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Joel Kotkin: The New Class Conflict Study Guide, 2014

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JOEL KOTKIN: THE NEW CLASS CONFLICT STUDY GUIDE, 2014 Steven Alan Samson

Epigraph: “In every republic there are two parties, that of the nobles and that of the people; and all the laws that are favorable to liberty result from the opposition of these parties to each other.

. . . Good examples [mimetic desire] are the results of good education, and good education is due to good laws; and good laws in their turn spring from those very agitations which have been so inconsiderately condemned by many. . . . The demands of a free people are rarely pernicious to their liberty; they are generally inspired by oppressions, experienced or apprehended; and if their fears are ill founded, resort is had to public assemblies where the mere eloquence of a single good or respectable man will make them sensible of their error.” – Machiavelli, *Discourses on Livy*

FOREWORD: FIXING THE BROKEN COMPASS

Outline

- A. FRED SIEGEL
 - 1. Journalist-intellectual's **H. L. Mencken's** *Prejudices*
 - a. Best known for opinion pieces written from Baltimore
 - 1) Exception: The Scopes trial in Dayton, TN, which was not objective
 - b. **Joel Kotkin:** The anti-Mencken
 - 1) On-the-ground reporting around the country and around the world
 - 2. Kotkin Challenges Conventional Accounts of American Society
 - a. His firm grounding in America's demographic changes
 - 1) Self-serving pretensions of those who evoke the supposed decline of suburbia and the repopulation of America's downtowns
 - 2) These reports reflect their writers' lifestyles and self-importance as well as the interests of “hip” architectural circles
 - b. His focus has been on the ascent and decline of Los Angeles
 - 3. Themes That Kotkin Was the First to Explore
 - a. Hying of the so-called creative class [Richard Florida]
 - b. Silicon Valley Oligarchy
 - c. Growth of gentry [elite and opinion-leader] liberalism
 - d. Prejudices of “quality dailies” and their media offshoots whose presuppositions about right and left have been eclipsed by a quarter-century of changes
 - 4. Competing Elites of the Obama Era Have Attached Themselves to Dramatically Different Segments of Society
 - a. Directions on the new compass
 - 1) True north of powerful elites points to two ruling classes
 - a) A new one defined by the production of abstractions, digital and financial
 - b) The other rooted in the manufacture and manipulation of material objects [cf. Carl Oglesby's *The Yankee and Cowboy War*]
 - 2) East and west point toward two segments of the middle class
 - a) One is rooted in the public sector
 - b) The other is rooted in the private sector

Review

H. L. Mencken

Joel Kotkin

CHAPTER ONE: THE NEW CLASS ORDER

Outline

- A. GREATEST EXISTENTIAL THREAT FACING AMERICA (1-2)
 - 1. Rise of a New Class Order
 - a. Diminished prospects for the vast majority
 - 1) Erosion of the **original appeal of America**
 - 2. Historical Ethos of Our Modern Capitalist Society
 - a. People could reasonably hope to achieve a better future and great material success through hard work and perseverance
 - 3. Great Economic Mobility in America than Elsewhere Prior to the 1990s
 - a. **Charles and Mary Beard**
 - 1) Stark poverty
 - 2) "All save the most wretched had aspirations"
 - 4. **Irving Kristol** on Upward Mobility, 1997
 - a. American capitalism had created an affluent society that reduced class conflicts
 - 5. This Condition Increasingly No Longer Defines Our Society
 - a. Worsening levels of economic mobility
 - 6. Growing Pessimism
 - 7. A Reasonable Response to Economic Trends since the 1980s
 - a. Slowed Rate of Growth since 1973
 - b. Income gap: Top 1% of the population has a quarter of all American income, the highest percentage in a century
- B. THE EMERGING AMERICAN CLASS STRUCTURE (2-4)
 - 1. Global Trend toward Greater **Concentration of Wealth**
 - a. Portends more deeply stratified America with increasingly well-defined classes
 - 2. The **Drivers**
 - a. Globalization, growth on the return to capital (as opposed to labor and immigration), and the rising role of technology
 - b. Results resemble feudal structures with often unassailable barriers to mobility
 - 3. "Strong Comeback of Capital" Relative to Labor
 - a. Increased capture of income by financial firms
 - b. Rising pay for CEOs: 725% since 1978
 - 4. New Class Order Represents the Apotheosis [Deification] of Economic Centralization
 - a. Growing alliance between the ultra-wealthy and the instruments of state power
 - b. **State-dependent bank holding companies**
 - 1) Assets of the six largest bank holding companies: 15% pf GDP on 1992, 64% in 2011
 - c. **Rent-seeking** [legal plunder, crony capitalism backed by political power] focus
 - 1) Job creation and wealth distribution seem secondary, at best, to preserving and inflating assets, and winning friends in Washington
 - 5. Fed Monetary Policy
 - a. Favors the interests of the wealthy over middle classes
 - b. Qualitative easing [shift in the composition of the assets of the central bank towards less liquid and riskier assets]
 - c. High executive pay of the biggest banks three years after the crisis and bailout
 - 6. Both Parties Cater to the Interests of the Super-Wealthy [TR: "Malefactors of Great Wealth"]
 - a. Tax Policy
 - 7. Political Agenda Has Greatly Expanded Oligarch's Share of the National Economy
 - a. Obama Administration's discordant message of populism in pursuing this agenda

