

[BILL DENSMORE JR'S FILE NOTES ON THE BOOK:](#)

These notes found at: <http://www.newshare.com/ruleschange/book-notes.pdf>

"Who Stole the American Dream," by Hedrick Smith,
Sept. 2012, Random House.

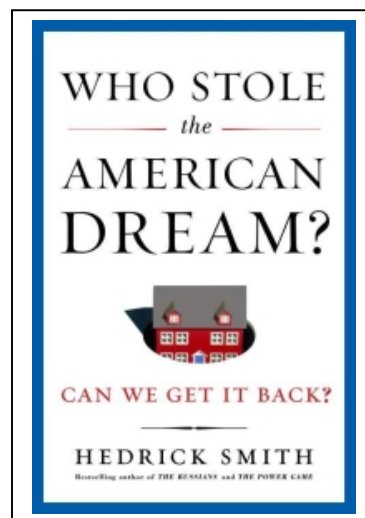
<http://hedricksmith.com/>

Hedrick Smith Productions
4630 Montgomery Ave, Suite 400
Bethesda, Md., 20814
(301) 654-9848
hsmithprod@gmail.com

Hedrick Smith
@HedrickSmith1

Pulitzer Prize-Winning NYT Times reporter-editor, PBS Emmy
winning producer, author, Who Stole the American Dream? .. The
Russians and the Power Game.
Washington DC hedricksmith.com

<http://hedricksmith.com/about-hedrick-smith/>



AUDIO TALK ABOUT THE BOOK:

<http://townhallseattle.org/hedrick-smith-who-stole-the-american-dream/>

http://communications.williams.edu/news-releases/10_13_2012_hedricksmith-2/

<http://www.eurasia.org/news/sarah-carey-forum>

AUDIO: Commonwealth Club, Sept. 2012 appearance:

<http://www.commonwealthclub.org/events/2012-09-18/hedrick-smith-who-stole-american-dream>

BELOW FROM VIDEO OF TALK TO NEW AMERICA FOUNDATION:

http://newamerica.net/events/2012/who_stole_the_american_dream

excerpt from that page:

http://www.youtube.com/watch?feature=player_embedded&v=4J5WReyQIT0#!

Who Stole the American Dream?

New America Foundation's narrative summary from the video/discussion website:

The promise of a prosperous middle-class life with decent work, rising living standards, and the potential for a better future has long been the foundation of the American dream. But as America continues to struggle to recover from the Great Recession, it has become clear that the middle class is in jeopardy. and many of the policies of the last 40 years are to blame.

Examining the political, legislative, and corporate choices that have pushed the middle class to the brink, Pulitzer Prize- and Emmy Award-winning journalist, producer, and bestselling author Hedrick Smith details the story of this demise. In his new book, Who Stole the American Dream?, Mr. Smith analyzes how .pro-business. policies dismantled the previous American social contract and tells the stories of the people who have been left behind. To reclaim the promise of a thriving middle class, Mr. Smith proposes a .domestic Marshall Plan. based on infrastructure investment, a program to spur the revival of manufacturing, corporate tax reform, and renewed support of our key social insurance programs.

Mr. Smith will be joined in this discussion by Sherle R. Schwenninger, director of the Economic Growth and American Strategy programs at New America.

PARTICIPANTS

Featured Speaker:

Hedrick Smith

Author, *Who Stole the American Dream?*

Producer and Correspondent, PBS

Former Washington Bureau Chief, New York Times

Williams College Graduate

Moderator/questioner:

Sherle R. Schwenninger

Director, Economic Growth Program and American Strategy Program, New America Foundation

“This is a detective story . . . this is not the book I started out to write,” Smith said in that talk at the New America Foundation. “The book I started out to write, in the contract with my publisher was called ‘The Dream at Risk.’ So I started out with the notion that lots of people have that the middle class is in a lot of trouble. Jobs are getting shipped overseas, people are losing their homes, they are worried about whether they can afford to pay for their retirement, about whether they can support their kids’ college education, about whether or not their kids are going to be better off than they are.”

How did we go from an era of middle class prosperity and power and effective bipartisan government and politics, he asked, to an era of partisan gridlock, starkly unequal democracy dominated by super PACs and well-healed lobbyists, and to grossly, gaping inequality in the economy with the middle class stuck in a rut?

