



January 13, 2012

Winner-Take-All Politics

Bill Moyers explores how America's vast inequality didn't just happen, it's been politically engineered.

BILL MOYERS: This week on Moyers & Company.

PAUL PIERSON: I think a lot of people know that inequality has grown in the United States. But saying that inequality has grown doesn't begin to describe what's happened.

JACOB HACKER: It's not the haves versus the have-nots. It's the have-it-alls versus the rest of Americans.

BILL MOYERS: And...

LINNEA PALMER PATON: This is supposed to be a government run by the people and if our voices don't matter because we're not wealthy, that's really unacceptable and it's dangerous.

BILL MOYERS: Welcome. I'm glad we could get together again. I look forward to your company from week to week – here and online at BillMoyers.com. It's good to be back.

We begin with the question that haunts our time: Why, in a nation as rich as America, has the economy stopped working for people at large even as those at the top enjoy massive rewards?

The struggle of ordinary people for a decent living, for security, is as old as the republic, but it's taken on a new and urgent edge. Instead of shared prosperity our political system has now produced a winner-take-all economy.

BUD FOX: How much is enough Gordon?

BILL MOYERS: Hollywood saw it coming.

GORDON GEKKO: The richest one percent of this country owns half our country's wealth: five trillion dollars. One third of that comes from hard work, two thirds comes from inheritance, interest on interest accumulating to widows' idiot sons and what I do -- stock and real estate speculation. It's bullshit. You got 90 percent of the American people have little or no net worth. I create nothing; I own.

We make the rules, pal. The news, war, peace, famine, upheaval; the price of a paper clip. We pull the rabbit out of the hat while everybody else sits out there wondering how the hell we did it. Now, you're not naive enough to think we're living in a democracy are you, Buddy?

BILL MOYERS: That, of course, was Michael Douglas as the wheeler-dealer Gordon Gekko, responding to his protégé, played by Charlie Sheen in the movie Wall Street, 25 years ago!

Back in the late 80s, the director Oliver Stone, himself the son of a stockbroker, saw something happening before it reached the mainstream. Before the rest of us knew what hit us. That little speech about the richest one percent and the demise of democracy proved to be prophetic. Flesh-and-blood Americans are living now every day with the consequences.

AMANDA GREUBEL: My name is Amanda Greubel. I am 32 years old, born and raised in Iowa. I've been married for ten years today to my high school sweetheart, Josh. He's the High School Band Director in the same district where I am the Family Resource Center Director. We have a five-year old son Benen, and our second child on the way in December. Like a lot American families, we have a lot of debt - mortgage, two vehicles, and because we both have masters degrees, a lot of student loan debt.

BILL MOYERS: Amanda Greubel was invited to testify last summer at a Senate hearing on how Americans are coping in hard times. When the state cut funding for local school districts, Amanda Greubel and her husband feared they might lose their jobs. At the last minute, they were spared, although her salary was reduced by \$10,000.

AMANDA GREUBEL: \$10,000 might not seem like a lot to some people, but that loss of income required a complete financial, emotional and spiritual overhaul in our family. [...] It means that even though I would rather shop at local grocers, I shop at Wal-Mart for groceries because that's where the lowest prices are. Sometimes the grocery money runs out before the end of the month, and then we have to be creative with what's in the cupboard - and that was a fun challenge at first, but the novelty wears off after a while. [...] It means that most of our clothing comes from Goodwill, garage sales, and the clearance racks because we try not to spend full-price on anything anymore. It means that when my son brought me the snack calendar for his classroom and I saw that that month was his week to provide snacks for 15 classmates, I was scared because I knew that it would stretch the grocery budget even further. And we didn't have roast beef or pork chops in our house that month. [...] This past spring our son was hospitalized for three days, resulting in \$1000 in out-of-pocket medical expenses beyond what our insurance covered. Then a problem with our roof required \$1500 in repairs. Even though we'd been setting aside money every month for emergencies like that, we still didn't have enough. And so we've spent the last few months catching up.

And finally, this change in our finances meant giving very serious consideration to whether it was even a good idea for our family to have another child. Thankfully, life has a way of reminding us through our son's brief illness and hospitalization that some things are more important than money and that we'll figure it out.

BILL MOYERS: She told the senators how the sour economy has affected her students and their parents.

AMANDA GREUBEL: If my family with two Master's degrees is struggling, you can imagine how bad it is for other people.

The past few years our school district has seen our percentage of students on free and reduced lunch increase steadily. In a community that has a reputation of being very well off, over 30 percent of our elementary level students qualified for that program this year. I've sat with parents as they've completed that eligibility application, and they cry tears of shame, and they say things like "I never thought I'd have to do this," and "I've never needed this help before." They worry that their neighbors will find out and that their kids will be embarrassed. And it's my job to reassure them that reaching out for help when you need it is no problem – it's not a shame, it's not anything to be embarrassed about. [...] Kids don't necessarily tell their parents when they're afraid, because they see that their parents are stressed out enough already and they don't want to make it worse. Sometimes their clothing becomes more tattered and we see parents cut the toes off of tennis shoes to accommodate a few more months' worth of growth, and let those shoes last just a little bit longer. When kids don't have enough to eat or they worry about losing their homes they cannot concentrate on learning their math facts, or their reading strategies. And in some cases financial concerns lead to or exacerbate issues such as domestic violence, child abuse, substance abuse, and physical or mental health conditions. All of the things that are ailing our families right now are so interconnected.

