September 20, 2013

Full Show: Inequality for All

BILL MOYERS: This week on Moyers & Company…

ROBERT REICH: How do you constrain capitalism from doing stupid things that are not in the public interest? You have a democracy that is sufficiently well-functioning. That laws and rules limit what can be done. If the democracy is corrupted itself by that capitalist excess, then the first thing you've got to do is get big money out of politics.

ANNOUNCER: Funding is provided by:

Carnegie Corporation of New York, celebrating 100 years of philanthropy, and committed to doing real and permanent good in the world.

The Kohlberg Foundation.

Independent Production Fund, with support from The Partridge Foundation, a John and Polly Guth Charitable Fund.

The Clements Foundation.

Park Foundation, dedicated to heightening public awareness of critical issues.

The Herb Alpert Foundation, supporting organizations whose mission is to promote compassion and creativity in our society.

The Bernard and Audre Rapoport Foundation.

The John D. And Catherine T. Macarthur Foundation, committed to building a more just, verdant, and peaceful world. More information at Macfound.Org.

Anne Gumowitz.

The Betsy And Jesse Fink Foundation.

The HKH Foundation.

Barbara G. Fleischman.

And by our sole corporate sponsor, Mutual of America, designing customized individual and group retirement products. That's why we're your retirement company.

BILL MOYERS: Welcome. Odds are you know of Robert Reich. Perhaps as the public servant he was under three administrations – for his work as President Clinton's Secretary of Labor, *Time Magazine* called him one of the best cabinet secretaries of the 20th century.

He's written thirteen books, including his latest, *Beyond Outrage: What Has Gone Wrong with Our Economy and Our Democracy, and How to Fix It*.

But you're about to see professor Reich who teaches public policy at the University of California, Berkeley, in a wholly new light: as the star of a dynamic, witty, and entertaining new film to be released next week in theatres across the country. It's called *Inequality for All*, and was directed by Jacob Kornbluth. Here's the trailer:

ROBERT REICH in *Inequality For All*: Now the thing you want to know about this Mini Cooper is it is small. We are in proportion, me and my car. My name is Robert Reich, I was Secretary of Labor under Bill Clinton. Before that the Carter administration. Before that I was a special aid to Abraham Lincoln. Of all developed nations the United States has the most unequal distribution of income and we're surging toward even greater inequality. 1928 and 2007 become the peak years for income concentration, it looks like a suspension bridge.

WOMAN in *Inequality For All*: Last year we made $36,000.

MAN in *Inequality For All*: Think I probably make $50,000 a year working 70 hours a week.

ROBERT REICH in *Inequality For All*: The middle class is struggling. People occasionally say to me, “Now what nation does it better?” The answer is, the United States. In the decades after World War II, the economy boomed but you had very low inequality.

BILL O’REILLY in *Inequality For All*: Do you know Robert Reich?

MAN in *Inequality For All*: I do.

BILL O’REILLY in *Inequality For All*: He’s a communist.

ROBERT REICH in Inequality For All: When I was a kid, bigger boys would pick on me. I think it changed my life. I had to protect people from the people who would beat them up economically. Who is actually looking out for the American worker? The answer is, nobody. If workers don’t have power, if they don’t have a voice, their wages and benefits start eroding. We are losing equal opportunity in America. Any one of you who feels cynical just consider where we have been.

BILL MOYERS: That’s from "Inequality For All," starring Robert Reich, who is with me now. Bob Reich, welcome.

ROBERT REICH: Thank you, Bill.

BILL MOYERS: I think this film is a game-changer in this discussion about inequality. But I am curious because you're encroaching on my turf. Why you turn to film to tell this story?

ROBERT REICH: Well, it was Jake's idea. And he really is the brains and the creative giant behind it. But I was easily persuadable because I've tried everything else. You know--

BILL MOYERS: Thirteen books--

ROBERT REICH: --I mean--

BILL MOYERS: --a blog--

ROBERT REICH: And television and so on. But there is something about film. With which you can emotionally connect with people and open people's minds and eyes and hearts. And on this issue of widening inequality there's so much confusion, many people if they're, you know, if they're rightwing, they want to blame the poor, if they're leftwing they want to blame the rich.

There's a lot of blame going around. But people are not looking at the actual structure of the economy as it's evolving. They're not looking at how we need to change the organization of the economy, why we are the most unequal of all advanced societies and economies in the world.

There is this popular misconception that the economy is kind of out there, it's kind of natural forces that can't be changed. They're immutable. We all sort of work for this economy. But in reality, the economy is a set of rules. There's no economy in the state of nature. They're rules. I mean, there are rules about property and liability and anti-trust and bankruptcy and subsidies for certain things and taxes for certain things.

These rules really are the rules of the game. They determine economic outcomes. If we don't like them, we can change the rules. I mean, if we had a democracy that was working as a democracy should be working, we could adapt the rules so that, for example, the gains of economic growth were more widely distributed without a sacrifice of efficiency or innovation.