8. Incomes Have Declined for the Lower 93%
 9. Discrepancy between Rhetoric and Reality
 - a. From 1950-2000 expansion of middle-class prosperity and property-ownership bolstered conservative perspectives
 - b. Today the case for democratic capitalism has been somewhat diminished
- C. THE NEW OLIGARCHS (4-6)
1. Melding of Technology with Powerful Sources of Capital
 - a. **Digitization of the Economy**
 - 1) Shift of physical products and services into cyberspace
 - b. **Oligarchy**
 2. Karl Marx
 - a. Role of Technological Change
 3. **Industrial Revolution**
 - a. Rise of artisans and mechanics launched it
 - b. Creators of smaller scale capitalism began to lose ground in the early 1800s
 - 1) Impact of the European global conquest
 - c. Reordering of the class system
 - d. Shift in the preponderance of wealth and power
 - 1) From the landowning aristocracy and the old merchant class
 - 2) To the manufacturers and financiers
 - 3) Weakened status of weavers, artisans, and farmers
 4. New Shift to the **Information-Based Economy**
 - a. H.G. Wells: Ascendancy of a nucleus of engineers and skilled mechanics
 - b. Daniel Bell
 - 1) Mechanization
 5. Vast New Fortunes
 - a. Tech entrepreneurs [Oligarchs] are mostly based in Silicon Valley
 - 1) Lion's share of billionaires who are under 40
 - 2) Ten new billionaires in 2014 alone
 6. Domination of Cyberspace by this Rising Class Threatens to Consolidate Concentration
 7. Tech Oligarchs Seek to Shape the Country's Future Direction
 8. Today's **Philanthrocapitalism**
 - a. David Callahan: "affluent super-citizens" craft their own solutions to social problems
- D. WHAT MAKES THE NEW OLIGARCHY DIFFERENT FROM THE OLD? (6-7)
1. Need to Focus on the Differences
 2. The Old Plutocracy Was Forced to Deal with Their Employees and Consumers
 3. The New Oligarchs Based Their Fortunes Primarily on the Sale of **Ephemeral Goods**
 - a. Media, advertising, entertainment, i.e., virtual reality
 4. Mass Affluence Is No Longer a Prerequisite
 5. Critical Employees Are Drawn from the Ranks of the Very Well-Educated
 - a. High market share, low overhead
 6. Basic Work Performed by Service Firms or Industrial Contractors in Asia
- E. THE RISE OF THE **CLERISY** AND THE EMERGENCE OF GENTRY LIBERALISM (8-11)
1. Key Sectors as Education, Government, and Media
 2. Base of Power: Persuasion, Instruction, Regulation
 - a. Uniformity of worldview
 - b. Support of Democratic Party
 3. Evolution of **Gentry Liberalism** [gentry: the old knightly class]
 4. Affluent Supporters of Liberal Causes Based on Philosophy and Self-Interest
 - a. Urban developers and government financiers
 5. Post-WWII "New Rich"
 - a. Oil, engineering, agribusiness, real estate
 - b. Switch to Republican Party
 6. New Alliance between the New Oligarchs and Their Clerical Allies
 - a. Mutual ambition to shape the future of society

7. Gentry Liberalism
 - a. **Refocusing of left-wing politics** away from middle and working classes to attend more closely to the policy interests of the affluent and the public sector
 - b. Their interests seem to be diverging
8. Discrepancies between the New Progressive Policies and Social Realities
 - a. Household incomes dropped by \$2600 during the first Obama term
9. The President Has Derived Much of His Support from the Ultra-Rich
10. **Progressivism** Depends Increasingly on the Largesse of the Wealthy
 - a. New political reality has shifted the focus away from foreign policy, the role of labor, and the conflict between rights and obligations
 - b. Appeal is no longer aimed at the middle class yeomanry
11. Perspective of Rising Classes
 - a. It is socially liberal, “green”, protective of privileges
 - b. Emily’s List, Act Blue, Moveon.org
12. Age of Elites
 - a. Wealthiest American Counties are the Most Reliably Democratic
13. Traditional Role of Oligarchs and Clerisy
 - a. Creators and investors vs. enforcers of social norms and spreaders of philanthropy
 - b. 19C **robber barons** [Rockefeller, Carnegie, Morgan, Harriman]
 - 1) Enormous legacy of in the form of industries
 - c. Mass affluence came later
14. Wealthy Are Not Disinterested Observers
 - a. Politics of business
15. Their Self-Conceit of Serving Science and the Global Public Interest
- F. THE CHANGING ATTITUDE TO GROWTH (11-12)
 1. Old Plutocracy’s Fixation on Growth
 - a. Walter Reuther
 - b. Leadership in applied technology
 - 1) San Jose and Houston have the highest per capita population of engineers
 2. Old Economic Regime Emphasized Growth and Upward Mobility
 - a. New economic order focuses more on “sustainability” than expansion
 3. Contemporary **Environmentalism**
 - a. Progressive reputation; **socially regressive** in application
 - b. Harm to “tangible” industries that employ **blue-collar workers**
 - c. The current ideology is degenerative
- G. THE EMBATTLED YEOMANRY (12-13)
 1. Still Extensive **Yeoman Class**: Small Business Owners and Small Propertyholders
 - a. Decline during the Gilded Age
 - b. Fading economic and political power
 2. Early Critical Role in the Origins of Capitalism
 - a. Business start-ups
 - b. Driving force of the market
 - c. Artisans and aristocracy supplanted
 - d. Their ascendancy promoted freedom and individual choice
 3. Long Ascent into the Early 1970s
 - a. Worsening conditions since then
 4. Huge Increases in Fixed Costs and Demise of Real Pensions
 - a. Leading causes of bankruptcy
 5. Overall Median Incomes fell 7%
- H. THE EXPANDING LOWER CLASSES (13-14)
 1. Threat of a More Bifurcated Society
 2. Permanent Status as Working Poor
 - a. Downward mobility among less-skilled workers
 3. Minorities

