Plutocracy in America

Isaac WILLIAM MARTIN

Is American democracy controlled by a rich minority of plutocrats? Has it drowned in money in the past thirty years? Studying the behavior of rich Americans in politics, three recent books answer these questions and prove that, yes, plutocracy has become a real threat in America.

Reviewed: Kay Lehman Schlozman, Sidney Verba, and Henry Brady, *The Unheavenly Chorus, Unequal Political voice and the Broken Promise of American Democracy,* Princeton, Princeton University Press, 2012. Martin Gilens, in *Affluence and Influence. Economic Inequality and Political Power in America*, Princeton, Princeton University Press, 2012. Jacob Hacker and Paul Pierson, *Winner-Take-All Politics*, *How Washington Made the Rich Richer--and Turned Its Back on the Middle Class,* Simon and Schuster, 2011.

Alexis de Tocqueville famously warned that democracy in America could become a tyranny of the poor majority. Less famously, he also warned that it could become a despotism of the rich minority. The promise of democracy in America was that politicians could ascend to office without inheriting wealth or title. But precisely because rulers were not independently wealthy, they could be suborned by other people who were. “While the rulers of aristocracies sometimes seek to corrupt,” he wrote, “those of democracies prove corruptible.” What Tocqueville meant by “corruption” was not just bribery. It was creeping rot. Once ordinary citizens perceive that politicians are for sale to the highest bidder, he thought, they may gradually withdraw from public affairs, until they have left the government entirely in control of the plutocrats. Tocqueville’s *Democracy in America* described a democracy caught between Scylla and Charybdis. If it were to endure, it would have to steer between the rocks of tyranny by the poor and the whirlpool of corruption by the rich.

Later Populist and Progressive critics of American democracy echoed Tocqueville and elaborated on his critique of plutocracy. The clamor of criticism reached a high point in the years around the First World War, when inequalities of income and wealth had reached unprecedented heights. In books with titles like *The New Plutocracy*, *Triumphant Plutocracy*, and *Plutocracy*, the critics warned that the new extremes of inequality might initiate a vicious cycle that could ultimately undermine democracy altogether. Rich people would buy political influence; they would use that political influence to secure the policies they favored; those policies would make them even richer, at public expense; and they would use their ill-gotten gains to buy still more political influence, thereby initiating the cycle once again. Once our polity was caught in this whirlpool, these critics warned, democracy would drown in money. The progressive critics of plutocracy described a frightening American future. Here is thought that is even more frightening: are we living in the dystopian future that they described? Is American democracy already circling the drain?

How The Tich Get The Policies They Favor

Some leading scholars of American politics are sounding increasingly worried. Three influential books by political scientists summarize the state of what we know about plutocracy in America. What is new about these books is not the argument that political equality is fragile or the argument that American democracy is corruptible by the rich. What is new is the care that the authors take to document the political role of the rich, and the quality of the evidence that they have amassed. Together these new works leave little doubt that plutocracy in America is a real threat.

Consider the cliché that the voices of the rich have undue influence in the counsels of American government. Do they? In *The Unheavenly Chorus*, Kay Lehman Schlozman, Sidney Verba, and Henry Brady amass a small mountain of data to show that the answer is yes, indeed. They compiled a new database of interest groups that lobby in Washington, D.C., to show that the rich have more and bigger lobbying organizations speaking for their economic interests than anyone else. They analyzed survey data to show that interest groups elicit more political engagement from the rich than from anyone else. And they mined decades of survey data, much of it original, for evidence of inequality in political participation. When it comes to the everyday activities of politics—discussing political issues, contacting elected officials, taking part in a boycott, voting, volunteering for a campaign, joining a political organization, attending political meetings, serving on the board of a political organization, even sending a political e-mail or signing an on-line petition—rich people do these things more and more persistently than anyone else.

Above all, rich people give more money to political candidates and organizations. Schlozman and her co-authors are careful to point out that money is not the only political resource that is unequally distributed. Inequalities of time, knowledge and skill are also important for understanding unequal participation. But money is special. It is the most fungible political resource—with enough money, you can buy political knowledge and political skill, whereas the converse is not always true. Money is also the most unequally distributed of these resources. And it is the most unequally deployed. As they point out, the most active campaign volunteer cannot give much more time than the least active volunteer, because there are only so many hours in the day. But there is, in practice, no limit on how much money the most active political donor can spend.