[...] I may have been called on to be the voice of struggling families today, but there are millions more out there who want and need to be heard by you. And I would ask that you not only listen, but that you then come back here and do something. Because it was your commitment and your passion for public service that brought you here in the first place.

BILL MOYERS: Our once and future middle class is in trouble. Their share of the nation's income is shrinking, while the share going to the top is growing. Wages are at an all-time low as a percentage of the economy, and chronic unemployment is at the highest level since the Great Depression, but the richest Americans now hold more wealth than at any time in modern history.

This gross inequality didn't just happen. It was made to happen. It was politically engineered by powerful players in Washington and on Wall Street. You can read how they did it in this book, *Winner-Take-All Politics*, by two of the country's top political scientists, Jacob Hacker and Paul Pierson.

They were drawn to a mystery every bit as puzzling as a crime drama: *How Washington Made the Rich Richer—and Turned Its Back on the Middle Class*.

Quote: "We wanted to know how our economy stopped working to provide prosperity and security for the broad middle class." And that's what you saw.

PAUL PIERSON: I think a lot of people know that inequality has grown in the United States. But saying that inequality has grown doesn't begin to describe what's happened. The metaphor that we had been using lately is if you imagine a ladder, with the rungs in the ladder, and you think, "Okay, well inequality's growing. So the rungs are getting further apart from each other."

That's not what's happened in the United States. What's happened in the United States is that the top one or two rungs have shot up, you know, into the stratosphere while all the other ones have stayed more or less in place. It's really astonishing how concentrated the gains of economic growth have been.

JACOB HACKER: You know, the startling statistic that we have in the book is that if you take all of the income gains from 1979 to 2007, so all the increased household income over that period, around 40 percent of those gains went to the top one percent. And if you look at the bottom 90 percent they had less than that combined.

And it is not just a one or two year story. I mean, we've seen a terrible economy over the last few years. And the last decade is now being called "The Lost Decade" because there was no growth in middle incomes, there was no, there was an increase in the share of Americans without health insurance, more people are poor. So there was a terrible ten years.

But we were actually looking at the last 30 years, and seeing that the middle class had only gotten ahead to the extent that it had because of families working more hours.

So this is a story that isn't just about those at the top doing much, much better. But is, also, we found, a story about those in the middle not getting ahead, often falling behind in important ways, failing to have the same kinds of opportunity and economic security that they once had.

BILL MOYERS: Let's take a look at just how dramatic the inequality is. You have a chart here. I'm not an astute reader of charts, but this one did hit me. What are you saying with that chart?

JACOB HACKER: It says how much did people at different points on the income ladder earn in 1979 and how much did they earn in 2006 after adjusting for inflation?

It exploded at the top. The line for the top one percent, it's hard to fit on the graph because it's so much out of proportion to the increases that occurred among other income groups including people who are just below the top one percent. So, that top one percent saw its real incomes increase by over 250 percent between 1979 and 2006. Yeah. Over 250 percent.

PAUL PIERSON: And actually, even this graph-- we couldn't find a graph that fully describes it because even this graph actually really understates the story. Because it—

BILL MOYERS: Understates it?

PAUL PIERSON: Understates it.

BILL MOYERS: I mean, this is pretty powerful. When I looked I thought it was a showstopper.

PAUL PIERSON: Okay, so well, if you really if you really want the showstopper you have to go one step further because that big increase is for the top one percent. But the real action is inside the top one percent. If you go to the top tenth of one percent or the top hundredth of one percent, you know, you would need a much bigger graph to show what's happening to incomes for that for that more select group. Because they've gone up much faster than have incomes for just your average top one percent kind of person.

BILL MOYERS: But we've all known for a long time that the rich were getting richer, and the middle class was barely holding its own. I mean, that was no mystery, right?

JACOB HACKER: Oh, it is. It's a mystery when you start to look beneath the familiar, common statement that inequality has grown. Because when you think about rising inequality, we think, "Oh, it's the haves versus the have-nots." That the top third of the income distribution, say, is pulling away from the bottom third.

And what we found is it's not the haves versus the have-nots. It's the have-it-alls versus the rest of Americans. And those have-it-alls, which are households in say the top one-tenth of one percent of the income distribution, the richest one-in-a-thousand households are truly living in an unparalleled age.

Since we've been keeping records on the incomes of the richest from tax statistics in the early 20th century, we never saw as large a share of national income going to the richest one-in-a-thousand households as we did just before the great recession.

Their share of national income quadrupled over this period, to the point where they were pulling down about one in eight dollars in our economy. One-in-a-thousand households pulling down about one in eight dollars in our economy before the great recession began.

BILL MOYERS: You set out to try to solve three mysteries: who done it, who created the circumstances and conditions for the creation of a winner-take-all economy. And your answer to that in one sentence is?

JACOB HACKER: American politics did it far more than we would have believed when we started this research. What government has done and not done and the politics that produced it is really at the heart of the rise of an economy that has showered huge riches on the very, very, very well off.