- a. Growing income gap
- I. RULE FROM OUR BETTERS? (14-16)
 - 1. Hardening of Class Lines
 - a. **Tyler Cowen**
 - 1) Limited prospects for 85% of population
 - 2) Lower orders would service the needs of high earners
 - b. Projected future: deference and hierarchy based on exclusion
 - c. Defense of hierarchy
 - 2. Tech Community's Embrace of a **Culture of Deference**
 - a. Tech community increasingly sees itself as a natural-born elite
 - 1) Darwinian notion of natural selection
 - 3. Progressives Offer Little That Would Allow for Greater Upward Mobility
 - a. Reliance on redistribution for resolving social ills
 - 1) Progressive theorists often write off industries that have long driven private-sector middle-class incomes, in part for environmental reasons
 - 2) Christopher Lasch: Environmental constraints undercut the idea that the "good life" could be made universally available
 - 4. End of the Romance between Upward Mobility and the Progressive Idea
 - a. Walter Russell Mead describes this perspective as the *Downton Abbey* vision of the American future
 - 5. Change in the Consumer Culture
 - a. Peter Francese: **mass affluent** [top 10% of households]
 - 1) Luxury brands did best during the recession
 - 6. Rise of a Plutonomy [Law or Custom (Culture) of Wealth]
 - a. Michael Bloomberg
 - 1) Called for relocation of billionaires to New York
- J. WILL THE MIDDLE ORDERS REVOLT? (16-18)
 - 1. Alienation of the Middle Orders
 - a. American institutions' low public esteem
 - b. Distrust is widespread
 - 2. Populist Appeals
 - a. Sarah Palin and Elizabeth Warren
 - 3. Undermining of Traditional Left-Right Descriptions
 - a. Some progressives and conservatives defend privilege [rent-seeking, such as tax deductions for mansions and second homes]
 - 4. Susceptibility of Capitalism to Significant Reform
 - a. Marx underestimated it
 - 5. Greater Possibilities for Decentralization
 - a. Old Monopolies on Information and Thought Are Broken
 - 6. Technology's Dual Character May Help Undermine the New Class Order
 - a. Opportunities for diffusion of authority and empowerment
 - 7. **Decentralization** Is the Key as Jobs Spread
 - a. Home-based work force
 - 8. Need to Focus on Broad-Based Economic Growth
 - a. Goal: Shrink slums, improve quality of life
 - 9. Need to Provide Greater Opportunities for Ownership and Autonomy
 - 10. Tocqueville: **Dispersed Intelligence** Is the Key to Effective Democracy
 - a. Threat posed by a concentration of intelligence
 - 11. Focus on **Welfarism and Government Regulation** Stymies Mobility by Discouraging Risk-Taking and Innovation
 - a. But the prospect of progress must also be preserved
- K. IS THE AMERICAN DREAM DEAD? (18-19)
 - 1. **Frederick Jackson Turner**
 - a. Expansive Character of American Life
 - 2. Relentless Technological Improvements
 - 3. Passing of the **Prairie Frontier Culture**

- a. *Déclassé* future?
- b. Historically radical notion of upward mobility is threatened
4. Conventional Wisdom: Acceptance of Ever-Narrowing Opportunity
5. Culture of Aspiration in America Is Not Quite Dead
 - a. Turner acknowledged the continuing expansive character of American life
6. Real Priority: To Overcome Factors Stifling Its Continued Health

Review

original appeal of America	Charles and Mary Beard	Irving Kristol
concentration of wealth	drivers	state-dependent bank holding companies
rent-seeking	Oligarchy, Oligarchs	digitization of the economy
Industrial Revolution	information-based economy	philanthrocapitalism
ephemeral goods	Clerisy	gentry liberalism
refocusing of left-wing politics	Progressivism	robber barons
environmentalism	socially regressive	blue collar workers
yeoman class	Tyler Cowen	culture of deference
mass affluent	decentralization	Alexis de Tocqueville
dispersed intelligence	welfarism and government regulation	
Frederick Jackson Turner	prairie frontier culture	

CHAPTER TWO: VALLEY OF THE OLIGARCHS

Outline

- A. NEW AMERICAN RULING CLASS (20-21)
 1. Marriage of Technology [Rule by Engineers] and Media
 2. Emerging Tech Oligarchy
 - a. Concentrations: Bay Area, Greater Seattle
 3. Top Five Firms of **Social Media**
 - a. Concentration in expensive, exclusive regions
 4. Current Tech Oligarchs
 - a. Different from original “propeller heads”
 - b. New fortunes made from software, social media, internet marketing
 5. The Old Techies
 - a. Engineering types who were largely apolitical or moderate in their politics
 - b. Early PC and Internet firms were apolitical or vaguely anarchistic
 6. The New Autocrats
 - a. Resemblance to Skynet in the *Terminator* series
 - b. Sean Parker
 - 1) Obama’s re-election
 - c. Venue shopping
 7. Ability of the Sovereigns of Cyberspace to Market Our Most Intimate Details
 - a. **Rebecca Mackinnon**: Breaking into the personal code of every individual
 - b. Manuel Castells: The new power lies in codes of information and images of representation
- B. THE OLIGARCHIC MOMENT (21-23)
 1. Oligarchies Tend to Arise at Critical Points of Economic Transition
 - a. Mass production-oriented industrial juggernaut, 1880-1930
 2. New Moguls Supplanted the Old Mercantile and Agriculture Elites
 - a. The Beards: Masters of great urban wealth formed a “young plutocracy”
 - 1) New York City: Most powerful center of accumulation
 3. Investment Banking Firms and Publishing Industry Giants
 - a. Goldman Sachs, Oppenheimer, Lehman Brothers, Hearst

- b. Senate then known as the “millionaire’s club”
 - c. Cornelius Vanderbilt’s railway empire
 - 4. Hegemony of the Information Economy
 - 5. Russian Oligarchs
 - a. Young, well-connected, aggressive figures seized control over critical assets [cf. Ben Judah’s *Fragile Empire*]
 - b. Moscow is now the home of the greatest number of billionaires
 - 6. Silicon Valley
 - a. Access to limited pools of **risk capital**
- C. THE ROOTS OF OLIGARCHY (23-24)
 - 1. Software Giants Face Limited Foreign or Domestic Competition
 - a. Unusually large market shares
 - b. Google
 - c. Wealth stems in large part from **monopoly rents**
 - 2. Struggle between Oligarchs
 - a. Google and Apple provide almost 90% of operating systems for smartphones
 - 3. Oil and Auto Industry Competition
 - a. Hyundai
 - b. Oil and gas
 - 4. Stockholding
 - a. Exxon and General Motors
 - b. Google, Oracle, Microsoft, Facebook
 - 5. Cash Rich Elite
 - a. Apple, Microsoft, Cisco, Oracle, and Google often have more cash on hand than Uncle Sam
 - b. Seven of the eight biggest individual winners from stock gains were tech entrepreneurs
 - 6. Ten of 29 Billionaires under 40 Years Old Came from the Tech Sector
- D. THE FAVORED .01 PERCENT (24-26)
 - 1. Great Wealth and High Status at a Young Age
 - a. Twitter founder, Jack Dorsey
 - 2. Superiority Complexes
 - a. Thomas Piketty
 - 3. Self-Regard Has Been Reinforced by Public Perception
 - a. Apple’s Steve Jobs
 - 4. Aura of Earned Success
 - 5. Bubble
 - a. Google’s Eric Schmidt
 - 6. Never-Ending Supply of New Toys
 - 7. Preferred Private Companies among Millennials: Disney, Apple, Google, Microsoft
- E. TECHNOLOGICAL UTOPIANISM (26-27)
 - 1. Innate Sense of Superiority within the Information Hierarchy
 - a. Attitudes about technology as the primary drive of societal change
 - 2. New Markets and Global Communications
 - 3. Thomas Edison on Electricity
 - a. Cities grew faster and factories more oppressive
 - 4. WWII and the Cold War
 - a. Accelerated rise of technology-based-business
 - b. Churchill: the new empires are those of the mind
 - 5. Jacques Ellul
 - a. *The Technological Society*
 - 6. John Kenneth Galbraith
 - a. Technostructure: Imperatives of technology would enhance centralization
- F. THE CALIFORNIA MODEL (27-28)
 - 1. **Silicon Valley**
 - a. NASA and the Defense Department