BILL MOYERS: Those rules are difficult to explain in writing, much less on film. And yet you and Kornbluth do very well at it. Let me play an excerpt for our audience to see how you did it.

ROBERT REICH in *Inequality For All*: Of all developed nations today, the United States has the most unequal distribution of income and wealth by far. And we're surging towards even greater inequality. One way of looking at and measuring inequality is to look at the earnings of people at the top versus the earnings of the typical worker in the middle.

The typical male worker in 1978 was making around $48,000, adjusting for inflation, while the average person in the top one percent earned $390,000. Now fast forward. By 2010, the typical male worker earned even less than he did then. But at person the top got more than twice as much as before. Today, the richest 400 Americans have more wealth than the bottom 150 million of us put together. Now think about it. Four hundred people have more wealth than half the population of the United States.

BILL MOYERS: And that wealth is increasing.

ROBERT REICH: It’s increasing.

BILL MOYERS: At the top.

ROBERT REICH: Yes, the latest data we have from one of my colleagues at Berkeley, Emmanuel Saez, and his colleague Thomas Piketty, who had been the pioneer researchers in this field, because they've been looking at a source that nobody else has been looking at, IRS data going back to, really the beginning, 1913, the beginning of the progressive income tax.

BILL MOYERS: And you featured their work in the film.

ROBERT REICH: Yes. Since the film, actually we put the film together, there are new results that came out just within the last week or so show that in the year 2012 inequality reached a new peak in the United States. The previous peak, we thought was the peak, that is 2007 actually has been superseded by this new peak of inequality, concentrated income in 2012 that almost all the gains of economic growth have been going to a very small number of people at the very top.

BILL MOYERS: The figures are so startling, I had to shake my head in disbelief when I first saw them, showing that in the first three years of the recovery from the recession brought on by the financial collapse in 2008, the top one percent of Americans took home 95 percent of the income gains. Ninety-five percent?

ROBERT REICH: That's right. As the economy grows it used to be, you know, within the memory of many of us, myself included, between 1946 and 1978, as the economy grew, everybody benefited. It was very wide-- the benefits were very widely dispersed.

BILL MOYERS: Shared prosperity we called it.

ROBERT REICH: Well, we called it shared prosperity. It wasn't socialism. I mean, Eisenhower was president through most of that. And we didn't consider it abnormal. We considered it normal. As the economy grows, we should all get something. And during those years, the economy doubled in size and everybody's income doubled. Even if you were in the bottom fifth of the income earners you did actually better.

And then, and this is really the subject of the film. Something happened in the late 1970s, early 1980s, to change the historic relationship between economic growth and the growth in productivity on the one hand and wages. Beginning in the late '70s and really to a greater and greater degree over the last three decades, all the wealth, or most of the wealth, most of the new wealth in society went right to the top.

Income gains went right to the top and people in the middle, the median worker, the median wage, stagnated. In fact since the year 2000, if you adjust for inflation, you have to adjust for inflation, the actual median wage has been dropping. It's now five percent below what it was then.

BILL MOYERS: So help us understand in practical terms what it means when the layman or woman reads that the top one percent of Americans took home 95 percent of the income gains. How can that be?

ROBERT REICH: I think that most people, if they really understand it, will say: "This is not the America that I should be part of. This is not an economy that is working as it should be working. Something is fundamentally wrong." And the game feels rigged somehow.

And I think that's the conclusion that many people are coming to regardless of whether you are, consider yourself, on the left or the right. Many Tea Partiers are angry at the system because there seems to be so much collusion between government and big business and Wall Street. That's where the Tea Party movement came from.

BILL MOYERS: Yeah. That was-- that intrigued me back when Occupy happened, that it and the Tea Party were both about the one percent.

ROBERT REICH: Both about what looked like a fundamentally unfair subsidy going from everybody, taxpayers, to mostly the top one percent, that is the people on Wall Street who had blown it. Who had basically treated the economy as a casino for much of their own benefit. And leaving many of the rest of us underwater in terms of being able to pay our mortgages, with our savings depleted because the stock market had basically reversed itself, and jobless.

BILL MOYERS: And here we are, five years after Lehman Brothers collapsed and Wall Street went south and you say that the banks, the big banks are still at it, still gambling?

ROBERT REICH: Unfortunately, they are. We don't even have a Volcker Rule. Remember when we had the Dodd-Frank Act that was supposed to clean up all of this? And a piece of it was kind of a watered-down Glass-Steagall. Glass-Steagall was the old 1930s rule that said you had to split your commercial banking operations from your, basically your casino, betting operations. And--

BILL MOYERS: You couldn't bet with my deposit.

ROBERT REICH: You can't bet with commercially-insured deposits. But we couldn't even get the watered-down version of Glass-Steagall in the form of the Volcker Rule. It's still not there. Why isn't that there?

Because you've got a huge, powerful, Wall Street lobbying machine, a lot of money coming from Wall Street that influenced politicians, even Democrat politicians. This is not a matter of partisan politics. Everybody is guilty. And the money is still determining what the rules of the game are going to be.