“As I got into it I said, ‘this did not just happen to the middle class. This was done to the middle class.’ And I began to see the people and the forces.” He says there were people who deliberately set out to achieve what they wanted to achieve – the business leadership – and the middle class lost in the process. “It was deliberate, it was not accidental.” It’s not just technology and global innovation, because there is evidence to the contrary. “It was a detective story. The book wasn’t set up that way because it is a clever way to right it. I started out as a reporter with a bunch of reporters questions.”

NOW BILL DENSMORE’S NOTES FROM THE BOOK AND FROM HIS NEW AMERICA TALK:

SMITH WRITES IN THE INTRODUCTION TO THE BOOK:

“Americans more than people in other countries accept some inequality as part of our way of life as inevitable and even desirable. A reward for talent and hard work. An incentive to produce and excel. But wealth begets wealth, especially when [augmented] through the influence of money and politics. Then the hyper-concentration of wealth aggravates the political cleavages in our society. The danger is that if the extremes become too great, the wealth dichotomy tears the social fabric of the country, undermines our idea of equal opportunity and puts the whole economic risk – and more than the economy --- our nation itself. A solid majority of Americans say openly that we have reached that point, that our economy is unfairly tilted in favor of the wealthy, that government should take action to make the economy fairer and that they’re frustrated that Congress continually blocks such action.”

The “Powell Memorandum”

Smith's book opens with a focus on a memorandum written by the late Supreme Court Justice Lewis Powell, and circulated by the U.S. Chamber of Commerce, before he served on the Supreme Court started in 1972:

<http://www.greenpeace.org/usa/en/campaigns/global-warming-and-energy/polluterwatch/The-Lewis-Powell-Memo/>

(at the bottom of the link above, find links to multiple other sources and analyses of the Powell memorandum)

BACKGROUND:

<http://prospect.org/article/legend-powell-memo>

<http://www.greenpeace.org/usa/en/news-and-blogs/campaign-blog/the-lewis-powell-memo-corporate-blueprint-to-/blog/36466/>

Smith says that Powell was distraught in 1971 that the American free-enterprise system was under assault by Ralph Nader, labor, environmentalists and regulators. Powell wrote that businesses had to get tough and lobby. He laid out the plan. In 1971 there were 170 businesses with lobbying offices in Washington. A decade later there were 2,025. There was in 1971 no Business Roundtable. The National Federation of Independent Business went from 3,000 members in 1971 to 600,000 in 1980. There are now 130 registered lobbyists or PR people for every member of Congress.

From Chapter 7: "The Great Burden Shift"

He quotes from Jacob Hacker's 2010 book: "Winner-Take-All Politics: How Washington Made the Richer Richer--and Turned Its Back on the Middle Class." The Smith goes on to write in his own words:

The One Recession: Two Americas report by the Pew Research Center report:

<http://pewresearch.org/pubs/1741/recession-poll-most-lost-ground-half-held-their-own>

... Explained the dissonance in peoples' experience, such as Smith's own puzzlement at reading newspaper accounts of 15 million Americans unemployed then seeing suburban restaurants jammed on a night out spending as if the economy was fine. "We are literally two Americas, remarkably out of touch with each other," Smith writes. "One living the American dream, the other lacking any practical comprehension of how the other half is suffering, month in and month out" – unaware, adds Smith, of the innervating toll of economic despair on the other half, many of whom had counted themselves among the fortunate few a few years before.

The Pew report documents: Sixty percent having to dip into retirement funds to take care of current costs, 42% borrowing from family or friends, others having trouble paying medical bills. The other half admit to some problems, but describe their woes as modest and manageable. Income and age separate winners and losers. Those earning \$75,000 or more were holding their own, those making \$50,000 or less were losing. Those over 65 were doing all right. But 60 percent of those between 18 and 64 reported they were falling behind.

Also Chapter 7:

He compares management of Wal-Mart vs. the management of Costco, and its CEO, Jim Senegal. Costco maintains health coverage for 85 percent of employees, and keeps wages steady. Costco has a high retention rate among employees, Costco executive pay is low; Senegal takes \$2.2 million in pay per year; one tenth of Wal-Mart's CEO. MorningStar says Costco has outperformed Wal-Mart and others, *but trend in business is shifting away from Costco.*

WHAT IS SMITH'S PRESCRIPTION FOR CHANGE?