- b. Lockheed
 - c. Shift to software
 - d. **California ideology**: Amalgam of free market conservatism, social liberalism, and technological utopianism
2. Corporate Culture Differed from the Galbraithian Ideal
 - a. Top executives shifted between companies
 - b. Reliance on social and technical networks
 3. **Networked System** More Supportive of Younger Entrepreneurs
 - a. Steve Jobs
 - b. By 1990, the Valley had 39 of the nation's fastest growing electronics companies
 - c. Valley firms outperformed Japan
 4. **Alvin Toffler [Futurist]: Third Wave**
 - a. Decentralization of technology would weaken the power of Big Brother
 5. **Moore's Law** of Increasing Productivity through Information Technology
 In 1965 Gordon Moore, the co-founder of Intel, "noticed that the number of transistors per square inch on integrated circuits had doubled every year since their invention. Moore's law predicts that this trend will continue into the foreseeable future."
 - a. Tech executives portrayed as "artists" rather than greedy capitalist
 - b. Nicholas Negroponte
- G. FROM ARTISTS TO PRYING OLIGARCHS (28-31)
1. Nathan Jurgenson: Anti-Capitalist Capitalism
 - a. Instant fortunes based on promise of being "game-changers"
 2. **Cutthroat Acquisitiveness**
 - a. Daniel Bell: A meritocracy merely becomes an enclaved class after a generation
 3. Tech Power Structure Will Remain in Place
 - a. Benefits and highest profits accrue to the same array of financiers, entrepreneurs, and lawyers
 4. **Willis Ware's Warning**
 - a. Intensive and **personal surveillance**
 5. David Lyons: Surveillance society
 6. **Oligarchic Ascendancy**
 - a. **Jaron Lanier**: Based on efforts to penetrate the private lives of every individual
 - 1) Google's bypass of Apple's privacy controls
 7. Facebook's Violations of Privacy
 8. Silicon Valley Lobbying against Bills That Address Internet Privacy
 - a. Oligarchs have cultivated support in the White House
 9. Individual User Has Little Leverage
 10. Exploitation of the Internet is Central to the Tech Oligarchs Long-term Strategies
- H. AMERICAN KEIRETSU (31-34)
1. New Fortunes will Shape our Future
 2. Keiretsu: Intertwined Hierarchies That Replaced Japan's Pre-War *Zaibatsu* System
 - a. Set of companies with interlocking business relationships and shareholdings
 - b. Unique access to capital and powerful links to media and political power
 3. Interlock between Somewhat Competitive Companies
 - a. **Directors Club**
 - b. Firms develop elaborate schemes to prevent poaching of employees
 - c. Top guns shift from company to company
 - d. Anti-competitive practices to keep out rivals [Adam Smith noted such practices]
 4. Collusive Practices
 - a. Dominance of critical software niches is used to gather financial and technological resources
 - b. Diversification: These resources have allowed them to move into fields such as robotics, energy, mapping, driverless cars, and aging
 5. Shift of Resources from Social Media to Robotics and Space Travel
 6. Their Advantages: Credibility and Almost Unlimited Capital Resources
 - a. Sale of Motorola's Mobile Division

7. Google
 - a. Acquisition of Nest brings Google into the “smart home” marketplace
 - b. Kleiner Perkins
 - c. Post-modern conglomerate
 - d. Googlestan
 8. Gang of Four Internet Companies: Microsoft, Apple, Facebook, and Google
 9. Automobiles
 - a. Tesla’s **Elon Musk**, co-founder of PayPal
 10. NASA
 - a. Space X
 - b. Amazon CEO **Jeff Bezos**
 - 1) Blue Origin
- I THE NEW MEDIA EMPIRES (34-36)
1. New Lobbying Group
 2. Transformation of the Traditional Structure of the Information Industry
 - a. Traditional media pipelines
 - b. Oligarchs’ **global pipelines** are used to gain control over entertainment, news, and other media
 3. Shift from Traditional Advertising to Valley-based Companies
 - a. Devastating economic effects from shift in platforms
 - 1) Older media companies and advertising agencies have lost revenues [what Joseph Schumpeter called capitalism’s “creative destruction”]
 - b. Publicis Omnicom
 4. Massive Losses in Print Media
 5. **Paper Economy** Is Being Swept Away
 - a. First look media
 6. Consolidating Influence by Buying Up Bastions of the Old Media
 - a. William Randolph Hearst
 - b. Chris Hughes has bought *The New Republic*
 - c. Jeff Bezos has bought *The Washington Post*
 7. Oligarch-controlled News Media
 - a. Yahoo is the top news media site
 - a. YouTube (owned by Google) and Netflix
 - b. Outsourcing to more established vendors
 8. Transition to News over the Internet
- J. SHOULD THE NEW OLIGARCHS RULE? (36-37)
1. Tech Hegemons
 - a. Desire to detach Silicon Valley from the limitations of American citizenship
 2. Oligarchs Generally See Themselves as Huge Assets to Society
 - a. Edward Harriman
 3. Disdain for Lobbyists is Vanishing
 - a. Hiring of Professional Parasites
 4. Growth of Facebook’s Lobbying Budget
 5. Anticipated Nexus between the Valley and the Federal Leviathan
- K. THE GREEN AGE (37-39)
1. Reliably Liberal Bay Area
 - a. California as the spiritual inspiration for modern progressives
 2. **Tech Political Agenda**
 - a. Energy and the environment
 - 1) Assault on traditional energy by Tom Steyer, hedge fund manager
 3. Attack on Oil, Coal, and Natural Gas
 - a. Keystone pipeline
 4. Why They Embrace the Hyper-Regulatory Regime
 - a. Oligarchs directly benefit from policies that favor **renewable energy**
 - b. Assurance of a guaranteed market through mandates and subsidies [rent-seeking]