BILL MOYERS: It's the politics, stupid?

JACOB HACKER: Exactly.

BILL MOYERS: How did they do it?

PAUL PIERSON: Through organized combat is the short answer.

BILL MOYERS: And why did they do it?

JACOB HACKER: Because they could. Because the transformation of political organization, the creation of a powerful, organized business community, the degree to which that was self-reinforcing within both parties has meant that politicians have found that they can on issue after issue cater to the interests of the very well off while either ignoring or only symbolically addressing many of the concerns that are felt by most Americans and get reelected and survive politically.

PAUL PIERSON: If you listen to many public officials over the over the last 20 or 30 years as they've started to recognize that inequality has grown, typically what they'll say is, this is a result just of economic change. It's a result of globalization changes in technology that have advantaged the educated at those with high skills at the expense of the uneducated.

And there, clearly, there is some truth to this story that education matters more in determining economic rewards. But the more we looked at this, the less satisfied we were with that explanation.

That it couldn't explain why the economic gains were so concentrated within a very small subset of the educated people in American society. I mean, 29 percent of Americans now have college degrees. But a much, much smaller percentage of Americans were benefiting from this economic transformation.

BILL MOYERS: Well, as you speak, I can hear all of those free-marketers out they say, "Come on, Piers-- come on Hacker it is the global economy. It's that cheap labor overseas. It's those high technology skills that you say are required, these deep forces that actually are beyond our control, and are making inevitable this division between the top and everyone else." Right? That's what they're saying as they listen to you right now.

JACOB HACKER: We think the story that's told about how the global economy has shifted clearly matters. But that it doesn't get to the sort of really powerful role that government played in adapting to this new environment and in changing the well-being of people in the middle and at the top.

PAUL PIERSON: And again, we wouldn't want to say that the kinds of changes that they're talking about don't matter at all. But they still leave open for a country to decide how they're going to respond to those kinds of economic challenges.

And when you look at other affluent democracies that have also been exposed to these same kinds of pressures, who are actually more open -- smaller economies are often more open to the global economy than the United States is -- you don't see anything like the run-up in inequality, especially this very concentrated high-end inequality, in most of these other countries that you see in the United States. Which to us, really, was a very strong clue that we need to understand why the American response to globalization, to technological change has been different than the response of most other wealthy democracies.

JACOB HACKER: So it's one thing to say, "Oh, the rich are getting richer because we have this new global economy."

But how do you explain the fact that we've seen over this period where the rich have gotten richer the tax rates on the richest of the rich come dramatically down. You know, Warren Buffet now says that he thinks he's paying a lower tax rate than the people who work for him do.

PAUL PIERSON: The thing that got us going at the very beginning was the Bush tax cuts.

GEORGE W. BUSH: This tax relief plan is principled. We cut taxes for every income taxpayer. We target nobody in, we target nobody out. And tax relief is now on the way. Today is a great day for America.

PAUL PIERSON: The Bush tax cuts in a lot of ways were written like a subprime mortgage. You know, they were designed to make people see certain things, and not see a lot of the fine print.

JACOB HACKER: Fully 30 to 40 percent of the benefits were going to the very top, of the income distribution. The top one percent. And when you broke it down, it was really the top one-tenth of one percent that did so well because of the estate tax changes, and because of the changes in the top tax rates, the changes in the capital gains taxes. And if you go to 2003, changes in the dividend tax.

I mean, these were all tax breaks that were worth a vast amount to the richest of Americans and worth very little to middle class Americans.

PAUL PIERSON: Within a few weeks after the legislation was passed, we all get a letter that says Congress and the President have given you this tax cut. And then that's pretty much it for the middle class. But for higher income groups, the further forward you go in time, the bigger and bigger the benefits get. So it was really designed to front-load the relatively modest benefits for the middle class, and to back-load the benefits for the wealthy.

JACOB HACKER: So why? Why do the winners get policies that make their winnings even larger? You know, this is not a trivial change. If you say from the mid-90s to 2007, those top 400 tax payers, they've seen their tax rates decline so much that it's worth about \$46 million for every one--

BILL MOYERS: For every--

JACOB HACKER: Of those 400 tax payers. So it's-- the numbers are staggering. When you start to look within the top one percent, and look at what government has done to help those people out, through taxes, through changes in the market, financial deregulation and the like, and through protecting them from efforts to try to push back.

BILL MOYERS: Protecting them?

JACOB HACKER: Well, I think this is something that really needs to be understood. You know, these large shifts in our economy had been propelled in part by what government has done, say deregulating the market, the financial markets, to allow wealthy people to gamble with their own and other peoples' money, and ways to put all of us at risk, but allow them to make huge fortunes.

And at the same time, when those risks have become apparent, there has been a studious effort on the part of political leaders to try to protect against government stepping in and regulating or changing the rules.

BILL MOYERS: You write, we have a government that's been promoting inequality, and at the same time, as you just said, failing to counteract it. This has been going on, you write, 30 years or more. And here's the key sentence: Step by step, and debate by debate, our public officials have rewritten the rules of the economy in ways that favor the few at the expense of the many.