In his appearance at the Commonwealth Club, Smith says the reporter-style in him didn't want to shift from reporting to advocacy. But he says his editor, and his wife, both said he couldn't write a book with all the data and then not give readers a prescription for fixing and changing. She did so.

Smith outlines 10 steps to reclaim the American Dream and says they won't be quick or simple. He says the Horizon Project's CEO calls for a domestic Marshall Plan. "What they advocate is a government-led industrial policy focused on generating millions of new jobs, exporting more products, modernizing our infrastructure, making our tax laws smarter and fairer, restoring America's manufacturing at home, and legally challenging or retaliating against China's unfair trade practices."

Ten steps from the book (excerpted/summarized by Bill Densmore):

1. Create five million jobs through a public-private partnership to modernize America's outdated transportation networks, just as Abraham Lincoln, Teddy Roosevelt and Dwight Eisenhower did.
2. Start a major new national commitment to rebuild America's capacity to out-invent and out-innovate the world. Government funding for basic research has dropped to \$1.4 billion 2006 from \$9 billion in 1979 -- figures adjusted for inflation.
3. Regenerate America's industrial manufacturing base through federal loan guarantees to help finance new energy infrastructure projects, tax credits for clean-energy manufacturing, tax changes for up-front expensing on capital investment, plant and equipment. Also institute "Buy American" policies. In the decade from 2001 to 2011 U.S. manufacturing employment fell to 11.7 million people from 17.2 million people.
4. Make the U.S. tax code simpler and easier to enforce, increasing the capital-gains tax, and closing loopholes that favor the wealthy. The top 0.1 percent of all U.S. income earners receive almost half of all the capital gains in America so having a low capital gains tax disproportionately advantages them.
5. Fix the corporate tax code to promote job creation at home. At 35 percent, the rate is one of the highest in the world, but various exemptions allow most corporations to pay a fraction of that, especially on foreign profits kept overseas. General Electric, for example, made nearly \$10.5 billion in profits from 2008 through 2010, and instead of paying taxes, got a federal tax rebate of \$4.7 billion. Apple paid \$3.3 billion in taxes in 2011 on \$34.2 billion in profits.
6. Push China to float its currency live up to World Trade Organization rules on dumping, subsidies and land grants to generate four million jobs in the United States. The United States would gain 2.25 million jobs -- lowering the unemployment rate by 1 percent -- if China's currency were floated and rose 25 percent against other currencies.
7. Cut spending on overseas conflicts and reduce the Pentagon budget by \$1 trillion over the next decade to fund the domestic "Marshall Plan." The Iraq and Afghanistan wars will ultimately cost \$3.5 trillion. After the Korean War, Eisenhower reduced defense spending 27 percent. After the Vietnam War, Nixon reduced it by 29 percent.
8. Fix housing and protect the safety net. Refinance some of 22 million "under water" homes. Remove the \$106,800 annual income cap on the payroll tax to better financial Social Security and Medicare.
9. Rebuild the political center by helping ordinary Americans to re-engage with the political system - possibly with third-party, independent movements. Two-thirds of Americans (including 55% of Republicans) now say there are "strong" conflicts between rich and poor -- up roughly 20 percent from just two years ago. Key requirements: Online registration, non-partisan redistricting, and open or nonpartisan primaries.
10. Foster a rebirth of citizen involvement, activism and American idealism, by holding government accountable, and by sending a larger share of America's national income to average Americans. Restore credibility by fairly handling housing, closing corporate tax loopholes, raising taxes on the rich, and imposing new fees on Wall Street's stock transactions and executive stock options.

CONCLUSION

Smith concludes his book:

”If there can be protests and government action against a lopsided division of the economic spoils in Israel, why not in America? If there can be an "Arab Spring" among peoples who have never known democracy, why not in the homeland of democracy? Why not a springtime for American democracy? A jobs-first crusade? A movement to reclaim the American Dream? We are at a defining moment for America. We cannot allow the slow, poisonous polarization and disintegration of our great democracy to continue. We must come together and take action to rejuvenate our nation and to restore fairness and hope in our way of life. We see the challenge. It is now time: We the People must take action.”