5. Strict Regulatory Controls Imposed on Fossil Fuels and Suburban Development, 2006
 - a. Role of eBay and TechNet contributions
- L. DO NO EVIL, BUT LEAVE MY PRIVATE JET ALONE (39-40)
 1. F. Scott Fitzgerald on the Very Rich
 2. Living Very Well
 - a. Proposed Flight Center
 3. Jet Fuel Consumption
 - a. Crude oil obtained at federally-subsidized rates
 4. Two Sets of Rules
 - a. Marissa Mayer banned telecommuting options for her employees while building a nursery in her office
 5. **Tax Avoidance** via Trusts and Other Dodges
 - a. Twitter
 - b. Facebook
 - c. Apple
 - d. Microsoft
- M. PEOPLE: "FLIES IN THE OINTMENT" (40-41)
 1. Devastating Effect of Technological Change
 2. Offshore Labor Force
 - a. Exploited workers in Chengdu, Guangzhou, and elsewhere abroad
 3. Worst Exploitation Kept Far Away
 - a. Domestic Scrutiny Avoided
 4. Almost Total Absence of Organized Labor
 - a. Atmosphere untroubled by labor activism that affects Walmart and McDonald's
 5. Loss of High-Tech Jobs after 2000
 6. Shift from a Production to a Software Orientation
- N. THE RISE OF THE TECHNOCOOLES (41-43)
 1. Resemblance to the Gold Rush
 - a. Dot-Com Crash
 2. Temporary Programmers from Asia
 - a. Instead of a shortage of skilled computer workers, there is a high surplus
 3. Preference for **Guest Workers**
 - a. Workers without families in the US don't need affordable housing or expensive health plans
 4. Programmers Salary Increases Have Been Modest
 5. Compliant and Cheap Labor Force
- O. THE TWO VALLEYS: PRECURSORS OF THE AMERICAN FUTURE? (43-45)
 1. Enrico Moretti
 2. Highly Unequal Structure of Employment
 - a. Boosters improve festering social problems
 - b. Philanthropic underperformance
 3. De-Industrialization of Some Parts of the Valley
 - a. San Jose "Rust Belt"
 4. Decline in Job Creation
 5. Old Egalitarian Culture Replaced by a Bifurcated One
 - a. Techie Disneyland
 - 1) Sex Industry
 6. Diversity Delta
 7. Wages
 8. Lack of Benefits for Staff
 9. Soaring Poverty Rates: 8% to 14% Since 2001
 - a. Underemployment: 1 out of 4 in the San Jose area, up from 5% a decade ago
 - b. Food stamp population
 - c. The Jungle
 10. San Francisco
 - a. Google buses

- b. Resentment at the technology industry's lack of civic and community engagement
- c. Tax breaks
- 11. Highest Real Estate Prices
 - a. Large sections of the Bay Area resemble a gated community
 - b. Marginal nether-existence of workers
- 12. Critical Role in the American Economy
 - a. Concentration of power and money: Danger of undermining upward mobility
 - b. Innovation and entrepreneurship are critical values
 - c. Dangerous Hubris

Review

social media	Rebecca Mackinnon	risk capital
monopoly rents	Silicon Valley	California ideology
networked system	Alvin Toffler	Third Wave
Moore's Law	cutthroat acquisitiveness	Willis Ware
personal surveillance	Oligarchic Ascendancy	Jaron Lanier
directors club	Elon Musk	Jeff Bezos
global pipelines	paper economy	tech political agenda
renewable energy	tax avoidance	guest workers

CHAPTER THREE: THE NEW CLERISY

Outline

- A. THE NEW CLERISY (46-49)
 - 1. **Daniel Bell**
 - a. Priesthood of Power
 - 1) Pre-eminence of the professional and technical class
 - 2. Aim: Ordering of Mass Society
 - a. Habitat: Governmental institutions, universities, mainstream media, law firms, major foundations
 - b. Power source: Knowledge and authority
 - 3. Resemblance to the Old Clerical First Estate
 - a. George Lefebvre: thought control in the interests of Church and King
 - b. Rise of new orthodoxies
 - 4. Clerisy
 - a. **Samuel Taylor Coleridge**: English poet and conservative
 - b. Noblesse Oblige
 - 5. Right to Rule Obtained from Assumed Superior Command of Science and Information
 - a. Conservative camp
 - 1) Heritage Foundation, Murdoch media empire
 - b. Progressive preponderance
 - 1) Mead's cocoon: socially liberal, environmentally self-conscious, global orientation
 - 6. Distillation of **Secular "Truths"** for the Masses
 - a. Range of issues: economics, justice, race, gender, environment
 - b. Purpose: Persuade the middle or working class to accept policies that work against their material interests or traditional beliefs
 - 7. Growth of Two **Critical Linchpins** of the Clerisy: Academia and the Federal Bureaucracy
 - 8. Academic Growth
 - a. Indoctrination and regulation of speech along politically correct lines
 - 9. Large Portion of the Clerisy's Protection from the Worst Rigors of the Capitalist System