PAUL PIERSON: In some ways, the fundamental myth that we're trying to break out of is the idea that there's something natural out there called "the American economy" that is prior to government, prior to politics. And that government, if it's involved at all, is only involved sort of at the end of the day, maybe tidying things up around the edges, or redistributing money from some people to another.

And I think the financial crisis has been a rude awakening for people who viewed the economic world that way. It's now, I think, very clear in retrospect that the decisions that leading public officials made over a period of decades helped to get us to a point where a financial crisis could be so devastating to all Americans.

BILL MOYERS: How can this happen? How could Washington turn its back on the broad middle class to favor a relatively few at the top in a democracy?

JACOB HACKER: What has really changed is the organization of American politics, particularly the organizations that represent the deepest pocketed members of American society. What we've seen as an organizational revolution over the last 30 years that has meant that business, and Wall Street, and ideological conservative organizations that are pushing for free market policies have all become much more influential.

And at the same time, a lot of the organizations that once represented the middle class, labor unions, broad-based civic organizations and, sort of, organizations at the local and grassroots level, including social movements, have all lost enormous ground.

And so it's that imbalance, that shift, I think, that is the sort of underlying pressure that plays out in our politics today. The way we describe it in the book is as if the ecosystem of American politics has changed. And everyone in American politics, Democrats, Republicans, liberals, conservatives has had to adapt to this new world where money matters much more in our politics, and where groups representing business and the wealthy are much more powerful than in the past.

BILL MOYERS: And you don't beat around the bush. You say, quote, "Most voters of moderate means...have been organized out of politics, left adrift as the foundations of middle class democracy have washed away."

JACOB HACKER: Yeah, I mean, if you look at the history of American democracy it is about a broadening of our understanding of political equality to incorporate African Americans and women and ultimately to also incorporate the idea that large inequalities of property were a threat to democratic equality. So FDR during the Great Depression famously said that political equality was meaningless in the face of economic inequality.

So we now, I think, understand that inequality of income and wealth is part of a capitalist society, but it can't overwhelm our democracy. And what we've seen in the last 30 years is a gradual erosion of the firewalls that protect our democracy from the inequalities that are occurring in the market. Money has come into politics much more.

And the power that people have in the market is being used more and more in politics as well. And that's a concern because Americans have very complex views about equality, but they all agree in this basic idea that as Thomas Jefferson famously said, "All men are created equal."

And he meant men probably, but you know, the modern understand of that phrase, we believe that people whether they're rich or they're poor, whether they have lots of property or not, whether they're

in, on Wall Street or off, they should have equal potential to influence what government does. Anybody who looks around at our government today cannot believe that's the case or that we're even close to that.

PAUL PIERSON: Well certainly you just have to look at recent headlines to see a Washington that seems preoccupied with the economic concerns of those at the top and is resistant in many cases to steps that are clearly favored by a majority of the electorate such as wanting to increase taxes on the very well-to-do, letting the Bush tax cuts for the wealthy expire as if you want to do something about the deficit. That's the single most popular proposal for doing something about the deficit would be to let the Bush tax cuts for the wealthy expire. And yet that gets nowhere in Washington.

JACOB HACKER: You know, there is an organized, powerful constituency for deregulation, for high end tax cuts, for policies that are neglecting some of the serious middle class strains. And there just isn't anything of comparable size or power on the other side.

And that has pulled Washington way toward the concerns of the most affluent, most privileged members of our society and led them to often neglect the real struggles that Americans are facing during this economic crisis, struggles that are magnified versions of what Americans have been going through for 25 years or so.

BILL MOYERS: There was a time when we were sure that a strong middle class was the backbone of a democracy. And there was a time, after the second World War when I was a young man when incomes actually grew slightly faster at the bottom and the middle than at the top, is that right? Do your figures support that?

PAUL PIERSON: Yes, they do. And we describe that period after World War II, which lasted for about 30 years as being a country which we labeled Broadland. And—

BILL MOYERS: Broadland?

PAUL PIERSON: Broadland. And I think it's most clearly captured by that old idea that a rising tide lifts all boats.

Everybody's income is going up at the roughly the same rate, slightly faster actually towards the bottom of the income distribution than towards the top, but everybody's incomes were going up. And it's important to understand, so this wasn't some egalitarian fantasy world. It wasn't Sweden.

It was the United States, recognizably the United States with significant inequalities of wealth, but everybody was participating in prosperity and seeing their incomes rise. And then after the mid 1970's we start moving towards a distribution of income that looks more like that of a third world oligarchy. It looks more like Mexico or Brazil or Russia. Income inequality that statistics on income inequality now suggest that inequality is higher in the U.S. than it is in Egypt. And that's quite a journey from where we were when I was growing up.

JACOB HACKER: Right now I think we're seeing the kind of bitter fruit of winner-take-all politics because this financial crisis was not an act of God or work of nature. It was brought on by poor decisions that were made in Washington and on Wall Street. Yes, there's a global dimension to this, but a big part of it was failures of domestic policy. You know, if you look to our northern neighbor, Canada, it had nothing like the same degree of banking crisis the United States did. And that's partly because it had much more effective regulations of the financial sector. You know, over this period that we saw leverage and speculation increasing on Wall Street, Washington, both Democrats and Republicans, were trying as hard as they could to allow Wall Street to do even more.

