

These ideas were radical to be sure. They rejected the emerging economic order in the early decades of the nineteenth century, and many of them rejected the entire structure of economic modernity itself, seeing smaller economic communities as superior to the trends that were moving toward a nationalized market economy. But as capitalism continued to develop, these themes began to lose their radical edge. The Progressive Era and its thinkers were hardly egalitarians, but they saw that the excesses of capitalism required the state's intervention and a reconceptualization of the goals of the national economy. They knew that the massive inequalities of the Gilded Age had to be counteracted and a sense of public life needed to be reinvigorated. Alleviating economic inequality and gaining some degree of control over laissez-faire capitalism was therefore one of the key aspects of Progressive philosophy and policy. At the same time, this led to a liberal-capitalist consensus that would reduce inequalities for the sake of preserving the broader economic system as a whole.

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THE “NEW INEQUALITY”

The concern with economic inequality in American political thought and history therefore relates directly to the political concerns of the present. What has come to be known as the “new inequality” has been characterized by the specific pattern in which economic inequality has manifested itself in late-twentieth-century and early-twenty-first-century America. Beginning in the early 1980s, there was a massive increase in income inequality due to “the unprecedented abysmal earnings experience of low-paid Americans, income stagnation covering about eighty percent of all families, and an increase in upper-end incomes.”⁸ The divergence of incomes was largely attributable to the increase in real incomes for high-income earners and a sharp decline in wages for those at the bottom. Pay differentials increased along the lines of education, age, and experience, the only real exception being gender, which saw a decrease in income dispersion.⁹ A key aspect of the “new inequality” is a result of the restructuring of American capitalism, that is, its integration into a more competitive world market for production and consumption.¹⁰ Indeed, this is the most common explanation behind the rise in income dispersion that has been at the center of the recent surge in social inequality in America. Wages have grown more unequal as a result of macroeconomic causes such as

| 18 | unemployment, inflation, rapid economic growth and stagnation of the minimum wage, the decline in the power of unions and their influence, as well as the exchange rate of the dollar.¹¹ In addition, the emergence of segmented labor markets—which accompanied and was exacerbated by the process of deindustrialization—has also created a situation of spatial and racial/ethnic exclusion as affluent, white suburbs become more economically and socially distant from decayed urban areas. The segmentation of labor markets is therefore accompanied by a segmentation of housing, public goods such as education and environmental standards, and therefore life chances and opportunities, creating an “American apartheid” where separation of racial and class groups becomes all but insurmountable.¹²

Although this is clearly true, there is also another side to the “new inequality,” one that is decidedly more pernicious in the sense that what we see happening is a change not only in the structure of work and income in a postindustrial order but also the deepening of class divisions along the lines of wealth inequality. Edward Wolff has argued that when discussing inequality we should focus on the inequality of wealth since wealth inequality between households means a disparity in the ability to buy a home, and the wealthier family is more “likely to be better able to provide for its children’s educational and health needs, live in a neighborhood characterized by more amenities and lower levels of crime, have greater resources that can be called upon in times of economic hardship, and have more influence in political life.”¹³ This trend in wealth inequality is a directional change from the broad secular trend since 1929, which featured was a pronounced decline in the concentration of wealth in America through the 1970s.¹⁴

What the economic literature points to is the emergence of patterns of inequality that are both enduring and worsening. These inequalities are also complex in nature, since they are relationships between social classes that affect different dimensions of social life in terms of wealth, income, quality of life, housing quality, and access to public goods such as education, many times in spatial or regional terms as well. They endure partly because of the transition of American capitalism from an industrial to a postindustrial kind, but also because of the pullback of government services throughout the last two decades of the twentieth century. Of course, these are both partly the results of changing economic factors, but the politics behind this new upsurge in inequality needs to be located

and analyzed. It is true that many economists have done an excellent job of parsing the mechanisms of the “new inequality,” but what needs to be assessed is the way that political ideas have come to legitimize these economic relations. It is one of the primary assumptions of my analysis that political ideas act as a legitimating force on economic realities. Shedding light on the political assumptions and implications of economic inequality will therefore reveal deeper relations between economic inequality and democracy and pull the current discourse around economic inequality away from mere empirical concerns, placing politics at the center of the debate. | 19 |