- a. Faculty tenure and pension protections for public sector workers
 - b. Separation from economic reality seen in the causes that animate campus protests
10. Some in the Clerisy Are Less Sanguine about Technological Change
11. **Karl Polanyi** [Author of *The Great Transformation*]
- a. Protection of social assets and status
 - b. Clerisy helps confirm the positions of the new oligarchs
12. **Restriction of Discussion** on Sensitive Issues: Gay Marriage, Climate Change, Race And Gender Issues
- a. Penalties: vilification or ostracism
 - b. Similarity to an old Church establishment
- B. FROM RELIGIOUS TO SCIENTIFIC FAITH (49-51)
1. Social Power of Belief
 2. Role of the Medieval Church
[This misses some of the real checks and balances that resulted]
 3. Belief Systems Became Less Religiously Based and More Inclusive
 - a. Addition of figures from the literary, journalistic, and academic worlds
 - b. Coleridge's clerisy helped justify and challenged the emerging capitalist order
 4. Victorian Era
 - a. Support of emergent capitalism, colonialism, and slavery
 - b. Josiah Strong
 5. Collapse of the Vestiges of the Feudal Order
 - a. Secular-minded reformers
 - 1) **Henri de Saint-Simon** [and his protégé, Auguste Comte]: ideal future state would be shaped through central planning by a small elite
 6. Appeal of this Technocratic Approach
 - a. **H.G. Wells**: The New Republic [early advocate of eugenics, Wells criticized the secrecy of the Fabians, resigned his affiliation, and called for an Open Conspiracy]
 7. American Progressives
 - a. Religion of action
 - 1) **Theodore Roosevelt** mixed Christianity and reform [Christian socialism was a major influence, as shown in *The Encyclopedia of Social Reform*]
- C. ECONOMIC ROOTS OF THE NEW CLERISY: THE SOCIAL-INDUSTRIAL COMPLEX (51-54)
1. **Alexis de Tocqueville**
 - a. Voluntary associations, family, and religion helped moderate the egoism and serve the community needs of a commercial and individualist society
 - b. These bulwarks subsequently weakened; traditional functions were gradually taken over by corporations and the state
 2. Regulation of Even the Most Personal of Belongings
 - a. Behavior modification
 3. Expansion of Government Fiat
 - a. Encroachment
 - b. Shift in influence to government-sanctioned regulators and media
 4. Emergence of a Politics of Happiness
 - a. Federally funded science for defense
 - b. Michael Harrington: social-industrial complex
 5. Twentyfold Increase of Welfare Spending, 1950-1980
 - a. **Michael Harrington** [former editor of the *Catholic Worker* and author of *The Other America*] helped usher in the War on Poverty
 - a. Largest beneficiaries were those who serviced the poor
 6. Social Problems: The New Business of Business
 - a. Harrington: Dangers of private alliances of self-interested executives and ambitious bureaucrats
 7. Commingling of Private and Public Sectors
 - a. **John Kenneth Galbraith** [economist, diplomat, author of *The Affluent Society*]

- and *The New Industrial State*]: The enemy of the market is not ideology but the engineer”
- b. Ralf Dahrendorf: Authority is what matters rather than ownership [cf. Max Shachtman and James Burnham on bureaucratic collectivism]
8. Legal Profession Benefits from the Expanding State
 - a. Roughly three-quarters of contributions by lawyers go to the Democratic Party
 9. Highest Levels of the Bureaucracy
 - a. Biggest beneficiaries of expansive government: those at the highest levels of the bureaucracy
 - b. Result of the growing ranks of federal *nomenklatura*
 - 1) DC has replaced NY as the wealthiest region
 - 2) Increased expenditures on lobbying
 10. Growth of the Regulatory State at Local Levels
 - a. California
 - 1) Confidentiality of state workers' DMV records
 - 2) Public sector unions account for two of the three top donors to political candidates
 11. Code of Federal Regulations
 12. Agencies Often Stand Apart from Traditional Political Constraints
 - a. IRS sanctions against Tea Party groups and NSA domestic surveillance
 - b. Militarization of police power
 13. Advocacy for Technocracy
 - a. Peter Orszag and Thomas Friedman
- D. THE CREATIVE ELITE (54-55)
1. Culture-based Industries
 - a. Arnold Toynbee: creative genius
 2. Creative Class [Richard Florida]
 - a. Norman Birnbaum: Industrialization of culture [cf. what Dwight Macdonald referred to as masscult in the 1960s]
 3. Media's Influence in Shaping Popular Perceptions
 - a. Rise of the Media Oligarchs
 - b. World's 25 richest people come from the information, fashion, or media sectors
 4. Nepotism in the Media: Children of Prominent Politicians
 - a. Hollywood producers came from the ranks of the ultra-rich
 5. Daniel Bell: Permanent Conscious "Avant-garde"
 - a. Values of the Alienated Bohemian have been transformed into Marketing Strategy
- E. THE ACADEMIC STATE: THE REAL COLLEGE OF CARDINALS (55-57)
1. Clerisy's Power over Elite Jobs and Professions
 2. Time has eroded the Democratic Intent of Higher Education
 - a. Land-grant colleges [Morrill Act]
 3. **Clark Kerr** [fired by Gov. Ronald Reagan]: **Multiversity**
 4. Commingling of Interests
 - a. Clinical trials of pharmaceuticals
 - b. Weakening of the university as a neutral and objective research institution
 5. Large Research Institutions
 - a. Demand for Engineers
 - b. Role of MIT and Stanford in the evolution of the tech Oligarchy
 6. Hierarchical Class Order
 - a. Great stratification
 - 1) Alpha vs. Beta professors
 7. Explosion of University Bureaucracies
 - a. Primary Mission: Self-Preservation
 8. Class Nature of the University
 - a. Less aid to needy students
 - b. Role of elite universities as determinants of class status

9. Returns on Education Are Falling
 - a. Decline of the education bonus
- F. THE ENFORCERS OF ORTHODOXY (57-58)
 1. The Beards: Tendency of Science to Become a Dogmatic Religion
 2. Climate Change
 - a. "Settled" science
 3. Liberal Outnumber Conservative Faculty by between Eight and Fourteen to One
 4. Presidential Donations
 - a. Ninety-Six Percent went to Barack Obama
 5. Proportion of Ivy Leaguers within the Obama administration
 6. *Planet U* [cf. Agenda 21]
- G. THE CULTURE OF THE MEDIA (58-61)
 1. Liberal Media Bias
 2. Exceptions to the Rule Also Tend to Follow the News in a "Party Line" Manner
 3. Decline in Racial and Ideological Diversity
 4. Basic Agenda
 - a. Over sixteen prominent journalists joined the Obama Administration
 5. **Pat Caddell** [Jimmy Carter's pollster]
 - a. Secretarial Journalism
 6. **Groupthink** [Coined by Irving Janis]
 7. Cultural Linkage
 - a. President of the cool
 - b. Decisive influence with younger low information voters
 8. Vast Left-Wing Conspiracy
 - a. Jonathan Chait
 9. Climate Change
 - a. Even mild skeptics are banned from key website forums
- H. THE ASCENT OF THE TRUSTIFARIANS (61-63)
 1. Growth in Inherited Money
 - a. Boomer Generation is set to inherit \$8.4 to \$11.6 trillion
 - b. Millennial Generation expected to receive \$41 trillion
 - 1) Golden age of philanthropy
 - 2) Movement toward an **inheritance-based economy**
 2. Rise of **Nonprofit Foundations**
 - a. Soaring employment in this sector: 10.7 million in 2010
 3. Direction of Philanthropy
 - a. Old notions of noblesse oblige
 - 1) Traditional aid to the poor, such as scholarships and food banks
 - b. Move toward a left social action agenda
 4. **Trust-Fund Progressives**
 5. Agendas
 - a. Philanthropy for show
 6. Silicon Valley School of Philanthropy
- I. ENDGAME: THE TECHNOLOGICAL RELIGION (63-64)
 1. Creative Elite of Scientists
 2. Top Scientists' Role of Supreme Clerics
 - a. Widely held "truths": are often found to be fundamentally flawed
 - 1) *Limits To Growth* study, 1972
 - b. **Paul Ehrlich**: Predictions of mass starvation due to overpopulation
 3. Henry Adams
 4. Drift toward a Theology of Science
 - a. Sacralization of Particular Lifestyles
- J. CLERICAL DREAMS: A HIGH-TECH NIRVANA (64-65)
 1. **John von Neumann's Singularity**
 - a. Supplanting of divinity, community, and family by technology
 2. **Ray Kurzweil**