BILL MOYERS: And these are the people who are taking in most of the income produced by the recovery.

ROBERT REICH: Not only they-- they're taking in most of the income produced by the recovery, they're enjoying almost all of the economic gains and they are using their privileged position with regard to political power to entrench themselves in terms of their economic gains of the future and their political influence in the future.

So you know, it's not unusual that many average people who are working harder than ever, worried about their jobs, worried about paying their next, you know, bills, living from paycheck to paycheck, are going to stay, you know, beginning to say to themselves, "There is something fundamentally wrong here."

BILL MOYERS: The film does splendidly show what's happened to blue-collar and white-collar workers, or what you call "flat-lining."

ROBERT REICH in *Inequality For All*: Contrary to popular mythology, globalization and technology haven't really reduced the number of jobs available to Americans. These transformations have reduced their pay. It is not just that wages are stagnated.

But when you take into consideration rising costs. The rising cost of rent or homes, dramatically-increasing costs of healthcare, the rising costs of childcare and also the rising costs of higher education, rising much faster than inflation, take all of these into consideration, and you find that it's much worse than just stagnating wages. It's basically middle-class families, often with two wage earners, working harder and harder and harder and getting nowhere.

BILL MOYERS: What do you mean "getting nowhere"?

ROBERT REICH: They are not seeing their incomes increase if you adjust for inflation. And obviously you-- in terms of repurchasing power. Many of them are seeing their incomes drop. They also are having less and less, enjoying less and less economic security. Because at any time they can be fired. You have two incomes they depend on.

So the chance of something happening, like a firing or a company basically leaving town or one of them getting very sick and not being able to pull in that kind of income. All of those negative possibilities are themselves increasing. And meanwhile, upward mobility is fading. We used to have in this country the notion that anybody with enough guts and gumption could make it.

So even if you have wide inequality, it was okay because you could make it. You could feast at the same table if you stuck to it and if you really tried hard. That's disappearing. Forty-two percent of children who were born into poverty, for example, in the United States, will be in poverty as adults and at a higher percentage than any other advanced country.

Even great Britain, with a history of class. I mean, we think about Britain, we think of a class or rigid class structure. Only 30 percent of the kids who were born into poverty remain in poverty as adults. Because you see upward mobility is more of a reality in these other countries than it is now in present-day America.

BILL MOYERS: But talk a little bit further about corporate behavior. If they're sitting on record profits, and no one denies that, why aren't they creating more jobs? The argument goes that corporations should be taxed at a lower level so they can create jobs. Or that money-- that the rich shouldn't be taxed because they're job creators.

ROBERT REICH: This is where the problem really reaches back onto itself and explains itself. Where we're in a giant vicious cycle. Because if the middle class and everybody aspiring to join middle class don't have enough money. If their wages are declining, their benefits are almost non-existent, they're worried about the next paycheck. They cannot turn around and buy what the economy is capable of producing. And in this country, 70 percent of the economy is consumer spending.

So if you've got this giant middle class and everybody wanting to join the middle class, and they don't have the purchasing power any longer because most of the benefits of the economy are going to the very top, and the top is, certainly, they're the ones who are saving. Their savings going around the world, wherever they can get the highest return on those savings. You don't have enough aggregate demand in the economy to make it worthwhile for companies to hire more people and expand.

BILL MOYERS: Don't you think the CEO's understand that?

ROBERT REICH: They understand the next quarter. They understand what's immediately in front of their noses. I mean, Wall Street is saying to them, "Don't plan for the long-term future. Give us the highest return we can possibly get." And so the average CEO says "Well, I have the best, you know, they're not all that many customers. I'm not selling like I used to be selling. So the easiest way of showing big returns is I shrink my payrolls, I get lean and mean and maybe I outsource, maybe I automate whatever I have to do to get the cost down." Bill, I'm not blaming CEOs. This film is not about blame.

But the fact of the matter is that the entire system is designed in such a way that everybody is acting rationally, given what the rules of the game are. But the rules of the game themselves are irrational, and irrational socially. They are not generating the kind of prosperous society that we need to maintain an economy and also to maintain a democracy.

BILL MOYERS: For example, in terms of the people inside the system acting rationally, Microsoft recently bought the Finnish company Nokia. And I heard an eye-opening, ear-opening discussion of that by David Brancaccio on Public Radio's "Marketplace," where you often appear. He's talking with Allan Sloan, who's the senior editor-at-large at “Fortune Magazine.”

DAVID BRANCACCIO on *Marketplace*: Morning, Allan.

ALLAN SLOAN on *Marketplace*: Good morning, David.

DAVID BRANCACCIO on *Marketplace*: So I was writing the story the other day about Microsoft buying Nokia, and I'm thinking, "They wanted a nice manufacturer of smartphones.” You're saying there was more to it than that?