BILL MOYERS: So the winner-take-all politics has produced a winner-take-all economy? Right?

JACOB HACKER: Yes.

PAUL PIERSON: Yes.

BILL MOYERS: And the winners are?

JACOB HACKER: The winners are those who've made out so well in this new economy, the very well off and financial-- and people in the highest reaches of finance and corporate executives suites.

BILL MOYERS: And the losers?

PAUL PIERSON: Well, the losers are, I think, almost all of us.

I think almost all Americans lose from the shift toward a society in which rewards are so narrowly concentrated on a small segment of the population.

I was talking yesterday evening with a friend of mine who spends much of his time in Mexico who was describing a society in which a small group of wealthy people are protected by guns mostly from the rest of the population and dart from one protected location to another protected location completely separate from the rest of society.

We're not there yet but we've moved a long way down a road in which there's just a sharp social, economic, cultural separation from the vast bulk of Americans and a small astonishingly successful financial elite. And I don't think that -- I think most Americans would consider that not to be an improvement. They would consider themselves to be losers from that.

JACOB HACKER: And there's no sign that the sort of massive concentration of the gains of the economy at the very top is slowing down. In fact, this downturn has been remarkable in the degree to which those at the very top seem to have weathered it pretty well. Profits are still very high. Those who are on Wall Street have recovered thanks to a massive government bailout.

BILL MOYERS: Taxpayers put it up. I mean, they're spending taxpayer money.

JACOB HACKER: Yes, yes. And so we've seen the economy over 30 years very consistently shift in this direction. And what I think has not happened and what concerns us greatly is a kind of real undermining, deep undermining, of the operation of our democratic institutions.

I mean, we're describing a massive erosion, but the question is could we see those democratic political institutions really cease to function effectively in the future if we have a society that continues to tilt so heavily towards winner-take-all. And that's why we wrote the book because, you know, Walter Lippmann back in the early 20th century said the challenge for democratic reform is that democracy has to lift itself up by its own bootstraps.

And we're, we are deep believers in the ability of American democracy to reform itself, of the strength of our democratic institutions. But they're in very serious disrepair right now. And we've seen in recent political fights a sort of paralysis and a broad loss of faith in government. And that sort of secession of the wealthy from our economic life that we've already started to see could be matched by a secession of them from our political life and a sort of loss of that broad democracy that was characteristic of mid-20th century. That's the greatest fear that we have.

BILL MOYERS: Would you say we still have a middle class country?

PAUL PIERSON: That's--

BILL MOYERS: Wow.

PAUL PIERSON: No, no, I wouldn't, I wouldn't.

BILL MOYERS: You're hesitant.

PAUL PIERSON: If you asked me if you asked me that point blank, I mean--

BILL MOYERS: Point blank, Paul, do we still have a middle class country?

PAUL PIERSON: I would say no. I mean, obviously there is still something there is still something that we would recognize as a middle class, it's still probably the biggest segment of the population. But in terms of its weight in the society, its ability to produce a society and reproduce a society that is oriented around the needs and concerns and opportunities of the middle class, I don't think that we live in that country anymore.

JACOB HACKER: There was a poll done in 2010 that asked Americans whether the federal government had helped a great deal the following groups: large financial institutions and banks, 53 percent of Americans said they'd been helped a great deal.

What about large corporations? 44 percent of Americans said they'd been helped a great deal. Then they asked, well, has the federal government helped the middle class a great deal? And do you want to guess what percent of Americans said that they'd been helped a great deal-- the middle class had been helped a great deal? Two percent.

BILL MOYERS: Two percent?

JACOB HACKER: Two percent.

BILL MOYERS: Well, this is—

JACOB HACKER: And so it's just a remarkable sense that Washington isn't working for the middle class. And after writing this book I think Paul and I feel as if that assessment, while excessively harsh, is grounded in a reality that Washington isn't working well for most Americans.

BILL MOYERS: Did either of you happen to catch the Senate hearings last summer when a procession of ordinary Americans came and testified about what was happening?

AMANDA GREUBEL: We did everything we were always told to do to have the American dream. We finished high school, we went to college, we got married, we work hard, we pay our bills. We have no credit card debt. We waited to have children until we believed we were ready. We both got graduate degrees to be better at our jobs and make ourselves more marketable and increase our worth as employees. We volunteer, we donate to help those in need, and we vote. We did everything that all the experts said we should do, and yet still we're struggling. And when you work that hard and you still feel sometimes like you're scraping, it gets you really down really quick.

JACOB HACKER: When I hear stories like that I think, what is wrong with the priorities of our society that we cannot figure out how to translate our great wealth, our ingenuity, the hard work of our citizens, into a better standard of living that is shared broadly across the population? That's a fundamental thing that a well-functioning democracy should do.

BILL MOYERS: And you say we are way behind in mobility. Behind Australia, Norway, Finland, Germany, France, Spain, and Canada. We are way down the list in terms of social mobility. Am I reading you right?

