



Fits and Starts?

Obama and the Transformation of American Inequality

BY JENNIFER L. HOCHSCHILD

Barack Obama campaigned for the presidency as a charismatic liberal reformer, whereas now he is governing as a cautious, somewhat-damped-down centrist. That, at any rate, is becoming the conventional wisdom; my first sentence paraphrases a recent column by Anna Quindlen in *Newsweek* magazine. It seems to me to be largely correct, with the crucial caveat that the long run may look quite different from both the short and medium run. That is, many of the Obama administration's current policy positions with regard to issues of economic inequality are relatively conservative compared to his campaign rhetoric. But if certain underlying dynamics come into play in a way that permits or pushes Obama into developing policies that fit his campaign persona, then his administration might have a broad and deep impact on American inequality.

A custodian dusts and vacuums prior to President Barack Obama's Tax Delinquency Memorandum signing ceremony in the Eisenhower Executive Office Building of the White House, Jan. 20, 2010. OFFICIAL WHITE HOUSE PHOTO BY CHUCK KENNEDY

As a senator and presidential candidate, Obama positioned himself on the economic, though not the racial, left. He wrote in *The Audacity of Hope* that “what ails working- and middle-class blacks is not fundamentally different from what ails their white counterparts: downsizing, outsourcing automation, wage stagnation, the dismantling of employer-based health care and pension plans, and schools that fail to teach young people the skills they need to compete in a global economy” (p. 245). His solutions ran down the same list:

What would help minority workers are the same things that would help white workers: the opportunity to earn a living wage, the education and training that lead to such jobs, labor laws and tax laws that restore some balance to the distribution of the nation’s wealth, and health care, child care, and retirement systems that working people can count on (p. 245).

Senator Obama was the sixteenth most liberal senator in 2005 according to the *National Journal*, and his ranking rose to the tenth most liberal in 2006. Obama received 100 percent ratings or an “A” grade in 2006 from six major liberal advocacy groups, and an 8 percent or lower rating from three major conservative groups. As a presidential candidate, he wrote in *Pathways* that “what we can do as a nation is ensure that every American who wants to work is prepared to work, able to find a job, and able to stay out of poverty. What we can do is make our neighborhoods whole again. What we can do is retire the phrase ‘working poor’ in our time.” He followed this general statement with a set of specific policy proposals, ranging from expanding the Harlem Children’s Zone model to providing more funds to EITC and the Community Development Block Grant Program. Rebecca Blank concluded that Obama’s proposals were more

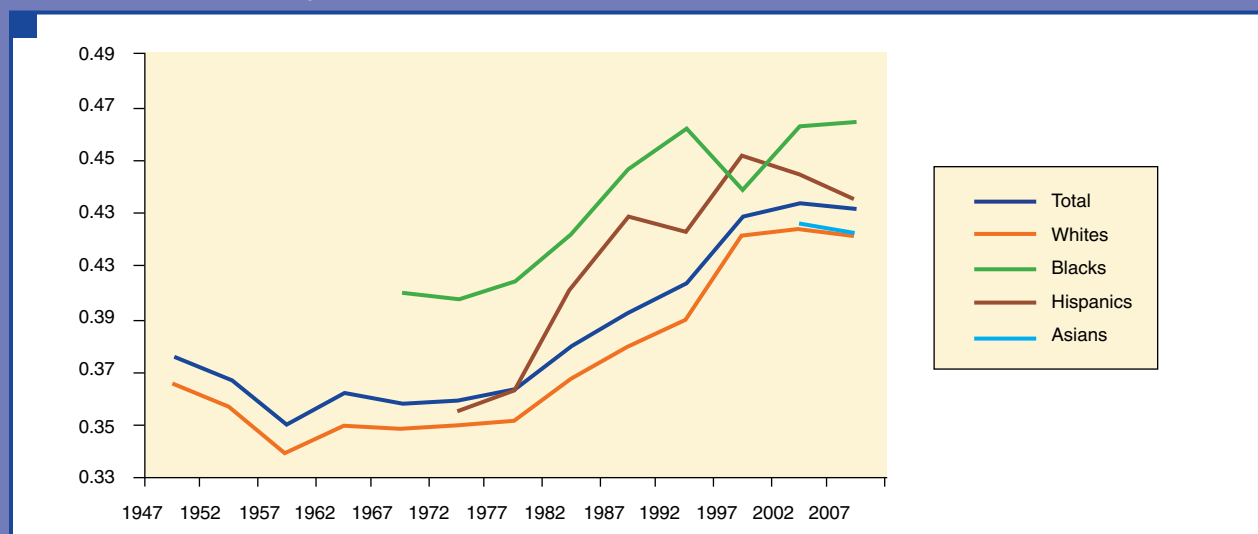
focused on helping disadvantaged communities than were those of John Edwards and Hillary Clinton, the other leading Democratic presidential contenders at the time.