ALLAN SLOAN on *Marketplace*: Right. Microsoft has all this money overseas. And it can't bring it back into the United States without, God forbid, paying tax. So it's using it to buy a big foreign operation.

DAVID BRANCACCIO on *Marketplace*: So it's got this money rattling around, it might be nice if it bought something with it from its perspective rather than paying taxes, and it sees Nokia as an opportunity. Is this unprecedented?

ALLAN SLOAN on *Marketplace*: Hardly. Two years ago, Microsoft did the same thing with Skype and a company called Cisco, which is what's known in the trade as a serial acquirer, something that buys one thing after another. It's taken a holy oath not to buy anything in the United States unless the tax laws change.

BILL MOYERS: So it's more profitable to buy a company abroad than it is to bring your profits that you've earned overseas home and pay taxes on them? That's logical within the system?

ROBERT REICH: Within the system, it's logical. But here's where blame is deserved. Because you see very wealthy people, not everyone, but many very wealthy people and many big corporations use their money to buy rules that favor their positioning.

Tax laws that improve their competitive position, that entrench their wealth; antitrust enforcement that may go against their competitor, certainly not against them; intellectual property laws that guarantee them a nice profit and extend the length of their patents or trademarks.

And we could go through a whole list, Bill. I mean, the point is that with large size and a lot of money goes a great deal of political power. And the more uneven the playing field, the more you concentrate income and wealth at the top, the more you are susceptible as a society to this kind of corruption. And it is corruption.

BILL MOYERS: There are people who disagree with us on this, as I'm sure you know. They even celebrate inequality. When former Senator Rick Santorum was running for the Republican nomination for president last year, he made a speech at the Detroit Economic Club.

RICK SANTORUM at Detroit Economic Club: President Obama is all about equality of results. I'm about equality of opportunity. I'm not about equality of result when it comes to income inequality. There is income inequality in America. There always has been and hopefully, and I do say that, there always will be. Why? Because people rise to different levels of success based on what they contribute to society and to the marketplace and that's as it should be.

ROBERT REICH: Well, first of all, let's be clear about what we are arguing. Rick Santorum is exactly right in saying that nobody should expect or even advocate equality of outcome. The real problem is that we don't have equality of opportunity. What do I mean by that? Number one, the schools available to poor and lower middle class and many middle class families and their kids are not nearly as good as the schools available to the wealthy.

The tax laws are weighted increasingly in favor of the wealthy. Therefore a lot of middle class and poor people actually are paying, particularly through social security taxes, which nobody talks about. They all want to talk about income taxes. They're paying a much larger share of their income.

The laws governing almost everything we can imagine are tilted toward shareholders away from those whose major asset is your house. So it's not equality of opportunity. That's the problem. If we really had equality of opportunity we wouldn't even be having this discussion.

I think again, it's important to bear in mind that some inequality is necessary if we're going to have a capitalist system that creates incentives for people to work hard and to invent and to try very hard. The question is not inequality, per se.

The question is, at what point do you tip over, do you get to a tipping point where the degree of inequality actually is threatening your economy, your society, your democracy? When do you reach a point where inequality is simply too much? Where most of your people feel like the game is rigged.

BILL MOYERS: The film makes it clear. You think we are reaching that tipping point, that we're just right there.

ROBERT REICH: I think that in terms of the economy, we are very close. In fact, the Great Recession-- it has many causes. But one of the major causes was that the last coping mechanism that the middle class used, even though their wages were flat or declining, to continue to spend and keep the economy going was to borrow against their homes. And that, of course, exploded in everybody's face. You couldn't do that.

So there's no longer a coping mechanism. One reason why the recovery has been so anemic is that you don't have enough purchasing power in your society because all of the gains are going to a very small number at the top. So you don't have to wait and say, "Well, we're going to get that tipping point economically, 'cause we're already there."

Fact of the matter is, most Americans now are losing faith in our democracy. Which seems to me, you know, is our most precious gift, the most precious legacy that we have to hand down to our future generations.

BILL MOYERS: I particularly like the suspension bridge analogy.

ROBERT REICH in *Inequality for All*: This graph becomes very central for explaining what has happened to the U.S. economy, and indeed what's happening and has happened to our society. It looks like a suspension bridge. What happened a year after 1928? The Great Crash. And what happened just after 2007? Another crash. The parallels are breathtaking if you look at them carefully.

Leading up to these two peak years, as income got more and more concentrated, in fewer and fewer hands, the wealthy turn to the financial sector. And in both periods, the financial sector bloomed. They focused on a limited number of assets, housing, gold, speculative instruments, debt instruments. And that creates a speculative bubble in both times.

We often note that the middle class in both periods, their incomes were stagnating and they went deeper and deeper into debt to maintain their living standards. And that creates a debt bubble. That's why you see in both these periods economic instability. What makes an economy stable is a strong middle class.

BILL MOYERS: I think most people would agree with you that the middle class is the linchpin of stability in the economy and in the democracy. But for the purposes of this discussion, can you tell us what you mean when you use the term middle class?

