency. Wal-Mart workers have been fired for trying

to organize unions. Wal-Mart forces its workers to pay more than a third of the cost of insurance to join its health care scheme and it has raised rates and eligibility requirements repeatedly so as to exclude the majority of its workers. Coupled with low-wages, this results in only 47 percent of Wal-Mart employees being covered by the company health plan. Wal-Mart shifts the burden of care for the remainder of its employees to public programs, explaining in detail to workers how to apply for food stamps, public medical care, and other forms of welfare. Because it is the nation's largest retailer, it sets the pace for others and plays a large role in driving down wages and benefits across the country (Featherstone 2005). In essence, Wal-Mart exploits its workers and steals from taxpayers to fill its corporate pocket.

There are alternatives to the Wal-Mart nightmare. Workers at Costco Wholesale, the nation's 5th largest retailer, earn an average of \$17 per hour. They pay just 8 percent of their own health care costs. Eighty-five percent of Costco's workers have job-based health insurance, and it includes most dental work. The company also contributes to workers retirement funds. Because they receive a living wage, Costco workers are loyal. They think of their jobs as careers. There is little turn-over or theft. The owners of Wal-Mart are some of the richest people in America. The owner of Costco, while not poor, makes only about 10 percent of the salary of other chief executives. For his restraint and for treating his employees well enough to achieve the American dream, the Costco CEO, Jim Sinegal, has been criticized by Wall Street investors, who say he could squeeze more profit out if he would force employees to pay for more of their own health care. But instead of focusing on share prices, he focuses of providing value for the consumers' money (Greenhouse 2005b). The approach works for his firm and his employees are not dependent on welfare. Why shouldn't all Americans have a similar deal?

It is true that America faces a confluence of global forces that make it unlikely that the halcyon days of its mid-20th century dominance will return. But global dominance need not be the prerequisite for helping people meet their basic needs and keeping the dream of achieving self-actualization alive for future generations. The economist and former Clinton administration secretary of labor, Robert Reich (2005), offers the following policy suggestions. Less affluent workers need to receive a larger share of productivity increases. This could be accomplished through tax credits that redistribute income to the most vulnerable Americans, much as the Earned Income Tax Credit does today. Reich also recommends turning unemployment into an opportunity for skills growth, by giving community colleges a portion of unemployment benefits in exchange for retraining workers who lose their jobs to meet the needs of the local business

community. A third suggestion is to make health care insurance and pensions independent of employment so that losing a job or suffering an illness does not become a one-way ticket to destitution. Reich argues that the costs of such policies would be outweighed by the social stability that comes when people have know they will have help in coping with fate and not simply be abandoned to the market.

Above all, such policies would inspire a shared understanding among even the richest and the poorest Americans, that citizenship counts, that all members of society participate in every individual outcome, and that the lives of Americans of all classes deserve equal protection from the vicissitudes of both natural disasters and man-made economic market forces. Baring the introduction of pragmatic and progressive innovations like these, or a dramatic rise in the influence of socially responsible businessmen like Costco's Jim Sinegal, the inspirational promise of social mobility at the heart of the American dream will continue to fade.

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## Fading Glory: America's Disappearing Dream

Scott NORTH

This paper considers the current state of the American dream. It probes social mobility in America and ask whether Americans today are living better than their parents did. Using data from recently published reports and analyses to assess recent trends relevant to the dream, the paper first introduces first four factors related to America's place in the process of globalization and considers how the costs of empire shape standards of living and the range of possible dreams in American society as a whole. It then considers the polarization of life chances, income and employment stability for five key groups of American workers: the young, the unemployed, the retired, white-collar professionals, and executives. The second half of the paper considers the specific issue of health care and how the increasing scarcity of job-based benefits and the spiraling costs medical insurance prevent significant numbers of Americans from climbing the first step on the pyramid of human needs. In comparison with other industrialized nations, America is failing to achieve the dream of universal health care, although examples of programs and practices for doing so in America are not lacking. Deliberate policy choices that define corporate expansion as the overriding national interest thwart innovative dreams that would improve the wellbeing of all Americans.

**Key words:** United States of America: social conditions, class polarization, health insurance, American dream