APPENDIX

Stolen Dream Timeline:
Key Events, Trends, and Turning Points, 1948–2012

JANUARY 1914—Henry Ford announces the $5 day—reckoning that if workers are well paid, they can afford to buy Ford’s Model T cars, and Ford could move into mass production. Ford’s strategy sparks a trend.

1948 “TREATY OF DETROIT”—Labor agreement between General Motors and the United Auto Workers union gives GM labor peace and autoworkers annual pay increases, health benefits, and monthly pensions, setting a pattern for other industries, ensuring that gains from U.S. economic growth are shared between labor and management.

1950—Top CEO salary in America: GM chairman Charlie Wilson is paid $663,000, roughly $5 million in today’s dollars, and about 40 times the annual wage of his average assembly line worker. Corporate ethic frowned on CEOs taking stock grants as unfair “competitive avarice.” Economists call this period “The Great Compression” because the income gap between the rich and the middle class is at its narrowest in the twentieth century.

MID-1940S TO MID-1970S—Heyday of the middle class, when the U.S. economy is driven by the dynamics of “the virtuous circle.” Companies paid high wages and tens of millions of families had steady income to spend, generating high consumer demand. Robust consumer demand propels businesses to invest in new plants and
technology and to hire more employees, fueling the "virtuous circle of growth" to another round of expansion and higher living standards.

AUGUST 1963—March on Washington led by Martin Luther King, Jr. Student sit-ins, Freedom Rides, other civil rights demonstrations, and citizen grassroots movements force change, demonstrating the political power of average Americans.

JUNE 1964—Congress passes the 1964 Civil Rights Act with strong bipartisan support, outlawing segregation of public accommodations, following mass protests.

NOVEMBER 1964—Barry Goldwater, a strongly anti-union, anti-government senator from Arizona, beats the mainstream Republican Establishment to win the GOP presidential nomination, but loses to Democrat Lyndon Johnson. Goldwater's defense of political extremism and rejection of compromise as a matter of principle spark the birth and growth of the Republican New Right, culminating in today's Tea Party.

MARCH 1965—Bloody Sunday in Selma, Alabama: Civil rights protesters led by John Lewis are brutally clubbed by Alabama State troopers and sheriff's deputies during a march for voting rights for African Americans.

JULY 1965—Congress enacts Medicare with strong bipartisan support: 65 House Republicans and 13 Senate Republicans join majorities of Democrats in both chambers to pass President Johnson's historic legislation.

AUGUST 1965—Voting Rights Act is pushed through Congress by President Johnson, on the momentum of massive grassroots civil rights demonstrations. The act removes legal obstacles to the right to vote for African Americans, especially in southern states.

1965—Consumer advocate Ralph Nader publishes his searing attack on U.S. auto industry, Unsafe at Any Speed, charging automakers with marketing defective cars, and giving consumer activism new political leverage. The burgeoning consumer movement presses Congress and the White House to create new watchdog agencies and standards for truth in packaging and truth in lending.

NOVEMBER 1967—Pat O'Neill, at nineteen, starts a thirty-five-year career with United Airlines as a jet airline mechanic, working the overnight "graveyard shift" at Chicago's O'Hare field. He works his way up to chief mechanic, making $60,000 a year, leading a crew that does repairs and safety checks so that planes are ready to be airborne by dawn.

APRIL 22, 1970—EARTH DAY—The largest single mass public protest in U.S. history. Twenty million Americans participate in marches, teach-ins, and other demonstrations to protest against pollution of the environment.

1970—President Nixon, responding to public pressures, establishes the Environmental Protection Agency. Congress passes the Clean Air Act in 1970, the Clean Water Act of 1972, and other strong laws to protect the environment. Nixon also sets up a Consumer Product Safety Commission and the Occupational Safety and Health Administration, and expands the powers of the Federal Trade Commission to protect consumers and curb the excesses of capitalism.