Liberal advocates were generally delighted with Obama’s stance as a candidate and new president. The editors of *The Nation*, Robert Borosage and Katrina vanden Huevel, wrote ecstatically in June 2009 that “all the stars are aligned for launching the greatest era of progressive reform since the 1960s. We face stark crises that require fundamental structural reform. We have a powerful, popular president with a mandate for change—and a majority of Americans yearning for it. Catastrophes have left conservative ideas discredited... Both houses of Congress enjoy... arguably the most liberal caucuses in four decades.” Just as Borosage and Vanden Heuvel anticipated, Obama’s administration began with a flurry of proposals to reform social and economic policies—most centrally in health care and health insurance, but also in job creation, redistributive tax policy, encouragement of labor union organizing, and elsewhere. Yet, as of this writing, only a few of his smaller policy proposals have been enacted, with the largest and most visible proposals not (yet?) law. Whether they ever will become law, especially given the recent special election of Republican Scott Brown to the Massachusetts Senate seat, is the question of the day.

Economic Inequality

There can be little doubt that Obama’s concern with economic inequality is grounded in substantial economic changes (though whether one sees such changes as problematic varies, of course, with the reader’s ideology). Income disparities have risen steadily over the past generation. The Gini index ranges from 0 (complete equality of all units, in this case families) to 1 (complete inequality of all units such that one family holds all of the

FIGURE 1. Gini index for families, by race, 1947–2008



Source: U.S. Census, <http://www.census.gov/hhes/www/income/histinc/f04.html>

TABLE 1. Vote for Democratic presidential candidate, by family income

	2000	2004	2008	Share of voting population
< \$15,000	57%	63%	73%	6%
\$15,000–\$29,999	54	57	60	12
\$30,000–\$49,999	49	50	55	55
\$50,000–\$74,999	46	43	48	21
\$75,000–\$99,999	45	45	51	15
\$100,000 +	43	41	49	26
200,000+	--	35	52	6

Majority support in boldface

Source: *New York Times* exit polls

nation's income). A rise of even a tenth of a percentage point in the Gini index is typically seen as a major shift. As Figure 1 shows, the Gini for all American families has risen from a low of .35 in 1960 to a high of .43 in the late 2000s. Each racial or ethnic group has followed roughly the same trajectory.

Wealth inequality is considerably greater than income inequality. In 1983, the richest 1 percent of Americans possessed 33.8 percent of all household wealth in the United States, according to NYU economist and premier wealth inequality scholar Edward N. Wolff. They went on to acquire 35 percent of all household wealth gains between then and 2004, ending up with 34.3 percent of household wealth. Conversely, in 1983, the poorest 40 percent of Americans held slightly less than 1 percent of the nation's wealth. And between 1983 and 2004 their situation went from bad to worse; they ended up with only 0.2 percent of the nation's wealth. Put another way, 15.5 percent of Americans had zero or negative net worth in 1983 (their debts were greater than their assets), whereas 17 percent were in the same dire situation twenty years later.

Increasing inequality, then, is clearly one of the most dramatic social developments of our time. The presence of a societal problem or phenomenon, however, will not necessarily generate a political response; people may believe that a distressing situation is their own fault, morally fair, or not amenable to governmental action. Nevertheless, a fairly rapid and powerful increase in income and wealth inequality among all racial and ethnic groups is a powerful background condition that we would expect to increase public support for Obama's anti-inequality proposals.

Public Opinion on Economic Inequality

Just as the presence of a societal problem does not necessarily generate a political response, so too is strong public support neither necessary nor sufficient for a dramatic policy shift. But having public opinion on one's side certainly helps persuade members of Congress, always mindful of their next election. Unfortunately for his campaign vows, Obama faces a distinctly

mixed set of opinions among Americans with regard to economic inequality. On the one hand, voters who were on the losing end of the changing income and wealth distributions voted increasingly Democratic over the 2000s, especially in 2008. Table 1 shows this result; it also shows that even higher-income Americans became more supportive of Obama than of his Democratic predecessors.