INEQUALITY AT THE END OF HISTORY

Neoliberalism and neoconservatism have occupied a central place in American politics over the past two and a half decades and, in so doing, have radically reoriented American politics and the discourse about democracy more broadly. Whereas politics had always taken precedence over economics throughout American political and social thought, neoliberal ideas represent the reversal of this tradition. The need to foster “free” markets at the expense of their social and political effects, as well as the optimism that characterizes such institutional forms, is spreading beyond America itself. The embrace of the market by so much of mainstream American thought and culture is at odds with the desires of most Americans to have a welfare state that protects their economic interests. One of the defining aspects of neoconservative thought has been its emphasis on the market as an institution that allows for the expression of individual liberty. In this view, politics and economics are linked, but in the most superficial and abstract way. What is ignored is that what actually generates inequality in economic terms is not the market itself but *capital*, and this is something that was seen from the beginning of the American egalitarian tradition. The critics of economic inequality in America before the Civil War all saw the political-economic relationship between capital and labor, and they saw it as impervious to reform. Today, neoconservative (or neoliberal) ideas and policies have been able to wed American liberalism to the notions of individuality, liberty, and efficiency that markets supposedly embody. By doing this, they are able to draw attention away from what has problematized the relationship between capital and labor for the entirety of American political history: that the interests of these two classes are inherently opposed to each other and generate inequalities in economic

and political terms that distort democratic life and re-create class hierarchies that are at odds with what was at the heart of the American political project from the beginning.

| 20 | At the core of neoconservative and neoliberal philosophy is the notion that equality has extended as far as it will ever be able to extend without endangering individual liberty. Equality is to be realized and contained exclusively in the legal and political sphere, and even then, only in the abstract or formal sense. This differs strongly from the insight that was offered and acted upon by Progressive and New Deal thinkers who saw the role of the state expanding into the economy as necessary for a more substantive conception of democracy to flourish. These thinkers were reacting against the massive inequalities of the late nineteenth century, but, even more, they were reacting against the entire social theory upon which it had been based: laissez-faire individualism. And it is precisely this theory of society and government that has made a triumphant return in contemporary American politics.

Tracing the history of the politics of economic inequality therefore can shed light on the present political situation and the assumptions that currently dominate economic and political life. Freedom has reached its culmination in the institutional matrix of liberal democratic capitalism, and any movement outside of this system is bound to end up in a situation of unfreedom. Taking its cue from Hegel's notion of the end of history as the speculative realization that human freedom is at the very core of the development of history, this argument—first penned by Francis Fukuyama as a characterization of a post-1989 world with an ascendant liberal capitalism—has had the effect of redefining much of American liberalism. Now, the liberal idea of political equality has been realized, and the true nature of human liberty has manifested itself. This “end of history” thesis in many ways has defended the structure of the politics behind the “new inequality.” The persistence of economic inequality has much to do with the structural transformation of work and the transition to postindustrialism as it does with the new transformation of political ideology. Nevertheless, the ascendancy of libertarian ideas about economy and society has not only influenced the elites responsible for public policy but also has affected public sentiment on a whole range of economic issues as well as the way that the public conceives of contemporary economic life. The inverse relation between the rise of inequality and the amount of political aversion to it requires explanation, and I think it can be found in the way

that the idea of liberalism, with its emphasis on individualism and its conception of labor and property, has triumphed over broader conceptions of the common good that were espoused by republican-minded thinkers. Bled of its older political implications, a narrow sense of liberalism can no longer provide a robust critique of economic divisions, even among those who suffer most from them.