AUGUST 1971—Corporate attorney Lewis Powell sparks a political rebellion with his call to arms for Corporate America. Circulated by the U.S. Chamber of Commerce, Powell's memo warns that anti-business attitudes and government regulation are threatening to "fatally weaken or destroy" the American free enterprise system. Powell declares that business must arm itself politically, battle organized labor and consumer activists, and mount a long-term campaign to change the balance of power and policy trends in Washington.
1971–1972 — The CEOs of America’s biggest corporations, responding to Powell’s memo, organize the Business Roundtable, which becomes the most potent political lobbying arm of Corporate America. The National Association of Manufacturers moves its headquarters to Washington. In one decade the U.S. Chamber of Commerce doubles its membership and the National Federation of Independent Business (small business) grows from 300 to 600,000 members.

SUMMER 1971 — After graduating from high school, Pam Scholl and Mike Hughes land solid middle-class jobs at the brand new RCA television tube plant in Circleville, Ohio. For the next three decades, Scholl and Hughes and their classmates enjoy their version of the American Dream of secure jobs, rising pay, health benefits, and lifetime pensions—a solid middle-class standard of living.

1973 — The productivity of U.S. workers rises 96 percent since 1945, and average hourly compensation rises in tandem—94 percent from 1945 to 1973. Average Americans share in the nation’s prosperity. In the next three decades, from 1973 to 2011, worker productivity rises another 80 percent but hourly compensation rises only 10 percent. Ordinary Americans are cut out of their share of the nation’s economic gains.

OCTOBER 1976 — Inspired by their mentor, free market economist Milton Friedman, business school professors Michael Jensen and William Meckling propose in an academic study that CEOs be given stock options to align their interests with those of stockholders. Corporate boards, seeing an advantage because options are not charged as a company expense, adopt this “pay for performance” idea, and by 1980, 30 percent of CEOs are receiving stock option grants.

LATE 1970s — Business mobilizes politically. The number of companies with Washington lobbying offices grows from 175 in 1971 to 2,445 a decade later. Along with 2,000 different trade associations, businesses have a combined Washington staff of 50,000, plus 9,000 lobbyists and 8,000 public relations specialists. Business lobbyists and advocates now outnumber members of Congress by 130 to 1.

1977–1978 — In the pivotal 95th Congress under President Jimmy Carter and the Democrats, business shows its new political muscle. Its lobbyists block organized labor’s legislation and Ralph Nader’s push for a consumer protection agency. They win deregulation of airlines, railroads, and trucking. They get Congress to reject Carter’s plan to close tax loopholes for the rich and, instead, they push to cut the corporate tax rate and the capital gains tax on investment income from 49 percent to 28 percent.

1978 — Two major bills alter the economic landscape for decades to come. One is an obscure insert in the tax code, paragraph 401(k), initially intended to authorize supplemental executive retirement plans and later extended by the Reagan administration to rank-and-file workers. The other change updates U.S. bankruptcy laws, giving management control during corporate bankruptcy, paving the way for bankruptcies in the 1990s and 2000s that canceled provisions of union contracts.

1980 — Congress passes a deregulatory bill that overrules state usury laws and effectively abolishes limits on interest rates for first mortgages, paving the way for the future subprime mortgage boom.

1981 — President Reagan pushes through tax cuts that heavily favor the wealthy, dropping the top personal income tax rate from 70 percent to 28 percent, the capital gains rate from 28 percent to 20 percent, and the corporate rate from 46 percent to 35 percent. The Reagan tax cuts add $1 trillion in income for the super-rich 1 percent during the 1980s, and another $1 trillion in each successive decade. The Forbes 400 Richest Americans triple their net worth between 1978 and 1990, thanks to the Reagan tax cuts.
1982—President Reagan persuades Congress to pass a law authorizing the exotic loans that will become the hallmarks of the 2000s housing boom. The law permits loans never previously allowed: adjustable-rate mortgages, or ARMs, with ballooning interest rates, 100 percent financing, and “negative amortization,” which permits banks to charge high fees and interest rates and allows minimal payments, causing many people to go deeper into debt, and stripping equity out of many homes.