MORE BACKGROUND NOTES

More of Bill's notes on the book:

Smith writes that some commentators claim the rise of inequality in America is the price of the inexorable march of technology and free trade. Smith disagrees.

He writes: “But that seductive half truth does not fully square with the facts. It ignores the political and economic story that this book tells – the impact of public policy and corporation strategy on how we became two Americas. It fails to explain why such an overwhelming share of the fruits of technological change and globalization went to a privileged few while the majority of ordinary Americans got left out”

“Few would dispute that technology change and the digital age have shaken up the U.S. economy, forcing change, creating new winners and losers and disrupting many industries and millions of lives. But if technological change and globalization were the primary causes of America's problems today then we would see the same yawning income inequalities and middle class losses in other advanced countries. But we don't”

Germany's different fork

“Germany took a different fork in the road in the 1980s and it has fared far better than America in the global marketplace. While the United States piled up multi-trillion dollar trade deficits in the 2000s, Germany had large export surpluses. In the midst of Western Europe's economic turmoil, Germany is a bastion of strength. Its economy grew faster than the United States economy from 1995 to 2010. With the gains more widely shared. Since 1985, the hourly pay of middle class workers in Germany has risen 5 times as fast as in the United States with the result that the German middle class is now paid better on average than Americans. Germany leaders work hard to keep their high-wage, high-skill jobs at home, while US multinational corporations aggressively move production offshore, Germany too lost some of its production work force but it retained a larger share of its manufacturing base at home than America.”

Henry Ford and 'stakeholder capitalism'

He talks about Henry Ford and the virtuous cycle of higher-wage jobs creating product demand and economic growth.

He says people often overlook the critical importance of the mindset of business leaders to the economic fortunes of the middle class. Good corporate leaders saw competitive advantage in caring for their

workforce if they wanted to succeed, expand and to generate steady profits. They need to keep well-motivated, high-skill employees on their payroll and they key, they felt, was assuring good, steady jobs with rising pay and benefits.

He calls this stakeholder capitalism – balance the interests of all the stakeholders in the corporate family. The job of management is to sustain the balance. He sites In Search of Excellence and keeping people on the payroll even in times of advertising.

During Eisenhower, the top tax rate was 92%.

He holds up Al Dunlap and predatory capitalism at Sunbeam and elsewhere and Bob Galvin at Motorola who eschewed predatory strategies, with a relentless focus on improving quality.

Wedge economics – splitting Wall Street from Main Street. The Al Dunlap story began unraveling the American dream for millions of Americans. He mentions what Dunlap did at Scott Paper.

Creative minority vs. dominant minority

In Chapter 9, he talks about Arnold Toynbee’s idea of the creative minority vs. the dominant minority. Also, he talks about David Packard and stakeholder capitalism, and James Burke, of Johnson & Johnson, who spent \$100 million to withdraw and repackage all Tylenol. He talks about Ken Melrose of Toro, 1983 to 2005, and an employee-centered philosophy – in that culture the CEO works for the management, management works for the employees, employees work for the customer and the customer is the ultimate boss.

FROM THE COMMONWEALTH CLUB TALK:

AUDIO: Commonwealth Club, Sept. 2012 appearance:

<http://www.commonwealthclub.org/events/2012-09-18/hedrick-smith-who-stole-american-dream>

Paraphrasing his remarks:

This is not something that happened to the Middle Class it was done to the Middle Class. Originally he was going to call the book “The American Dream in Peril,” but then he realized it had to be called “Who Stole the American Dream.” He says the middle class is the victim, the loser. The 1978 Congress was a game-changer. He talks about talking with Arthur Leavitt, chairman of the American Stock Exchange and another Williams College grad who said of corporations, ‘We tasted power and we wanted more of it.’

Middle class power and prosperity go together they don’t happen independently, he says in his talk to the Commonwealth Club. From 1973 to 2011 the productivity of the American workforce rose 80 percent. The average hourly compensation, wages plus benefits, rose 10 percent. Said Smith: “That’s what I call wedge economics – there is a wedge being driven between the returns to the nation, the returns to corporate profits, the returns to corporate leadership and the return to rank and file workers.”

