**The Death of the American Dream**

**For 40 years U.S. wealth and political power disparities have grown at alarming rates**

By [Kira Zalan](http://www.usnews.com/topics/author/kira_zalan), November 15, 2012

Many have lamented the loss of the American Dream, but few have the investigative skills necessary to dig into what happened. In *Who Stole the American Dream?* Pulitzer Prize-winning investigative reporter **Hedrick Smith** reveals a series of events and decisions that have contributed to today's disparity in wealth and political power. Smith recently spoke to *U.S. News* about his findings and what he says needs to change in order to reverse the 40-year trend. Excerpts:

**Why do you say there are two Americas today?**

The country is divided sharply and extremely by money, by political power, and by ideology. We have enormous, gaping inequalities of income. And along with that, we have exaggerated and unequal political power exercised by corporate America and by the wealthy, particularly between elections, through masses of lobbyists working in Washington.

**When did it change?**

If you look at the growth of the American economy and the growth of productivity of the American workforce, from 1945 until the mid-1970s, the productivity roughly doubled and middle-class Americans shared in those gains. Their average pay rose just about the same as productivity. But if you look at the period from 1973 until now, productivity's gone up 80 percent, but the average pay of typical Americans has gone up only 10 percent. So what you see is what I call wedge economics, the people at the top are gaining enormously and the people in the middle are basically flat for about three decades. The hourly compensation of a typical median male worker in 2011 was the same as in 1978. At the same time the incomes of the people at the top one percent rose sixfold.

**And in politics?**

In politics you see opinion poll after opinion poll, in which the public says lobbyists have too much power, taxes should be raised on the rich, there should be more control of corporations, the tax system should be fixed. But Congress doesn't enact what the public is saying in those opinion polls. And there are a number of academic studies that show that members of [Congress] listen more to wealthy and affluent contributors than constituents.

**How does the wage freeze compare to other developed economies?**

There's a stark contrast between America's experience and Germany's experience. We're told in America that companies cannot raise middle-class wages because they couldn't compete globally. But since 1985, major German corporations have raised wages of their middle-class workers five times faster than in America. And they're competing better in the global marketplace than we are.

**Who was Lewis Powell?**

He is known as a conservative justice on the Supreme Court from 1972 [to 1987]. What is far less well known is Powell wrote a memorandum in 1971 saying that the environmental movement, the labor movement, the consumer movement, and government regulations had put American business on the defensive. In fact, he said it was in mortal danger. And so he said business has to organize politically and go after its enemies.

**What happened next?**

At that time, there were only 175 companies that even had offices in Washington. Several years after Powell wrote his memo, which was circulated by Chamber of Commerce to business leaders, there were 2,425 companies that had lobbying offices in Washington. And the business roundtable had been formed by 150 of the largest corporations in America, and it has become since then the most powerful political voice of business. In the late '70s, you could see what I call Powell's army of lobbyists scoring victories one after another for corporate interests.

**What surprised you in your research?**

I had no idea that the main victims of the subprime crisis were people who were prime borrowers, people who should have gotten prime loans, but they got cheated into high-interest loans with high fees. I had no idea that homeowners, particularly middle class, lost $6 trillion in accumulated equity in their homes, because they were drawing so much money out of their homes every year. Their incomes and salaries were flat, so a lot of people were borrowing heavily on mortgages. This is the biggest single transfer of wealth from one class to another. That money moved from homeowners to Wall Street banks and the wealthy investors behind them

**Why haven't Americans reacted?**

There are a lot of people like me that didn't know the score. I don't think we in the media have done a very good job of informing them. And people on both sides politically, but one side in particular, have been deliberately trying to confuse them.

**Is there a way to reverse this trend?**

The main thing to do is correct the power shift and the only way to do that is for middle-class Americans to get involved in politics between elections. Americans today don't believe they can influence Washington. They could if they organized.