LATE 1980s TO 1990s—Mutual funds popularize 401(k) plans with the slogan “Be Your Own Money Manager.” Millions of rank-and-file employees eagerly adopt do-it-yourself retirement. Companies unload hundreds of billions in retirement costs onto their workers. The employee share of retirement costs goes from 11 percent in 1980 to 51 percent by 2006.

1990—Congress passes the H-1B visa program, permitting U.S. businesses to import college-educated foreign workers for high-tech and knowledge economy jobs. By the early 2000s, close to a million Americans have been replaced by foreigners, even though studies by Rand and others assert that there is no shortage of Americans to fill such jobs.

1993—For the first time since World War II, a major piece of legislation—President Clinton’s budget—passes Congress without a single yes vote from the opposition party. In a virtually unprecedented party-line vote, not a single Republican supports Clinton’s tax increases.

1993-1994—Hampered by partisan gridlock, the 1993-1994 Congress becomes one of the two least productive legislative sessions in half a century, with the second lowest percentage of major legislation passed.

1994—The CEO stock option boom takes off. Seventy percent of CEOs now receive stock option grants and by 2000, grants of millions of stock options become the norm, hugely increasing CEO pay. Corporate executives overtake the inherited rich as the biggest portion of the nation’s richest 1 percent.

1995—Partisan gridlock shuts down the government after Republicans take control of the House for the first time in forty years and Republican Speaker Newt Gingrich sets up a confrontation with President Clinton over the budget. Eventually, with polls showing the public blames Republicans more than Democrats, Gingrich backs down.

1999—General Electric CEO Jack Welch is named “the ultimate manager” of the twentieth century by Fortune. Nicknamed “Neutron Jack” for the weapon that kills human beings but leaves buildings standing, Welch reverses the employee-friendly policies of his predecessor and wins favor on Wall Street for cutting 25 percent of GE’s workforce—130,000 jobs. As one executive put it, “Working for him is like a war—a lot of people get shot up.”

1995-2000—By balancing the federal budget and generating budget surpluses, the Clinton tax increases of 1993 help to lower inflation and interest rates and to generate the nation’s strongest steady economic growth period since the 1960s, boosting the real wages of average middle-class workers.

2001-2003—President George W. Bush pushes massive tax cuts through Congress each year, starting in 2001, despite opinion polls showing the public favors using budget surpluses inherited from Clinton to increase spending on education, health, and Social Security, or to reduce the national debt.

2001-2003—The Federal Reserve, led by Chairman Alan Greenspan, cuts interest rates 11 times from 6.5 percent to 1 percent, providing cheap money to fuel a housing boom and revive the U.S. economy. Home prices rise so fast that Americans borrow $700 bil-
lion a year from their home equity. Despite warnings about the dangers of rising personal debt, Greenspan hails homeowners’ “equity extraction” as the engine for consumer demand and economic growth.

MAY 2003—At a White House ceremony, President Bush thanks “my friend Dirk Van Dongen” for helping to move the Bush tax cuts through Congress. Unknown to most Americans, Van Dongen is a Washington insider, field marshal of “the Gang of Six”—the six major business organizations that anchor the Tax Relief Coalition that lobbied for tax cuts.

2003—Airline mechanic Pat O’Neill retires from United Airlines after 35 years on the job, but when United Airlines declares bankruptcy, his lifetime pension is drastically cut, and his employee stock option plan collapses. His 401(k) suffers from a sharp stock market decline, and he is forced to take another job. To rebuild financially, O’Neill is still working today, and he expects never to retire.

2004—Pam Scholl and Mike Hughes lose their jobs when the old RCA television tube plant in Circleville, Ohio, shuts down—one of 54,000 American plants to close in the 2000s. Pam gets another job fairly quickly, but Mike can’t find steady work.