He says from 1978 to 2011, CEO pay went to 360 times the average work from 40 during a three decade period while the average pay of a male worker was unchanged, adjusted for inflation. He says, “That’s where the dream got stolen, that’s the most striking thing for us to remember.” The problem is not a shortage of capital, it is a shortage of consumer demand. The answer is how the income gets divided up. Washington won’t do it on its own, it will only happen if middle class people get involved “and put a firm hand in the middle of the back of Washington and say, ‘move, and move in our direction.’ “

“I have to say I think reporters are partly to blame, I don’t think we’re pushing people hard enough on these things.”

Tax rate 92% under Eisenhower, 70% under Kennedy, 35% under Bush and growth rates under Eisenhower and Kennedy run circles around bush.

“We are today in America a house divided, divided most unhealthily among concentrations of wealth and that reinforces concentration of political power. We’ve got to think if America once more as a family and a family where the people who are well off help the people who are less well off. We are a society that’s challenged from within. We have to meet our challenges of people, otherwise we’re going down.”

He mentions John C. Bogle, and his: “Battle for the Soul of Capitalism”

http://www.vanguard.com/bogle_site/bogle_home.html

http://www.vanguard.com/bogle_site/sp20060208.html

BELOW FROM:

<http://www.greenpeace.org/usa/en/campaigns/global-warming-and-energy/polluterwatch/The-Lewis-Powell-Memo/>

Additional Resources:

The *Powell Memo* with an introduction and *Lewis Powell's* footnotes is available on the [Reclaim Democracy](http://reclaimdemocracy.org) website:

http://reclaimdemocracy.org/corporate_accountability/powell_memo_lewis.html

Other overviews of the Powell Memo can be found at the following sources:

Lee Drutman and Charlie Cray, [The People's Business: Controlling Corporations and Restoring Democracy](#). San Francisco: Berrett-Koehler, 2004. More information available at: <http://www.bkconnection.com/ProdDetails.asp?ID=1576753093>.

Kim Phillips-Fein, [Invisible Hands: The Making of the Conservative Movement from the New Deal to Reagan](#). New York: Norton, 2009. More information available at: http://books.google.com/books/about/Invisible_hands.html?id=CcU7z9jLqXcC.

Jerry Landay, "The Powell Manifesto: How A Prominent Lawyer's Attack Memo Changed America," Media Transparency, August 20, 2002. Available at: <http://old.mediatransparency.org/story.php?storyID=21>.

Lewis H. Lapham, "Tentacles of Rage: The Republican propaganda mill, a brief history," *Harpers Magazine*, Vol. 309, No. 1852, September, 2004. Available at: <http://www.mindfully.org/Reform/2004/Republican-Propaganda1sep04.htm>.

Mark Schmitt, "The Legend of the Powell Memo," *American Prospect*, April 25, 2005. Available at: <http://prospect.org/cs/articles?articleId=9606>.

Chip Berlet, "Right-Wing Rollback: The Powell Memo," *Z Magazine*, October 2009. Available at: <http://www.zcommunications.org/right-wing-rollback-the-powell-memo-by-chip-berlet>.

Dave Wheelock, "The Pencil Warrior: Lewis Powell's Memorandum was a Blueprint for Corporate Takeover," *Common Dreams*, February 23, 2006. Available at: <http://www.commondreams.org/views/06/0223-25.htm>.

Henry A. Giroux, "The Powell Memo and the Teaching Machines of Right-Wing Extremeists," *the Commonweal Institute/Truthout*, October 1, 2009. Available at: <http://commonwealinstitute.org/archive/the-powell-memo-and-the-teaching-machines-of-right-wing-extremists>.

John Amato, "The Powell Memo," *Crooks and Liars*, June 23, 2011. Available at: <http://crooksandliars.com/john-amato/powell-memo>.

"40 Years Since 'Powell Memo' Laid out Corporate Agenda," Institute for Public Accuracy, August 30, 2011. Available at: <http://www.accuracy.org/release/40-years-since-powell-memo-laid-out-corporate-agenda/>.

"Attack on American Free Enterprise System: Background," Media Transparency, December 12, 2008. Available at: <http://old.mediatransparency.org/story.php?storyID=22>.

"The Powell Memo," Twink.org. Available at: <http://www.thwink.org/sustain/manuscript2/PowellMemo.htm>.