Two (awkwardly worded) survey questions also show strong support for reducing economic inequality well into the new administration's first year in office. CBS and the *New York Times* asked in April 2009, "The Obama Administration has proposed increasing federal income taxes for households making more than \$250,000 a year. Some of the money raised by these new taxes would be used to help improve access to healthcare and provide tax cuts for households making less money. Do you think this proposal is a good idea or a bad idea?" Three-quarters of respondents endorsed the proposal. The same survey asked, "Do you think the tax code should be changed so that middle- and lower-income people pay less in taxes than they do now and upper-income people pay more in taxes than they do now, or don't you think the tax code should be changed?" Two-thirds supported that idea.

On the other hand, an equally reputable array of surveys shows Americans to be increasingly wary of redistributive policies. The Gallup Poll has asked people since 1992 if "upper-income people pay too little federal taxes"; the proportion agreeing has declined from 77 percent in 1992 to 60 percent in 2009. That is still a solid majority, but no longer an overwhelming one. Similarly, Gallup has asked if "lower-income people pay too much federal taxes"; agreement in this case has declined from a solid majority of 57 percent in 1992 to a minority of only 39 percent in 2009. How to reconcile these two sets of views remains a puzzle, not only for analysts but also for the White House and Capitol Hill.

Policy Initiatives

The Obama administration's biggest domestic policy initiative so far, of course, is the push to reform health care and access

TABLE 2. Mean net worth, as % of overall mean

	Under 35	55–64	75 and over
1983	.21	1.67	1.05
1995	.16	1.81	1.32
2004	.14	1.91	1.19

Source: U.S. Census, <http://www.census.gov/hhes/www/income/histinc/f04.html>



to health insurance. To be sure, health care is only one of the many items listed in *The Audacity of Hope* or in Obama's *Pathways* essay as necessary to overcome poverty and unfair levels of inequality. But health expenditures are the proverbial elephant in the room—approaching one-fifth of gross domestic product and absorbing an ever-increasing share of wages and benefits for those lucky enough to have employer-provided insurance. And despite dramatic increases in health spending over the past few decades, close to one-sixth of Americans remain uninsured. If Obama and his supporters can even now achieve health care reform that moves the country in the direction of greater equity and efficiency, he will perhaps have the policy space and political capital to move further down his *Audacity* and *Pathways* lists of priorities. But obviously recent developments in Massachusetts make major health care reform a lower (if not low) probability outcome.

In the meantime, many of the administration's policy initiatives (or lack thereof) have come more from the cautious center than the liberal left. Providing almost bottomless pits of public funding for weak Wall Street firms and Detroit auto manufacturers, avoiding until recently (and still quite cautiously) direct engagement with "don't ask, don't tell" in the military, maintaining at least part of the base at Guantanamo, mostly refraining from seeking stringent regulation and oversight of the banking sector, opting against immediate engagement with immigration reform—these are all ways in which the Obama administration has disappointed many of its fervent supporters and postponed, if not set aside, its reformist and redistributive impulses.

Discontinuous Transformation?

A wise economist once told someone asking for an economic prediction that his rule of thumb was to "never give a number and a date at the same time." He then proceeded to make some sharp (and ultimately accurate) forecasts. In the spirit of looking ahead while avoiding predictions founded on conflicting evidence, let me suggest a framework for thinking about whether Obama will eventually succeed in promulgating policies to alleviate economic inequality.

Key to my argument is the concept of "discontinuous transformation." The idea, though not the phrase, emerges out of the political economist Albert Hirschman's book, *Shifting Involvements*. He asks what happens if "important private consumption

experiences...leave...disappointment and frustration" in their wake rather than gratification. Perhaps the "disappointed consumer" will take up "a wholly *different* 'pursuit of happiness,' say, political action." Disappointed private consumers are more likely to become engaged public citizens, Hirschman continues, if the political context provides "the ready availability or appearance of a 'cause.'" Hirschman stops his chain of speculations at this point, however, since "here we are appealing to exogenous factors"—that is, to accidental occurrences outside the realm of economic modeling (pp. 63–64, emphasis added).

What to an economist is a distasteful exogenous factor is, to a political scientist, a fascinating electoral dynamic. Obama's election might turn out to be the "cause," in Hirschman's terms, that propels many Americans to shift from a private focus on wealth accumulation to a public focus on alleviating poverty, creating more equal opportunities, and reducing the gap between rich and poor. Certainly not all consumers are shifting into a public mode. And those who do shift have a wide variety of issues to choose from—war in Afghanistan, global warming, Guantanamo, "don't ask, don't tell," in addition to those that focus more directly on economic inequality. So any transformation of Americans' attention away from private acquisition and toward promotion of the public good will be discontinuous, that is partial, stuttering, nonlinear. But there could nonetheless be a real transformation—"change we can believe in."

