The Center on Capitalism and Society Columbia University Working Paper No. 94*

This Thing Called the American Dream

Edmund Phelps August 2017

THIS THING CALLED THE AMERICAN DREAM

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In 1968, gonzo journalist Hunter S. Thompson mused about "this Death of the American Dream thing." But what was this thing called the American Dream? What made it uniquely American?

For some, the Dream was Americans' belief that their economy was a cornucopia of goods sure to bring a standard of living unimaginable in other economies: the dream of unrivaled plenty and comfort. But, while America had a superior wage level in the 1700s, Britain nearly closed the wage gap with America by the 1880s, and Germany came almost as close by 1913. Germany and France caught up with America by the 1970s.

For some economists, the Dream was the hope of an improving standard of living: the dream of progress. The economist Raj Chetty has been gauging the improvement people have made over what their parents had.¹ He found that, in 1940, nearly all young Americans had a household income higher than their parents had when they were young – 90 per cent of them, to be precise. That high percentage largely reflects America's rapid productivity growth which boosted wage rates. Yet from 1890 to 1940, rapid productivity growth was normal in Britain, Germany and France as well – as it was in the "30 Glorious Years" from 1945 to 1975. So if the Dream was progress, Europeans could have dreamed of progress too.

For many others, the Dream referred to the hope of America's deprived – stirred by Eleanor Roosevelt, Martin Luther King, John Rawls³ and

¹ Chetty, Raj et. all. "The Fading American Dream: Trends in Absolute Income Mobility Since 1940." NBER Working Paper No. 22910 (December 2016).

² The Roosevelts: An Intimate History. Directed by Ken Burns. First aired on PBS, 2014.

³ Rawls, John. A Theory of Justice, Cambridge: Harvard University Press, 1971.

Richard Rorty⁴ – that their country would somehow end the injustice of pay so low it isolates them from the life of the country: the dream of inclusion. Yet such a dream could not be unique to the poor and marginalized in America. Certainly the Arabs and the Roma in Europe have dreamed of being integrated into society.

For other scholars, such as Richard Reeves and Isabel Sawhill, the American Dream is about mobility more generally. It is a hope held by Americans, in the working and middle classes as well as the working poor, of being lifted to a higher rung on the socioeconomic ladder, not a rise of the ladder itself: the dream of a higher income or social station *relative* to the average. In fact, from the mid-nineteenth century and well into the twentieth, structural shifts wrought by technological change and demographics in America's market economy lifted up many participants — while dropping others. Yet it is doubtful that this "musical chairs" was unique to Americans. From 1880 well into the 1920s, Germans and French saw their economies transformed by globalization — Britons even earlier.

What made the American Dream distinctive was neither the hope of winning the lottery nor of being buoyed up by national market forces or public policy. It was the hope of achieving things, with all that that entails: drawing on one's personal knowledge, trusting one's intuition, venturing into the unknown. It reflected the deep need of these Americans to have the experience of *succeeding* at something: a craftsman's gratification at seeing his mastery result in better work, or a merchant's satisfaction at seeing "his ship come in." It was success that mattered, not *relative* success (would

⁴ Rorty, Richard. *Achieving Our Country: Leftist Thought in Twentieth-Century America*. Cambridge, Harvard University Press, 1999.

⁵ Reeves, Richard, and Isabel Sawhill. "Modeling Equal Opportunity." *The Russell Sage Foundation Journal of the Social Sciences*, Vol. 2, No.2 (May, 2016).

anyone want to be the sole achiever?). And the process may have mattered more than the success.

There is abundant evidence of this goal, as Americans worked it into their books and plays. Mark Twain, though a dark writer, appreciated the quest for success in his young subjects. At the end of his 1885 classic, *The Adventures of Huckleberry Finn*, Finn aims to "light out for the Territory, ahead of the rest." Hollywood writers found other words for it. In the film *Little Caesar* (1931) Rico says, "Yeah, money's alright, but it ain't everything. Be somebody...Have your own way or nothin'." In *A Star is Born* (1937), the aspiring singer Esther Blodgett exclaims that "I'm going out and have a real life! I'm gonna be somebody!" And in *On the Waterfront* (1954), Terry Malloy laments to Charley "I coulda had class. I coulda been a contender. I coulda been somebody..."

Of course, dreaming of success could not have been widespread – a national phenomenon – had working Americans not had an economy that gave participants the freedom to be enterprising: to try new ways and conceive new things. And dreams of success could not have become as widespread as they did had Americans not perceived that they could succeed regardless of their national origin and their social status.

Observing that enterprise, exploration and creation could be engaging, even engrossing, and deeply gratifying, Americans came to view working in businesses, from rural areas to cities, as a path to the Good Life. And that life's rewards were not just money. To suppose that money was their focus – even in their dreams! – is to miss what was distinctive in American life.

From the early nineteenth century to the middle of the twentieth, Americans were proving the wisdom of philosophers from Montaigne⁶ and Voltaire⁷ to Hegel⁸ and –a hit in America – Nietzsche⁹: that the good life is about acting on the world and making "your garden grow," not your bank account.

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⁶ Montaigne. *The Complete Essays*. Translated by Donald M. Frame. Redwood City: Stanford University Press, 1958.

⁷ Voltaire. *Candide*. Translated by Alyssa Harad. New York: Simon & Schuster, 2009.

⁸ Hegel, Georg Wilhelm Friedrich. *Hegel's Philosophy of Right*. Translated by S. W. Dyde. London: George Bell and Sons, 1896.

⁹ Robb, Richard. "Nietzsche and the Economics of Becoming." *Capitalism and Society*, Vol. 4, Issue 1, Article 3 (2009).