- a. **Transhumanism**
- 3. Biological Computing
 - a. Google
- 4. Vision of Humanity Wrapped Up with Computer Intelligence as Determinative
- 5. Class Implications
 - a. Potential for high-tech feudalism
- 6. Access Restricted to the Very Rich
 - a. MOSHs
- 7. Greater Elite Control over the Masses
 - a. Superfluity of the Masses
 - 1) Bill Joy

Review

Daniel Bell	Samuel Taylor Coleridge	secular "truths"
critical linchpins	Karl Polanyi	restriction of discussion
Henri de Saint-Simon	H. G. Wells	Theodore Roosevelt
Alexis de Tocqueville	Michael Harrington	John Kenneth Galbraith
Clark Kerr	multiversity	Pat Caddell
groupthink	inheritance-based economy	non-profit foundations
trust-fund progressives	Paul Ehrlich	John von Neumann
singularity	Ray Kurzweil	transhumanism

CHAPTER FOUR: THE PROLETARIANIZATION OF THE MIDDLE CLASS

Outline

- A. WEAKNESS OF THE PROPERTY-OWNING YEOMANRY (66-67)
 - 1. Founding Vision of **Small Landholders**
[The medieval yeoman was a middle class between husbandman (householder, either a free tenant or small landowner) and the gentry]
 - a. Thomas Jefferson and James Madison
 - 2. Central Principle of a Dispersed Base of Ownership
 - 3. Highpoint of Mass Prosperity in the 1960s and 1970s
 - a. Role of inherited wealth was reduced
 - a. Sixty percent of households earned middle incomes
 - b. Sixty percent home ownership
 - 4. Declining Home Ownership
 - 5. Christopher Lasch's New Class
 - a. It begins and ends with the knowledge industry
 - b. Rise of a mass upper-middle class
- B. THE ECONOMIC DECLINE OF THE YEOMANRY (67-68)
 - 1. Shrinking Middle Class
 - 2. Dramatic Changes in the Nature of Employment
 - a. Job gains largely in the **low-wage service sector**
 - b. Low taxes on corporate profits
 - 3. One-Third of Those Born into Middle Class Status Fall Out of It
 - 4. Pessimism
 - 5. Slippage to the Lower Rungs by Older and Well-Educated Workers
 - a. Spread of poverty further into suburban areas
- C. THE ASSAULT ON SMALL BUSINESS (68-70)
 - 1. Fading Role of Ten Million Small Businesses

- a. Decline of small business startups
- a. Decline of dynamism in the last decade
- 2. Recovery Has Been Led by Large Businesses
- 3. Decline in Entrepreneurial Activity
- 4. Federal Regulations
 - a. Cost of \$7500 annually for small companies with less than 20 employees
 - b. Environmental regulations: Small companies spend \$4101 per employee
- 5. Tightening Credit Market
 - a. "Too big to fail" banks have been reluctant to lend to small business
 - b. Rapid decline of **community banks**
- D. THE DESCENT OF THE YEOMANRY, WITH CHEERS FROM THE CLERISY (70-71)
 - 1. Vision of a Future Dominated by automated Factories and Computer-Empowered Service Industries
 - a. Steve Case, AOL
 - 2. Blue-Collar Workers
 - a. Walter Reuther: vision of a new middle class
 - b. Shifting of Industry Overseas
 - c. Almost Three Million Domestic Jobs Cut
 - d. Automation and high-end service jobs offshore
 - 3. Middle Class Decline
 - 4. Plight of the Average Skilled Worker
 - 5. Contempt for the Middle Orders
 - a. Richard Tomkins: middle class faces "relative decline"
- E. THE RISE OF THE YEOMANRY (71-73)
 - 1. Threat to Historic Sources of Economic Vitality and Innovation
 - 2. Critical Role of Small-Holders
 - a. Middle-class ascendancy in Europe
 - 3. Jews and Christian Dissenters (Huguenots, Puritans, Quakers, Mennonites)
 - a. **Driving Force** of the New Capitalist Market
 - 1) Creators of cities
 - 4. **New Men**
 - a. Fortunes made in commerce and money lending
 - b. Impoverished proletariat
 - c. Technical innovations [e.g., steam engine, power loom, factory system]
 - 5. America and Britain
 - a. Ascendancy of smallholders
 - 1) Rise of the yeoman class was critical in foreshadowing the evolution of America
 - b. Overthrow of the monarchy under **Oliver Cromwell** [Puritan Revolution]
 - 6. **Enclosure of the Commons**
 - a. Rise in productivity at the cost of a swelling proletariat
- F. THE AMERICAN MODEL (73-74)
 - 1. Republic of Smallholders
 - 2. Dispersed Ownership Enhanced by Government Actions
 - 3. **Homestead Act**, 1862
 - a. More symbolic than effective
 - b. Railways sold more land [acquired as subsidized right-of-ways] than the federal government gave away
 - 4. Westward Expansion
 - a. Percentage of land ownership: nearly 48% before the 1890s
 - b. Speculative booms and busts
 - 5. Agrarian Jeffersonian Dream Undermined
 - a. Capitalist-led industrial growth
 - b. Position of the artisans undermined
 - 6. Urbanization Turned Owners Turned into Renters
 - a. Harder to start a business in the new industrial centers