JACOB HACKER: Over this period in which those at the very top have done better and better the chance of climbing up the economic ladder hasn't grown at all, it may have actually declined. And that is reflected, I think, in a sense of pessimism that you see among many middle class Americans about whether the American dream still holds true.

At the individual level Americans are extremely optimistic. And if you ask them, "Will you achieve the American dream?" Most Americans say yes. But at a collective level when you ask people, "Does the American dream still hold true?" We're seeing in surveys for the first time that only about, you know, half of Americans are agreeing that the American dream still holds true. And that's remarkable.

BILL MOYERS: What's the practical consequences of that? Of giving up faith and hope in that dream?

JACOB HACKER: The fact is that for most middle class and working class Americans the politics seems increasingly removed from their everyday experience and their life. And there is a current of distrust and anger towards Washington that is so deep right now.

AMANDA GREUBEL: When we turn on our TV's, our radios, or pick up our newspapers, we read about what is going on in our federal and state governments, and we start to believe that you don't care about us. We hear that corporate welfare continues and CEO's get six-figure bonuses at taxpayer expense, and we wonder who you're working for. And we look across the kitchen table at our families eating Ramen noodles for the third time this week and wonder how that's fair. We read that the wealthy get bigger tax breaks in hopes that their money will "trickle down" to us, then we turn the page and read about how our school districts are forced to cut staff again. We know that money talks around here, and that means you don't hear us.

JACOB HACKER: That is one of the big changes that occurs over this period. Money becomes more important for campaigns and it also becomes much more important in terms of lobbying, which in some ways is the more important way that money changed American politics. It's really the development of lobbying over this this last 25, 30 years that stands out as the most dramatic role of money in American politics.

We tell the story in the book of the Tax Reform Act of 1986, because this was one of these great examples when the lobbyists were overcome. You know, the Gucci Gulch right outside the Senate chamber where the well-heeled lobbyists attend to members of congress. Well, Gucci Gulch was a place of, not of celebration, but of despair after 1986 because all these tax loopholes were closed, rates were brought down in a way that was actually making the tax code more equitable. And that was considered to be a big step forward for the public interest.

Well, a few years later lobbyists had written a lot of these loopholes back into the tax code. Ten years later, you know, you could hardly see any traces of the 1986 Tax Reform Act. Almost all of the good government public interest reforms that were put into the tax code in 1986 overcoming the lobbyists have been put back in, have been overwhelmed by the day in, day out lobbying to get those tax provisions right back into place.

BILL MOYERS: Quite a cycle, I mean, if you're creating a winner-take-all economy the winners have more money to contribute to the politicians, who turn it into a winner-take-all politics. I mean, it just keeps—

PAUL PIERSON: Right. It is the story that we try to tell in this book that there has been a 30 year war in which the sound of the voice of ordinary Americans has been quieter and quieter in American politics and the voice of business and the wealthy has been louder and louder. Many people, I think, read this book and think it's a pessimistic book, that it's grim reading and there are ways in which that's true.

But Jacob and I genuinely believe that it's an optimistic story compared with the story that we're typically told about what's been happening to the American economy. Because what we're typically told is there's nothing you can do about this, that it's just an economic reality, there's no point in blaming any political party.

And I think the main punch line of our story and the optimistic message is that politics got us into this mess and therefore potentially politics can get us out of it.

BILL MOYERS: But if both political parties are indebted to the winners where do the losers find an army to join?

JACOB HACKER: When citizens are organized and when they press their claims forcefully, when there are reformist leaders within government and outside it who work on their behalf, then we do see reform. This is the story of the American democratic experiment of wave after wave of reform leading to a much broader franchise, to a much broader understanding of the American idea.

In the mid-20th century we saw a period in which income gains were broadly distributed, in which middle class Americans had voice through labor unions, through civic organizations and through, ultimately, their government. We've seen an erosion of that world, but just because it's lost ground doesn't mean it can't be saved. And so in writing this book we were hoping to sort of tell Americans that what was valuable in the past could be a part of our future.

BILL MOYERS: Jacob Hacker and Paul Pierson, thank you.

PAUL PIERSON: Thank you so much.

JACOB HACKER: Thank you.

BILL MOYERS: By coincidence I first met with Jacob Hacker and Paul Pierson on the very day Occupy Wall Street had sprung up in lower Manhattan. And I wondered, as so many others did, were we seeing the advance guard of a movement by organized people to challenge the power of organized money? Well, it's still too soon to know. But in the weeks that followed, every time we went down to the encampment, there was no mistaking the message.

LINNEA PALMER PATON: I don't have thousands of dollars to go buy myself a lobbyist to lobby for my views, but corporations do.

BILL MOYERS: Linnea Palmer Paton is 23 and an Occupy Wall Street Volunteer.

LINNEA PALMER PATON: This is supposed to be a government for the people, run by the people and if our voices don't matter because we're not wealthy, that's really unacceptable and it's dangerous.

HERO VINCENT: My name is Hero Vincent, I'm 21 years old. I've been here since day one. My parents were foreclosed on, my father's been unemployed a couple of years. My mother was the only one taking care of the family for a while. I've been working since I've been 14 years old, you know, trying to put food on our table, trying to help out with the bills. So all these circumstances-- my sister is in college and she-- we can barely afford it, you know. And so it brought us here. The struggle brought us to this occupation, this day, this moment.