2004—Bill Nichol, CEO of Kentucky Derby Hosiery, bowing to Wal-Mart executives telling their suppliers to set up low-cost production in China, says he is moving a big chunk of his company there. Wal-Mart gets 80 percent of its products from China-based production, much of it from U.S. companies operating in China.


2003–2007—Small-business owner John Terboss of North Miami Beach is talked into a series of adjustable-rate home mortgage refinancings, each with a higher loan balance. When he discovers that his broker got an $18,875 bonus for putting Terboss into a high-interest loan, Terboss tries to cancel the loan and gets socked with a $21,000 prepayment penalty. In all, he loses $150,000 in equity he had put into his home.

2005–2006—More than half of the people to whom banks sell subprime mortgage loans, at high interest rates with heavy fees, are actually solid mainstream middle-class borrowers who qualified for—and should have been sold—prime loans.

2006—American business has shed much of the cost of the corporate safety net. By the mid-2000s, only 18 percent of employees at companies with more than 100 workers get health insurance fully paid by employers, down from 70 percent in 1980. Only 35 percent still get lifetime monthly pensions, paid by the company, down from 84 percent in 1980.

2006—Oracle CEO Larry Ellison, with $706.1 million in pay and stock in 2001, tops a Wall Street Journal compilation of the biggest CEO pay packages from 1995 to 2005. Close behind are Michael Eisner of Disney, with payouts of $575.6 million in 1999 and $203 million in 1993; and Sandy Weill of Citigroup, with pay of $621.8 million in three big years between 1997 and 2000.

JULY 4, 2007—Hundreds of workers at Sunbeam’s profitable plant in McMinnville, Tennessee, are laid off and ordered to train their replacements at a factory in Mexico, in a firing ordered by Sunbeam CEO Al Dunlap. Dunlap has made a personal fortune as a serial downsizer of businesses. Jack Wahl, owner of Sunbeam competitor Wahl Clipper Corporation, criticizes the Sunbeam layoffs as shortsighted and “extremely wasteful,” and says his company runs profitably with U.S. workers.
2007—The richest 1 percent take a near record 23 percent of the personal incomes paid to all Americans, earning a combined $1.35 trillion a year, which is more than the entire economies of Canada, Italy, or France.

2007—Among economic sectors, corporate profits see their share of national income rise during the Bush years to the highest level since 1943, while the share of national income going to employee salaries and wages sinks to its lowest level since 1929.

2008—In a Cornell University survey, 57 percent of people say they have never benefited from any government program or policy. But after more detailed questioning, it turns out that 94 percent have actually benefited from at least one program. The average person has used four government programs.

2008–2009—In the recession, hundreds of major U.S. companies such as General Motors, Eastman Kodak, Sears, Motorola, UPS, FedEx, Hewlett-Packard, and National Public Radio either cancel or cut back their employer match for 401(k) programs.

2009—After a taxpayer bailout, big Wall Street banks rebuff President Obama’s appeal to “hire American” and continue offshore hiring and domestic layoffs. In the 2000s, the Hackett Group reports, 3.9 million jobs in finance, IT, human resources, and back-office functions have been lost in North America and Europe. In 2011, JPMorgan Chase, Bank of America, and Citigroup sign new contracts to offshore $5 billion worth of IT and back-office work to Indian firms.

2009—Millions of average Americans, including Pam Scholl and Mike Hughes, become middle-class dropouts—the New Poor. Pam is laid off for a second time and, despite an intense search for work, remains unemployed for 18 months. The only work Mike can find is as a night custodian at a local high school at about one-fourth of his old pay at RCA. Scholl eventually gets a public sector job, at about half her old RCA salary.

DECEMBER 2009—The United States ends a decade with the slowest economic growth of any decade since World War II. Economic growth was slow prior to 2007, even before the Great Recession, despite President Bush’s promise that his tax cuts would spur growth.

DECEMBER 2009—Germany ends the decade having earned $2 trillion in trade surpluses, with 21 percent of the German workforce still in manufacturing, versus America’s $6 trillion in trade deficits and 9 percent in manufacturing. Since 1985, average German hourly wages have risen 30 percent versus 5 percent in the United States.