ROBERT REICH: Well, there's no official definition. And I would say people who self-identify as middle class extend from people who are earning around $25,000 a year to people who are earning… well, in major cities, expensive cities like New York or San Francisco, a lot of people call themselves middle class who are earning $200,000 a year because the cost of living is so high. But in-- however you define it, you're talking about the great bulk of Americans clustered around the median, not the average. I want to emphasize there are measurement issues all over here. And--

BILL MOYERS: That's what makes it so hard for--

ROBERT REICH: Well, it's hard and also is ripe for people who want to deny the truth because they can say, "Well, we're measuring it wrong." The fact of the matter is that I distinguish between median and average because, you know, the basketball player Shaquille O'Neal and I have an average height of six foot one. I mean, you know, I'm very short.

But what we know is that averages are always pulled up by people at the top. And that's true of income as well. When you have a cluster of extraordinarily wealthy people they bring up the average wage. Or the average income. You need to look at the median.

That is half of the people above, half of the people below. That gives you a sense of where the middle really, you know, is. And the median is going down. If you adjust for inflation, the median, the median wage, the median income, is heading downward.

BILL MOYERS: That intrigues me because Richard Burkhauser, who's a scholar at Cornell University and at the conservative American Enterprise Institute, challenges the conventional wisdom, yours and mine and others about income inequality. First, he's not only argued that the condition of the poor and middle class is improving, more recently, he and some of his colleagues have come up with statistical findings. That not only wipe out inequality trends all together, but purport to show that, the poor and middle classes have done better on a percentage basis than the rich.

ROBERT REICH: Well, they're tricks of the trade. He's using one of those tricks. He's not here to defend himself, so let me be very careful to give, you know, just as much justice as possible to what he's arguing. He, in calculating income gains for the median worker, uses the assumed increase in the value of the home up until 2007.

And because home values were rising and many families own their own home in middle-class families, even lower middle-class families, he assumes that they got the benefits of those income gains. Well, that's just silly. Most people could not sell. If they tried to sell, they'd have to buy another house that was just as expensive.

And they don't-- their quality of life, their standard of living is not really affected. And more over, it was a bubble. And back in 2007, 2008-- those gains disappeared. So that's a statistical trick. It has nothing to do with how real people live.

BILL MOYERS: Speaking of real people, we began this series last year with three broadcasts on inequality. And in the first one we introduced our audience to a woman living in Iowa named Amanda Greubel. She had been part of testimonies before the Senate on how the middle-class families are struggling to make ends meet. “Stories from the Kitchen Table” it was called.

When the state cut funding for local school districts, 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 most of our clothing comes from Good Will, garage sales, and the clearance racks because we try not to spend full price on anything anymore […] 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 completed that eligibility application and they cried 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." […] 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.

ROBERT REICH: In this day and age, Bill-- in fact, there is no guarantee that somebody in the middle class, seemingly safely in the middle class, won't fall into poverty. We used to talk about the poor as a separate group. The middle class was here, the poor was here. Michael Harrington, you remember in his great book “The Other America” which focused the nation's attention on a separate group of people that was really struggling in ways that we didn't even know. Today, fast forward to the year 2013 and you have a middle class that is very close to the poor in the sense that over a ten-year period, a large percentage of the people in the middle class, who are earning, let's say, $50,000 a year, $35,000 a year, $26,000 a year, find themselves suddenly, almost without warning, because they lose a job, because they've got a health crisis, because something else comes up, they're poor. They're on food stamps, they are humiliated.

And this is a fear that justifiably and understandably haunts America today. I think it's why so many people are so frustrated and so angry, because it's not just that they're working harder and getting nowhere. But they are worried that they are only one or two or three paychecks away from poverty.

That they have not saved. That if they have saved, they know that their savings are not going to go nearly far enough. They can't save for their children's education. They know that their kids are going to be burdened by huge student debt. They say to themselves, "Look, this economy is supposed to be working for me if I'm working for it." But that basic bargain at the heart of the economy seems to have been broken.

BILL MOYERS: What about the poor? We all talk about the middle class. But very few politicians, and even increasingly fewer journalists are talking about the poor and the people who are not in the middle and are likely never to get into the middle class. We almost never hear that word "poverty," even from President Obama.

ROBERT REICH: We've got to a point where money is so powerful a force in politics and in the media, that attention is paid mostly to people who are wealthy or upper middle class. They define what it is that politicians are looking at and concerned about and what it is that the media are covering.

And I wish that were not the case. But in fact as a practical reality, that is the case. We no longer have powerful trade unions that used to define the working class. We no longer have a visible and potent poor people's movement such as we had in the 1960s, War on Poverty. We no longer have a society that has the kind of countervailing power that we used to have that enabled people who were struggling to have a voice.

BILL MOYERS: The Cato Institute recently came out with a study that showed there are 126 federal programs to help people in need. And the argument-- I'm simplifying a very complicated and interesting study.