[NATSOT]: It ain't hard to occupy if you're set on freedom.

BILL MOYERS: Amin Husain is a former corporate lawyer. He's now an artist who has become one of the many organizers of Occupy Wall Street.

AMIN HUSAIN: This connection between government and state regulating money and the flow of money at the expense of 99 percent of the population is untenable and it's no longer being accepted. There's been a shift in the way that people think of themselves in this political process. That there has been a level of empowerment. But this movement is about transforming society.

WOMAN AT PROTEST: I just need to interrupt one second and say you're doing a great! I love you. All of us who are sleeping at home, we're writing letters, we're thinking about you.

AMIN HUSAIN: Thank you, thank you. I really appreciate it.

WOMAN AT PROTEST: We're changing our bank accounts!

YESENIA BARRAGAN: My family's home was almost foreclosed in Hackensack, NJ. First by Provident Bank, then by Bank of America, then Chase. The names change. And we were almost homeless.

BILL MOYERS: Yesenia Barragan is working for her doctorate in Latin American history at Columbia University.

YESENIA BARRAGAN: We were able to gather enough resources, enough money within our family to save the house. So we like to say that we were the lucky ones. And I'm basically here because I don't want to live in a world where there are lucky ones and unlucky ones.

DANIEL LYNCH: My name is Daniel Lynch, I live in Manhattan. And in my spare time I try to trade stocks. I might even be center-right! And I still support this, and I want people to know that, right, 99 percent exactly, right? I've been worried for a long time about problems with wealth inequality in the country, income inequality, and I just wanted to throw my support a little. I don't march, I don't carry a sign. But I come down at night I talk to some people.

I believe in capitalism, I believe in capital markets. But unchecked like this, especially the way we have estate taxes, income taxes, it subverts capitalism, it becomes feudalism. Owners of capital are winning so much more than laborers, right capital it has no roots, right? To just deny that that's happening and not have a little bit of an activist tax policy about it, I think is naïve, it's destructive, and it's just absurd.

NELINI STAMP: My name is Nelini Stamp, I'm 24 years old.

BILL MOYERS: Nelini Stamp is a community organizer. She joined Occupy Wall Street on its first day.

NELINI STAMP: I've been fed up with having to worry about living pay check to pay check because of corporate greed and because we don't have a very high minimum wage in New York. I really just wanted to take a major leap in fighting back.

I think that we need to, first of all, have public financing of elections. That is a huge deal one of the reasons is why corporations-- because there's an unlimited amount of donations that they can give to political campaigns. And it's about time we all stand up and take this back.

TYLER COMBELIC: I found my voice. I've been very apathetic, very cynical of the system that: do I matter? Do I matter to politicians? Do I matter to government when policies are being made?

BILL MOYERS: Tyler Combelic is a volunteer with the media outreach team.

TYLER COMBELIC: Personally, I want to see money out of government. I'm a very big proponent of campaign finance reform, of limiting the role of lobbyists, and limiting the role of corporate personhood because I feel right now, who has the largest war chest is the determiner of who's going to be elected for a specific office or what kind of laws are going to be passed by Congress. And that corporatist-type of government is not what the United States is supposed to be.

MAN AT PROTEST: You got a better chance of being an organ donor than seeing any retirement money!

PETER CRAYCROFT: I think this is a perfect kind of forum for us all to come and talk about--

STEPHEN HAYS: Back and forth.

PETER CRAYCROFT: Yeah. I've seen many souls changed in the last three days.

STEPHEN HAYS: Really?

PETER CRAYCROFT: Yeah. On all sides. Including the other side of the--

STEPHEN HAYS: You see I came through the Woodstock generation and I thought it's just back to business as usual and sort of it was a big party. That's what I see this as, a party with no cover. I'm a defender of money. Freedom, individual freedom, rich people. Because I'm still, even though I've got gray, I'm still trying to be one. Because the more money I have the more good I can do. And it will be my decision as to how I allocate that good. How I allocate that capital.

When I look around at all these buildings, hospitals, colleges, I don't see many poor people's names. They're all rich people. Reverend Ike a black minister who used to preach up here in New York. Used to say, "If you curse the rich, you'll never be one."

CALVIN BELL: Look at the people out here! You think they're out here just hanging out? I mean, that blows my mind that you came out here and you said, well, people out here, you know, they have something against wealthy people, you know, wealthy people should be allowed to be wealthy people, because while we're wealthy people we'll throw money out and sprinkle them all and make people's lives better. It's not happening. Wealthy companies are not making the common person's lives better. They're taking their money, they're moving it abroad, they're doing different things. What's that got to do with anything?

STEPHEN HAYS: You've got a nice camera, you've got clothes, you're blessed.

CALVIN BELL: I just told you that I'm not one of the ones—

STEPHEN HAYS: I can't be so pessimistic about things.

CALVIN BELL: I'm being realistic.

I live in a very nice house, my family's blessed. So I'm not going to pretend that, you know, I don't have anything. But I do also recognize that a lot of the situations we're in now is because of greed. It's because – it's not what he said, you just let people take their money and they'll do good things with it. Not all people do good things with their money.