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But if what I have been arguing here is at all true, then an analysis of the developmental changes in how the concept of economic inequality has been understood—as a concept but also as a condition—is required, as is an analysis of the political concerns that served as the backdrop for those ideas. Indeed, contemporary American sentiment on these issues has been shaped not by objective truths or historical experience but by an ideological shift that views economic inequality as valid in pursuit of larger social and political goals. The neoliberal mantra of the rising tide that raises all boats is only marginally seen as a justification for the reduction of the public sphere and the growth of the market as the solution for social problems. There is also the ideology of self-improvement and social mobility that accompanies the liberal economic ethic. This renewed conception of liberalism traces its foundations back to thinkers like Ludwig von Mises, Friedrich Hayek, and Milton Friedman. But today it has become hegemonic in the way that economic life is understood and economic inequality justified, and it marks a reorientation away from the tradition of egalitarianism that had dominated much of American political thought and its emphasis on egalitarian conditions and a broader notion of social solidarity, rather than atomistic individualism.

This can, and should, also be seen as a reorientation of American democracy away from the more substantive ideas about equality that were privileged by the thinkers of the early twentieth century. In this sense, the discussion of economic inequality therefore resonates much more deeply with other dimensions of American political and cultural life. It is, indeed, first and foremost an empirical question of how people respond to unequal divisions of power, but it also brings into question the nature of American democratic culture itself. If Western political thought, from the writings of Plato on through those of John Dewey, saw economic inequality as dangerous, it did so not out of a liberal concern for “fairness” or opportunity but because it marked divisions that threatened a culture of equality and freedom. Conceiving individual liberty outside of the context of economic constraint—as is so fashionable with neoconservative

thought and libertarian apologists—is so narrow an understanding of social life that it becomes an absurd theoretical abstraction.

| 22 | Even more, the rise of neoconservative thought on this topic should be seen as a grave turn against the American egalitarian tradition that railed against economic inequality for its effects on political and social power. There is no denying that the impulse toward equality among Americans has lost its political power to mobilize people against those economic institutions and policies that continue, at least by all statistical measures, to make them more and more unequal to the wealthiest Americans. The consequences have been drastic. This is at core a political problem, and it raises the question of which political ideas, which traditions are being embraced. Investigating the lineage of these ideas is therefore essential, for it will tell us much about the American pursuit of economic equality, social justice, and the realization of a fuller, more robust understanding of democratic life. This is where the ideological, institutional, and political levels of the analysis converge, since ideas are used to justify and to legitimize certain institutions and interests. This story begins at the very heart of American political thought in its earliest generations—from thinkers as diverse as Thomas Jefferson and John C. Calhoun—and stretches through the modern attack on the welfare state. Unearthing the political traditions of inegalitarianism and egalitarianism will enable us to see how politics was always central to the concerns over economic inequality and that it was the issue of politics, of power, that dominated the various debates. For it is only when we begin to move away from the purely moral or empirical understandings of inequality and embrace the political dimensions of the problem that a revival of a more robust debate over the serious problems of economic inequality can be realized.

By seeing economic inequality through the lens of politics, we are confronted with profound questions about the nature and culture of American democratic life and politics. If inequality is seen merely in economic terms and simply as a debate about “fairness,” then the political implications of inequality have indeed been lost. The critics of inequality that make up the American egalitarian tradition interpreted economic inequality as not only pernicious in and of itself but also as a threat to social and individual freedom. The overwhelming majority of these critics saw that the political institutions of America’s republican democracy could only function once there was a relative absence of unequal wealth. They emphasized an aversion toward plutocracy and neo-aristocratic institutions over plans of social

fantasy. Rejuvenating deeper nuances of American democracy therefore hinges upon breathing life once again into this egalitarian tradition, the particular way that it connected social power and economic inequality, its anti-hierarchical stance, and its emphasis on a richer conception of social and individual freedom. Only once political imperatives are placed over the imperatives of the marketplace and the antidemocratic nature of contemporary social stratification is exposed for what it is will it again become possible to expand and enrich American democratic politics.