But they're arguing that the problem is so many people are now getting relief of some kind from the federal government or the state governments that they don't feel this anxiety, they don't feel this motivation to get a job because if they do, they lose some of those benefits. Is there any truth in that?

ROBERT REICH: I suppose there are some individuals around who are getting many benefits, therefore don't have an incentive to work hard. But the fact of the matter is right now you got three people who are out of work, looking for work, needing a job, for every job that is available. So don't tell me that unemployment insurance, which only covers 60 percent of the unemployed to begin with is keeping people out of work.

And welfare, we got rid of welfare in the 1990s. We now have a temporary program that is supposed to tide people over, that gives them five years in their lifetime of help. That can't be keeping people from working. Food stamps is a supplement.

The reason a lot of people are on food stamps these days is because their wages are so low they can't maintain a family. They can't get out of poverty, and they have to rely on food stamps. So somebody says, "Oh, it's all because of food stamps," is not looking at reality.

BILL MOYERS: You and I both remember a different time, what we once called "shared prosperity." I was a child of the Depression, but in the post-war period, I was the beneficiary of my generation, the beneficiary of that upward mobility that came from all the money being spent on war being brought home and invested in our economy. There's a segment in your film about the virtuous cycle.

What's happened to the virtuous cycle?

ROBERT REICH: It has turned, over the last three decades, into much more of a vicious cycle. That is you've got almost all the gains from growth going to the very top, most Americans are not sharing in it. They are therefore constrained in terms of purchasing goods and services that the economy, under full employment, could otherwise produce.

So you've got these periods of very high unemployment, you've got chronically slow economic growth, you've got booms and busts, you've got government that can no longer afford to do a lot of the things the government was doing because the tax receipts, the wealthy are able to get the tax loopholes and get their taxes down; the middle class is not earning enough to pay a lot in terms of income taxes; and so government investment is withdrawn.

Infrastructure is sort of crumbling in terms of deferred maintenance. Our schools are not nearly what they need to be to compete in the 21st century global economy, and many people are left out. You see how everything relates to everything else, Bill. It becomes a vicious cycle rather than a virtuous cycle. And if you just look at one little piece of it, you don't see how everything is connected.

BILL MOYERS: But something had to interrupt that cycle, or several things had to interrupt that the cycle. Can you point, you're not a finger-pointer or a blame thrower, but can you point to actual causes of the interrupting of the virtuous cycle?

ROBERT REICH: Essentially, if you look at the forces that are changing, fundamentally changing the underlying structure of the economy-- there are two. And they really exert their full force by the late 1970s, beginning of the 1980s. One, globalization. The second is technological change.

Both of them displace a lot of workers. Or at least force a lot of middle class into lower paid or more precarious work. Now the real story here is not globalization and technological change. But even-- we're not going to stop these forces. We shouldn't try to stop these forces. We can't become neo-luddites and smash all the technology.

The real problem is that we didn't adapt. We didn't change public policies. We didn't change the rules of the game to provide more opportunities, to provide more upward mobility to make sure that the economy was nevertheless not withstanding globalization and technological change, still going to work for the benefit of most people. We could have done it. We didn't.

BILL MOYERS: You say in the film that one of the reasons for the flat-lining of wages, is the decline of unions brought on by globalization and technology, as you just said. You never mentioned NAFTA, the North American Free Trade Agreement, that as Bill Clinton's Secretary of Labor, you helped to bring about. Any regrets there?

ROBERT REICH: Well internally, I can't really-- I still don't feel completely free to tell you what the internal debates were. But I can tell you, that I have publicly stated for years that the labor-side agreements that would guarantee labor rights and the environmental-side agreements that would guarantee environmental protection in NAFTA were not strong enough, not nearly strong enough. And if you pressed me a little bit, I might tell you that I thought the making NAFTA a priority at that point in the administration I think was, I said was, bad at the time, and I still think it was the wrong priority.

BILL MOYERS: Why did the president push it so hard?

ROBERT REICH: Why does any president create the priorities he has? I mean look, we can have the most talented people in the White House we can come up with. But if Americans don't understand what's at stake and are not pushing good people in government to do the right thing, eventually the moneyed interests are going to win out because there's nobody else that is loud enough to be heard.

BILL MOYERS: Well, that seems to me to be the central dilemma, which is that the powerful interests had bought the rule-making machine.

ROBERT REICH: They have. But that doesn't mean that is inevitable. I mean, what the powerful moneyed interests would like in this country is for us all to get so cynical about politics that we basically give up and say, "Okay, you want our democracy? Take it." Then they win everything.

One of the purposes of this film, Bill, is to make sure people understand that the only way we're going to get the economy to work for everybody and our society, once again to live up to the values of equal opportunity that at least we aspire to, is if we're mobilized, if we're energized. If we take citizenship to mean not simply voting and paying taxes and showing up for jury duty. But actually, participating in an active way, shutting off the television--

BILL MOYERS: Some exceptions excluded.