2000–2009—In this decade, the Commerce Department reports, U.S. multinational companies hire 2.4 million people overseas while firing 2.9 million workers at home. IBM now has more employees in India than in the United States. Intel CEO Craig Barrett says his company can be successful without ever hiring another American. Cisco CEO John Chambers says his company is developing a strategy to “become a Chinese company.”

2010—The National Retirement Fund deficit is calculated at $6.6 trillion by economists at the Boston College Center for Retirement Research. At year’s end, the average 401(k) balance is $17,686. For people in their sixties, on the verge of retirement after 20 years in a 401(k) plan, the average balance is only $84,469. Economists warn that half of baby boomers will not have enough funds to cover their basic financial needs in retirement.

JUNE 2010—Democratic majorities in Congress pass President Obama’s health care law. Not a single Republican in either house votes for the final bill—a sharp contrast to the strong bipartisan support for Medicare in 1965.
2010—Escalating use of Senate filibusters or the threat of filibusters has become a major reason for Congressional gridlock, because a minority—sometimes just one or two senators—can prevent even the start of debate. Scholars who now call Congress “the broken branch” of government report that in the 1960s, only 6 percent of all legislation faced a filibuster, but now it is up to 70 percent. Most bills passed by the House die in the Senate.

2010—Wall Street financial firms hire over 1,400 former government officials as lobbyists to fight new banking regulation legislation, attempting to eliminate or water down provisions for strict regulations. After the bill passes, Wall Street bankers and lobbyists continue the battle to delay or weaken new regulations.

2010—In the congressional elections of 2010, business interests outspend labor $1.3 billion to $79 million, a 16-to-1 advantage for business. In soft-money contributions to political parties, rather than donations made directly to candidates through political action committees, the business advantage is 97 to 1 ($972 million for business to $10 million for labor).

2010—Thirty-three of sixty new Tea Party members elected to the House are millionaires. Tea Party members have an average net worth of $1.8 million. Overall, 261 of the 535 senators and House representatives are millionaires—49 percent compared with 1 percent among the public at large.

2010–2012—Washington’s vanishing political center—so vital to bipartisanship in past decades—continues to shrink. Two moderate senators—Democrat Evan Bayh of Indiana and Republican Olympia Snowe of Maine—announce they are so frustrated and disgusted by the harsh partisan divide that hobbles Congress that they are quitting and will not seek reelection—Bayh in 2010, Snowe in 2012.

2011—The housing boom and bust causes a massive transfer of wealth from ordinary American families to the banks—economists say roughly $6 trillion—mainly because so many Americans have drained equity out of their homes. In 1985, Americans owned nearly 70 percent of the total value of the nation’s housing stock, the main anchor of middle-class wealth. By 2011, the homeowners’ share had plummeted to just under 40 percent, and the banks now owned a major share.

2012—The United States struggles with what economists call “a jobless recovery,” where the numbers show the economy growing but where unemployment remains stubbornly high. This is the third instance of a jobless recovery in recent decades, after declines in the early 1990s and again in 2000–2002. Corporations sit on $1.9 trillion in cash, spending more money on buying back stock than hiring workers, undermining the dynamics of the virtuous circle.”

2011–2012—Some corporate leaders call for a “domestic Marshall Plan” and revisions in U.S. tax laws to generate more job growth, revitalize America’s global competitiveness, and to enable more of the middle class to reclaim the American Dream. Former Intel CEO Andy Grove and GE CEO Jeffrey Immelt, among others, advocate a renaissance in U.S. manufacturing. Other business leaders and economists call for our current leaders to do what past presidents from Washington to Lincoln and Eisenhower have done—take government action to rebuild America’s aging roads, ports, and airports; to recoup America’s lost lead in technology and innovation; and to educate America’s next generation and retrain America’s current generation to compete better against global rivals.