Several forces—that helped elect Obama promote the possibility of a transformation in Americans' attention, discontinuous though it may be. One such force is generational progression. As Table 2 shows, young adults have lost out in the run-up of wealth inequality since the 1980s. Those under age 35 held about a fifth of the nation's total net worth in 1983, but only a seventh by 2004. The more substantial gains in wealth went to those over age 55.

Young adults may not know these data, but their commitment to redistributive policies appears to be growing. An annual poll of approximately 260,000 first-year college students per year (across over 400 colleges and universities) provides good evidence on this point. When asked if "wealthy people should pay a larger share of taxes than they do now" just over 50 percent agreed in the early 2000s, whereas 60 percent agreed in 2008 (Cooperative Institutional Research Program, UCLA). And a majority of white voters under age 30, unlike older whites, voted

for Obama in 2008. This is especially striking given that only 39 percent of whites under age 30 voted for the Democratic presidential candidate in 2000, and only 44 percent did so in 2004, according to *New York Times* exit polls. If young adults persist in their support for redistributive policies and liberal reformers as they move through adulthood, they could lead the country toward a more publicly oriented, and more liberal, direction over the next decades. That would indeed be a transformation compared with the past few decades.

The other force that could convert Obama's election into more public involvement and greater support for economic redistribution is reactions to the Great Recession. Americans remain not only unemployed and anxious, but also hostile to the wealthy firms and individuals who are plausibly the cause of their misery. In October 2009, seven out of ten Americans supported the federal government's limits on compensation for top executives in companies that received federal bailout funds; in another poll at about the same time, only two-fifths expressed even weak confidence that "financial institutions will change their business practices in a way that makes another financial crisis less likely." At least three times as many blame the Bush administration "for inadequate regulation of the financial industry" as blame the Obama administration "for not doing enough to turn the economy around." Before September 2008, up to half of Harvard graduates used to flock to Wall Street's investment banks; now many of those students' successors are applying to Teach for America or nonprofit organizations.

Even if young adults and job-losers are being transformed, changes in public opinion will remain discontinuous. Americans are not being radicalized. No one is marching in the streets and almost no one offers an anti-capitalist structural explanation of the rise in economic inequality or the recent crash. If anything, it is people on the other end of the spectrum, under the guise of a new Tea Party, who are doing the marching. Republican members of Congress vote with enviable party discipline against the health care bills, confident that they will not suffer electoral punishment. And twice as many Americans call themselves conservative as call themselves liberal; by mid-2009, conservatives outnumbered moderates for the first time since 2005, according to a recent Gallup Poll. Predictions of a backlash against Obama's initially ambitious agenda are easy to find and are arguably being borne out. In the same week that *The Nation* predicted "the greatest era of progressive reform since the 1960s," Matthew Continetti of *The Weekly Standard* asserted that "American voters have serious misgivings [about Obama's economic policies].... Those concerns likely will become even more pronounced.... The political party with a track record of opposition to government

overreach, overspending, and overindebtedness...will benefit. It won't be the Democrats."

If I were forced, say by the kind editors of *Pathways*, to offer the political scientist's equivalent of a number and a date at the same time, I would nonetheless venture that the United States will halt and even reverse the rise in inequality that has defined the past few decades. Some sort of health care bill could still pass, which will help a nontrivial proportion of the uninsured or underinsured. Some sort of law regularizing the immigration status of the 12 million unauthorized residents of the United States may be enacted. Inner-city schools could become somewhat less abysmal under the pressure of this administration's Department of Education; a slightly smaller proportion of young black men will be incarcerated. Not everything will change, and perhaps most things will not change—that is why any transformation will be discontinuous. But Obama's own genius as a politician and rhetorician, Americans' anger at "Wall Street" and what it represents, the dramatic rise in economic inequality especially among the young and especially as regards wealth, and the possible political rejuvenation of leftist politics among young adults all make possible a genuine transformation—from private to public concerns, and from wealth accumulation for a few to the provision of opportunities for most. That was the platform on which Obama ran for and won office, and it may yet be the program that he begins to more forthrightly enact over the next few years.

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