ROBERT REICH: --if you don't mind, there's some exception. And spending an hour or two a day on our, in our communities, on our state even on national politics and putting pressure on people who should be doing the public's business instead of the business of the moneyed interests to actually respond to what's needed.

BILL MOYERS: You have many followers, as you know. And several of them had written me, knowing that you were coming, to ask questions they say they would like to ask you, if they had met you in the airport, for example.

One of them, named Arizona Mildman, says "Okay, what does Rob Reich think our direction should be? What would be what we might call the Reich financial recovery plan that would heal and recover this economy?"

ROBERT REICH: The core principle is that we want an economy that works for everyone, not just for a small elite. We want equal opportunity, not equality of outcome. We want to make sure that there's upward mobility again, in our society and in our economy. Now how do we achieve that?

There is not a magic bullet. But we've got to understand that the economy is a system of rules. And we can change the rules if we are organized and mobilized in order to change the rules in ways that make the economy work for us. Why shouldn't we have a minimum wage that is at least as high as, adjusted for inflation, the minimum wage was in 1968? I mean, that would be $10.40 today. But the society is so much more productive. If we figured productivity into that, it would be at least $15 an hour.

We ought to have Glass-- you know, the Glass-Steagall Act ought to be resurrected, so that there is that wall between commercial and investment banking, so we don't have too big to fail banks that wreak havoc on the economy and on the middle class and the poor.

We ought to cap the size of the banks. And we ought to make sure that the banks are not as large and as powerful as they are right now. We've got to make sure that the earned income tax credit is larger. That's a wage subsidy. It was a conservative idea. But it's very important to people.

We've got to have a tax code that is equitable. And I'm not just talking about income tax. I'm talking about Social Security taxes. Exempt the first $15,000 of income from Social Security taxes.

Everybody's. And take off the ceiling on the portion of income subjected to Social Security taxes. And so it makes that system much more equitable. I mean, we can go piece by piece through it, Bill. The point is that we can do it if we understand the nature of the problem. That's what this film is all about.

BILL MOYERS: And Linda Kasel wants to know “what Robert Reich thinks unions can do to transform themselves again to be relevant agents of change?”

ROBERT REICH: Well, one thing we've got to unionize. I say we because it's not just the trade unions. We all as a nation I think have a responsibility to make sure that poor workers in big-box retailers like Walmart or in fast food giant fast-food companies, McDonald's and others that they can unionize that they can therefore have enough power to get a piece of the action.

These workers, these poor workers in retail and restaurant and hotel and hospital they don't have to worry about foreign competition because they're providing services right here. They don't have to worry about automation because the essence of what they're doing is a personal, personal service.

And so they can be unionized. And many of these companies are so profitable and they are very competitive, they're not going to pass on the costs immediately to consumers. They want to keep down their costs. This is a perfect sector in which unions need to be active.

BILL MOYERS: You've been in a feud with Walmart recently.

ROBERT REICH: Well, look, let's be clear. I have nothing against Walmart. But Walmart is the largest employer in the United States. Now if we were back in the 1950s, General Motors was the largest employer of the United States. General Motors in today's dollars was then paying its workers about $50 to $60 an hour. Today, Walmart is paying its average worker, including its part-timers, $8.80 an hour.

What do you-- I mean, does the biggest employer in the United States not have some responsibilities here? I mean, the rest of us are supplementing Walmart pay through food stamps and through everything else that we provide to give people who are working at Walmart enough money so that they can stay out of poverty. But doesn't the biggest employer in the United States have any social responsibility whatsoever?

BILL MOYERS: And you've been circulating or asking people to sign a petition that would do what?

ROBERT REICH: It's a petition to the CEOs of Walmart and McDonald's as the exemplars in these two big, big sectors of the economy, employing huge numbers of people to raise their wages to $15 an hour. Which it seems to me we ought to be able to, as a society, afford it. These companies can certainly afford it. They are so big and so powerful, why not?

These workers, unlike 30 years ago, where fast-food workers and workers in big-box retailers were often teenagers-- the typical worker in these places is an adult is bringing home at least half of family income and these are very profitable companies.

BILL MOYERS: Suzanne Featherstone has a question for you, quote, "Given the current inequality of wealth, how long would it take under your proposed tax rate changes for wealth equality to return to what it was in the 1950s?" And I should say that there's a section in the film where you talk about how the earned tax rate was, in the '50s, was 70 percent, I think.

ROBERT REICH: Well, actually, under Eisenhower, the top marginal tax rate was 91 percent. But even if you consider all the deductions in tax credits, the typical person at the very top of the heap was paying over 50 percent, federal income taxes. Now that's completely out of the political discussion now. That was the norm under Dwight Eisenhower, Republican president Dwight Eisenhower. Now how long would it take? Well, that's just one piece of it. I don't--

BILL MOYERS: You wouldn't propose politically going back to 91 percent on the marginal tax rate, would you?