7. Greater Concentration of Ownership
 - a. Rise of great entrepreneurs: Morgan, Vanderbilt, Carnegie
 - b. Henry George's proposed single tax on rents
8. Shift Toward Tenancy
9. Threat to Middle Classes by Industrial and Financial Oligarchies
- G. THE HOME OWNERSHIP REVOLUTION (75-76)
 1. New Expression for the Yeoman Class Interest in Property
 2. **Great Social Uplift**
 - a. Working class was acquiring benefits previously available only to the affluent
 - b. John Brooks: The Great Leap
 3. New Deal Legislation
 - a. FHA and FNMA paved the way for the **housing boom** of the 1950s
 - b. **GI Bill**: Low-interest loans to returning veterans
 - c. Almost half of suburban housing depended on some form of federal financing
 4. Unprecedented Dispersion of Property Ownership
 - a. Strong economy and expansion of automobile ownership
 - b. Homebuilding surge
 - c. Eric Abrahamson: Transformed Jeffersonian vision
- H. NEW CLASS CONFLICT OVER THE FORM AND NATURE OF GROWTH (76-78)
 1. Threats
 - a. **Housing bust** of 2007-08
 - b. Attacks by the Clerisy
 2. Critics
 - a. E. F. Schumacher: Author of *Small Is Beautiful*
 - b. E. J. Mishan
 3. Dislike of Expansive Growth
 - a. Craving for material success
 4. Bhutan as a Counter-Cultural Paradise
 - a. John Kitzhaber
 - b. Happiest place on earth
 5. The "Happy" Favela of Bogotá
 - a. Charles Montgomery
 6. Affluence and Happiness
 - a. Earth institute
 7. Environmentalism and Emphasis on the Negative Effects of Economic Expansion
 - a. George Monbiot: Battle to redefine humanity
 - b. De-growth
- I. WINNERS AND LOSERS IN THE "HAPPINESS" GAME (78)
 1. Shift from Growth to **Sustainability**
 - a. Boon for public sector and its feeders
 2. Other Winners
 - a. Wealthy
 - b. Media Clerisy
 3. Losers
 - a. Working class
 - b. Young families
- J. WALL STREET AND "PROGRESSIVES" FIND COMMON GROUND (78-80)
 1. Rise of **Neo-Feudalism** and Decline of Yeomanry
 - a. Due to consolidation of ownership in fewer hands
 - b. Renting out of foreclosed homes by financial hegemony
 - 1) Middle classes pay investment classes' mortgages through rents
 2. Shift toward a **Rentership Society**
 - a. Blackstone
 3. Negative Effect on Potential Middle- and Working-Class Buyers
 - a. **Outbidding** by large equity firms
 4. Creation of a Vast, Non-Property-Ownning Lower Class

5. Some Progressives Dislike the Idea of Dispersed Ownership
 6. Urbanists and the Media
 - a. Idea of home ownership ridiculed as a bad investment
 - 1) Investments on Wall Street touted
 - b. Societal benefits to families and communities ignored
 7. The House is the **Primary Asset** of the Middle Orders
 - a. Alliance between the Clerisy and Wall Street prompts high density housing and renting
 - b. This creates a greater gap between the investor class and the yeomanry
 8. Desire for home ownership has not ebbed
- K. THE FIRST GREAT SOCIAL UNRAVELING (80-82)
1. Social Costs May Accelerate a Downward Trajectory
 - a. Middle orders were traditionally characterized by a high order of cohesion
 - b. **Early capitalist enterprises** built around strong kinship ties in cultures that embraced the ethic of moral regulation
 2. Onset of the **Industrial Revolution** Undermined Many of These Values
 - a. Displacement of male bread-winners
 - b. Artisans turned into wage slaves
 - c. Fourfold increase of pauperism
 - d. Arnold Toynbee: Producing wealth without producing well-being
 3. New Paradigm Impacted the Social Conditions of the Emerging Proletariat
 - a. Decline of religion
 4. **Friedrich Engels** on Family Life
 - a. Marked increase in crime drunkenness, and dysfunctional family life
 5. **Alexis de Tocqueville** on the American Family and Religious Culture
 - a. Key means to curbing excessive greed and individualism
 6. Household Authority Supplanted by Economic Forces
 - a. **Max Weber**: Family lost its historic rule as bearer of cultural values
 - b. Rising divorce rates and fatherless homes
 7. Post-WWII Reversal of this Decline
 8. Negative Aspects of the Era
- L. THE RISE OF POST-FAMILIALISM AND THE DECLINE OF THE YEOMANRY (82-84)
1. Heyday of the Nuclear Family
 - a. Its decline has paralleled deterioration of crime and divorce
 2. Social Conservatives
 - a. Author considers the dynamic of class relations to be the real issue
 3. Ratcheting up of Social Dysfunction
 - a. Unmarried mothers
 4. Long-Term Implications
 - a. **Charles Murray**
 - 1) White working and lower classes
 5. Parallels with the First Era of Proletarianization
 - a. Decline in religious affiliation
 - b. Charles Murray: Growth of a **white underclass**
 6. Economic Conditions That Have Made Normal Family Life More Difficult
 - a. Family dysfunction grows with economic insecurity, loss of property
 7. Sarah Corse on Working Class Family Structure
 8. Dysfunction More Profound Among Minorities and Immigrants
 - a. Decline in marriage and childbearing
- M. IS MASS SERFDOM THE FUTURE? (84-85)
1. Growing Role for the State as the Ultimate Replacement for Family or Traditional Community
 - a. "Life of Julia"
 3. State is Supplanting the Role of the Medieval Church and the *Noblesse Oblige* of the Upper Classes
 - a. Role of the state in the alleviation of poverty

- b. Increasing **dependence** on public assistance
- c. Robert Samuelson: Failure of the safety net as an engine of self-improvement
- 3. Fewer Opportunities for Property Ownership
 - a. Intensification of class divides
 - b. Danger of a government class of low-wage proletarians
 - 1) Some fall into a *Lumpenproletariat*

Review

small landholders	low-wage service sector	community banks
driving force	new men	Oliver Cromwell
enclosure of the commons	Homestead Act	great social uplift
housing boom	GI Bill	housing bust
sustainability	neo-feudalism	rentership society
outbidding	primary asset	early capitalist enterprises
Industrial Revolution	Friedrich Engels	Alexis de Tocqueville
Max Weber	Charles Murray	white underclass
dependence		

CHAPTER FIVE: GEOGRAPHY OF INEQUALITY

Outline

Review

anti-sprawl campaigns	“back to the city” movement	plutonomy
Great Recession	Aaron Ehrenhalt	Great Inversion
opportunity cities	luxury cities	two-tier salary structure
informational city	Richey Piiparinen	suburbia
densification	out-migration	Richard Rogers
profitability of cramming		