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Disowned by the Ownership Society

Remember the "ownership society," fixture of major George W. Bush addresses for the first four years of his presidency? "We're creating…an ownership society in this country, where more Americans than ever will be able to open up their door where they live and say, welcome to my house, welcome to my piece of property," Bush said in October 2004. Washington think-tanker Grover Norquist predicted that the ownership society would be Bush's greatest legacy, remembered "long after people can no longer pronounce or spell Fallujah." Yet in Bush's final State of the Union address, the once-ubiquitous phrase was conspicuously absent. And little wonder: rather than its proud father, Bush has turned out to be the ownership society's undertaker.

Well before the ownership society had a neat label, its creation was central to the success of the right-wing economic revolution around the world. The idea was simple: if working-class people owned a small piece of the market—a home mortgage, a stock portfolio, a private pension—they would cease to identify as workers and start to see themselves as owners, with the same interests as their bosses. That meant they could vote for politicians promising to improve stock performance rather than job conditions. Class consciousness would be a relic.

It was always tempting to dismiss the ownership society as an empty slogan—"hokum" as former Labor Secretary Robert Reich put it. But the ownership society was quite real. It was the answer to a roadblock long faced by politicians favoring policies to benefit the wealthy. The problem boiled down to this: people tend to vote their economic interests. Even in the wealthy United States, most people earn less than the average income. That means it is in the interest of the majority to vote for politicians promising to redistribute wealth from the top down.

So what to do? It was Margaret Thatcher who pioneered a solution. The effort centered on Britain's public housing, or council estates, which were filled with die-hard Labour Party supporters. In a bold move, Thatcher offered strong incentives to residents to buy their council estate flats at reduced rates (much as Bush did decades later by promoting subprime mortgages). Those who could afford it became homeowners while those who couldn't faced rents almost twice as high as before, leading to an explosion of homelessness.

As a political strategy, it worked: the renters continued to oppose Thatcher, but polls showed that more than half of the newly minted owners did indeed switch their party affiliation to the Tories. The key was a psychological shift: they now thought like owners, and owners tend to vote Tory. The ownership society as a political project was born.

Across the Atlantic, Reagan ushered in a range of policies that similarly convinced the public that class divisions no longer existed. In 1988 only 26 percent of Americans told pollsters that they lived in a society bifurcated into "haves" and "have-nots"—71 percent rejected the whole idea of class. The real breakthrough, however, came in the 1990s, with the "democratization" of stock ownership, eventually leading to nearly half of American households owning stock. Stock watching became a national pastime, with tickers on TV screens becoming more common than weather forecasts. Main Street, we were told, had stormed the elite enclaves of Wall Street.

Once again, the shift was psychological. Stock ownership made up a relatively minor part of the average American's earnings, but in the era of frenetic downsizing and offshoring, this new class of amateur investor had a distinct shift in consciousness. Whenever a new round of layoffs was announced, sending another stock price soaring, many responded not by identifying with those who had lost their jobs, or by protesting the policies that had led to the layoffs, but by calling their brokers with instructions to buy.

Bush came to office determined to take these trends even further, to deliver Social Security accounts to Wall Street and target minority communities—traditionally out of the Republican Party's reach—for easy homeownership. "Under 50 percent of African Americans and Hispanic Americans own a home," Bush observed in 2002. "That's just too few." He called on Fannie Mae and the private sector "to unlock millions of dollars, to make it available for the purchase of a home"—an important reminder that subprime lenders were taking their cue straight from the top.

Today, the basic promises of the ownership society have been broken. First the dot-com bubble burst; then employees watched their stock-heavy pensions melt away with Enron and WorldCom. Now we have the subprime mortgage crisis, with more than 2 million homeowners facing foreclosure on their homes. Many are raiding their 401(k)s—their piece of the stock market—to pay their mortgage. Wall Street, meanwhile, has fallen out of love with Main Street. To avoid regulatory scrutiny, the new trend is away from publicly traded stocks and toward private equity. In November Nasdaq joined forces with several private banks, including Goldman Sachs, to form Portal Alliance, a private equity stock market open only to investors with assets upward of $100 million. In short order yesterday's ownership society has morphed into today's members-only society.

The mass eviction from the ownership society has profound political implications. According to a September Pew Research poll, 48 percent of Americans say they live in a society carved into haves and have-nots—nearly twice the number of 1988. Only 45 percent see themselves as part of the haves. In other words, we are seeing a return of the very class consciousness that the ownership society was supposed to erase. The free-market ideologues have lost an extremely potent psychological tool—and progressives have gained one. Now that John Edwards is out of the presidential race, the question is, will anyone dare to use it? ■