ROBERT REICH: I would propose going back to a marginal tax rate that was the effective tax rate in the 1950s. That is-- it seems to me that a 52 percent effective tax rate, if we-- you know, 1950s were not a period of slow growth. In fact, in those years, from 1946 to 1978, when the top marginal tax rate was never below 70 percent, those years had more economic growth per year than we've had since. So anybody who says that, "Well, you've got to reduce taxes to get growth," doesn't even know history.

BILL MOYERS: Abby Arletto wants to know, "Do you think American culture is fundamentally irreconcilable now with a viable labor movement and our social democracy?"

ROBERT REICH: It's a valid question. But people, you know, there's some people who may be watching this program who want to throw up their hands and say, "Well, capitalism can't possibly work." Let me just make it clear. There's no other system, no other economic system in global history that has worked as well as capitalism.

Our goal and the goal of America as a capitalist democracy has never been to get rid of capitalism. But time and again, we have saved capitalism from its own excesses. In other words, what we did in the progressive era between 1901 and 1916 and what we did in the 1930s in the New Deal and what we did again in the war on poverty, and what we did again to some extent in the 1990s is to prevent capitalism from going off the rails, to make sure that capitalism is working as it should work.

BILL MOYERS: To be a brake.

ROBERT REICH: As an engine of prosperity for most people.

BILL MOYERS: To be sort of a brake on the excesses of private power, private greed?

ROBERT REICH: The excesses of greed and power, and the money that can corrupt, otherwise, a democratic process. How do you constrain capitalism from doing stupid things that are not in the public interest? You have a democracy that is sufficiently well-functioning. That laws and rules limit what can be done. If the democracy is corrupted itself by that capitalist excess, then the first thing you've got to do is get big money out of politics.

BILL MOYERS: So is this a moral or systemic dilemma?

ROBERT REICH: I would say it's both, Bill. It's certainly a moral dilemma, because it has to do with the foundation stone of this country, which is equal opportunity. If we can't fix it, we're going to lose equal opportunity as a practical reality. It's also systemic in the sense that if we don't do something about this, our economy is going to continue to sputter. It's going to continue to be prone to high unemployment and booms and busts and basically instability. And our democracy is going to be subject to the kind of cynicism that makes it ripe for demagogues on the right or the left to basically conjure up scapegoats and create very ugly society.

BILL MOYERS: That's a hopeless, grim scenario.

ROBERT REICH: It is not hopeless, Bill. This is the most important point. I mean, if people are hopeless, they don't know history. If you and I were having this conversation in 1900, we would be talking about corruption, huge concentration of income and wealth, the robber barons who ran America-- urban squalor, and you might've said to me, "Well, it's hopeless, isn't it?"

And I would've said that to you, "Well, there's going to be a tipping point. I can't tell you exactly when it's going to happen." But what happened in 1901 was the birth of a progressive movement in this country where we had a progressive, graduated income tax, we had laws against impure food and drug, we had antitrust laws to break up the trusts.

We had a progressive movement that ended the corruption in many, many of these states and many of these cities. We have reformers coming in and basically beginning to change America so that it worked for everyone. Now that's been the story of America. It happened again in the '30s, it happened again in the '60s. It can and will happen again.

BILL MOYERS: In the meantime, we can go see “Inequality For All,” a film by Jake Kornbluth and Robert Reich. Rob Reich, thank you very much for being with me.

ROBERT REICH: Thank you, Bill.

BILL MOYERS: Robert Reich’s optimism is a tonic. But the rich don’t seem ready to take the cure. Look at this recent study, “Democracy and the Policy Preferences of Wealthy Americans." According to the report there is little or no support among the rich for reform that would reduce income inequality. Yet according to “Forbes” magazine, the 400 richest Americans are now worth a combined two trillion dollars. That, while new figures from the census bureau show that the typical middle class family makes less than it did in 1989. The two Americas are growing further and further apart.

At our website, billmoyers.com, there’s more about this and more about the documentary “Inequality for All,” including my conversation with the film’s director, Jacob Kornbluth.

JACOB KORNBLUTH: There's a lot of people who made a lot of money who think this widening economic inequality is bad for them and it's bad for the economy. And that's a big concept in the movie, the sense that often, it's portrayed as, you know, we're taking money from the rich and we're giving it to the poor. You know, let's get angry with these folks or, you know, sort of this animus that comes up in this discussion of inequality. It's us versus them, depending on what side you're on.

And the reframing of that discussion too, wouldn't it be good for the whole economy? Wouldn't it be good for this wealthy guy, Nick Hanaeur, and these other wealthy individuals if they had more customers with money to buy their stuff? And Nick Hanaeur's perspective, the guy in the film, his perspective is that, "Look, if my customers have more money, my skill as a businessman will show through clearer. I can make more money and also my cleverness as a businessman will be more evident." So it-- we went to the folks who believe that message. And who are wealthy as well. And thank goodness, there are some, or else there would be no film today.

BILL MOYERS: You can see my complete interview with Jacob Kornbluth at BillMoyers.com. I'll see you there, and I'll see you here, next time.