WILLIAM K. BLACK: (During a teach-in) The one percent have dominant political power over both parties.

BILL MOYERS: Organizers invited Bill Black to lead a teach-in at "the people's microphone."

WILLIAM K. BLACK: (During a teach-in) How many think they stole from all of us?

BILL MOYERS: A senior federal regulator in the 1980s, Black cracked down on banks during the savings and loan crisis. He now teaches economics and law at the University of Missouri, Kansas City.

WILLIAM K. BLACK: What we have is recurrent, intensifying financial crises driven by elite fraud and now it's done with almost absolute impunity. So the whole idea of noblesse oblige and such and that the rich were supposed to have special responsibilities, that's all gone, right? They have a God-given right to the lowest conceivable taxes.

When you put anti-regulators in charge of the agencies who believe that regulation is bad and completely unnecessary and they destroy it, creates a self-fulfilling prophecy that produces massive fraud at the most elite levels.

But, worse, it all feeds into politics. So, once you get a group that completely dominates the economy, they're going to completely dominate politics, as well.

WILLIAM K. BLACK: (During a teach-in) There is no excuse for not prosecuting. It is an obscenity. It's surrender to crony capitalism.

WILLIAM K. BLACK: What's distressed me, and I think is one of the major reasons we get recurrent intensifying crises, is we seem to have lost our capacity for outrage. And it's only people getting outraged that produces really positive social change.

[NATSOT]: We are the 99 percent! So are you! We are the 99 percent! So are you!

MARILYN BRANDEE: I've been waiting years for people to get angry enough to do something. We want to just support these young people and the people who are sacrificing so much comfort for all of us.

RONNI TERR: I have a brother who's been out of work for two years. He has a family, I think it's just terrible that they don't care. They're making millions of dollars. Mitch McConnell is a multi-millionaire, John Boehner is a multi-millionaire. They don't care about the people, they really don't. And their own districts have many people who are unemployed, who are having foreclosures. And it's time they stop playing this game and really said, you know I think maybe we'll pass something that will help build our

infrastructure or get people back to work. So this is a start, I hope that it makes a dent. But the fact that it's not just here, it's all over the country now, means that somebody is waking up.

BILL MOYERS: Waking up is right. Waking up to the reality that inequality matters. It matters because what we're talking about is what it takes to live a decent life. If you get sick without health coverage, inequality matters. If you're the only breadwinner and out of work, inequality matters. If your local public library closes down and you can't afford to buy books on your own, inequality matters. If budget cuts mean your child has to pay to play on the school basketball team or to sing in the chorus or march in the band, inequality matters. If you lose your job as you're about to retire, inequality matters. And if the financial system collapses and knocks the props from beneath your pension, inequality matters.

I grew up in a working class family. We were among the poorest in town, but I was rich in public goods.

I went to a good public school, played sandlot ball in a good public park, had access to a good public library, drove down a good public highway to a good public college, all made possible by people I never met. There was an unwritten bargain among the generations -- we didn't all get the same deal, but we did get civilization.

That bargain's being shredded. The occupiers of Wall Street understand this. You could tell from their slogans. A fellow young enough to be my grandson wore a t-shirt emblazoned with the words: "The system's not broken. It's fixed." That's right. Rigged. And that's why so many are so angry. Not at wealth itself, but at the crony capitalists who resorts to tricks, loopholes, and hard, cold cash for politicians to make sure insiders prosper and then pull up the ladder behind them.

Yes, Americans are waking up. To how they're being made to pay for Wall Street's malfeasance and Washington's complicity. Paying with stagnant wages and lost jobs, with slashing cuts to their benefits and to their social services. And waking up to the grotesque Supreme Court decision defining a corporation as a person, although it doesn't eat, breath, make love or sing, or take care of children and aging parents. Waking up to how campaign contributions corrupt our elections; to the fact that if speech is money, no money means no speech.

So the collective cry has gone up loud and clear: enough's enough. We won't, as I said, know for a while if this is just a momentary cry of pain; or whether it's a movement that, like the Abolitionists and Suffragettes, the populists and workers of another era, or the Civil Rights movement of our time, gathers force until the powers-that-be can no longer sustain the inequality, the injustice and yes, the immorality of winner-take-all politics.

Our coverage of politically engineered inequality continues in our next two broadcasts. First, David Stockman, a one-time enforcer of the Reagan revolution.

DAVID STOCKMAN: There was clearly reckless, speculative behavior going on for years on Wall Street. It was encouraged by the Federal Reserve which is dominated by Wall Street.

BILL MOYERS: And John Reed, a banker's banker who was there when Washington loaded the dice, and Wall Street rolled them.

JOHN REED: It wasn't that there was one or two or institutions that, you know, got carried away and did stupid things. It was, we all did. And then the whole system came down.

BILL MOYERS: And at our new website, BillMoyers.com, I interviewed two Occupy Wall Street organizers who give us insight into the movement and what it hopes to accomplish. We'll also link you to our interview with the editors of Mother Jones magazine, and their coverage of the "dark money" that has cast a deep shadow across this election year. That's at BillMoyers.com. See you there, and see you here next time.

© 2012 Public Affairs Television, Inc. All rights reserved.