Do rich people spend their money effectively to get the policies they favor? Martin Gilens, in *Affluence and Influence*, presents some of the most systematic data ever assembled to answer this question, and he shows that the answer is an unequivocal yes. To discern what policies the rich want, he analyzed data from every available public opinion survey administered between 1981 and 2002 that asked respondents to state their unconditional support for or opposition to a specific policy change that could be plausibly undertaken by the federal government. To discern what policies the rich get, he combed the historical record to see if each of these policy changes actually occurred within four years after people were polled about it. As a result of this heroic effort of data collection, Gilens is able to show that people at the 90th percentile of the income distribution often get the policies they want, and people at the 10th and 50th percentiles don't—except when they happen to want the same policy that people at the 90th percentile want, in which case they *do* get the policies they want, but only because people at the 90th percentile want it, too. Gilens is careful not to call the people at the 90th percentile rich—in his words they are "merely affluent" (p. 241)—but the *Oxford English Dictionary* says these are synonyms, so I will summarize his findings this way: When the rich overwhelmingly oppose a policy change, it is very unlikely to happen. When they overwhelmingly support a policy change, they get their way more than half the time.

When it comes to *how* the rich get their way, the explanation seems to be: they pay for it. Gilens considers several other explanations, only to rule them out. It could be that members of Congress just happen to share the policy preferences of the rich because they are rich themselves, for example, but this is probably not the whole story, because the very richest Congresspeople do not vote differently from those rich Congresspeople who are merely affluent. Nor is it by funding the creation of special interest groups that rich people get their way. Such groups are influential—and, as Schlozman *et alia* show conclusively, such groups definitely overrepresent the interests of the rich—but the rich quite often get the policies they want even in cases where interest groups are absent or aligned against them. The whole explanation for the influence of the rich also does not lie in the unabashedly plutocratic ideology of the contemporary Republican Party. That may be part of the story, but Gilens shows that Democratic Party government is also disproportionately responsive to the preferences of the rich, and that on some non-economic issues, Republican governments are actually more responsive than Democratic governments to the preferences of the poor. In the end the reader is left with the conclusion that rich people get their way because of their greater participation in politics, which in turn is a function of their money. This is more or less what Tocqueville meant by corruption.

The Rising Inequality Of Our Time: How The Rich Got Richer

Is this pattern of political influence responsible for the increasing economic inequality of our time? The answer might seem obvious—if inequality has been rising for forty years, then we may say that it has been the policy of the United States to tolerate rising inequality, and a casual reader of these books might conclude that the policy would not be that way unless that is how rich people wanted it. But if we ask whether the rising incomes of the rich since the 1970s can be traced to *the specific changes in public policy sought by the rich*, there is plenty of room for doubt. Economists have found many other causes of rising inequality, especially technological changes that have increased demand for highly educated workers. Even when we can identify particular policy changes that have benefited the rich, it may not be the rich who deserve all of the credit (or the blame) for putting those policies in place. Gilens presents evidence that some of the most blatantly inegalitarian policies of the last thirty years are also among the exceptional policies that reflect the preferences of the non-rich majority. Some of the Bush-era tax cuts, for example, appear in *Affluence and Influence* as surprising examples of majoritarian democracy in action, as do the Clinton-era cuts in welfare spending for the poor. Perhaps, when the rich spend their money to influence public policy, we should see this as an expressive act like buying a fancy yacht, or making a large donation to the philharmonic, instead of a narrowly profit-maximizing act like purchasing stock in a business. Maybe spending money to influence politics is not how the rich get richer. Maybe it is just another way that some of them fritter away their fortunes.

But it is surely how at least some of them get richer. In *Winner-Take-All Politics*, Jacob Hacker and Paul Pierson present evidence that the rapid increase in inequality since the 1970s has been driven by the rising incomes of the richest one percent, that the rising incomes of the richest one percent can be traced to political decisions, and that these political decisions can be traced to the political efforts of business executives who began to organize new interest groups in the 1970s. The centerpiece of the book is a series of case studies of tax policy, executive compensation policy, and financial regulation, all of which show that business-backed interest groups lobbied hard for policies to enrich their executives and got what they wanted. The book also describes how business lobbyists shaped industrial relations policy, which has little to do with how the very richest got richer, but a lot to do with why the incomes of the poor and middle class did not keep pace. The use of policy to put obstacles in the path of workers who want to form a union also helps to explain why there was no powerful interest group lobbying on the other side when businesspeople went to beg Washington for higher pay.

The evidence that these policy decisions are at least partly to blame for rising inequality is strong. The timing fits, as does the sectoral and occupational distribution of the biggest winners in the lobbying game, who are also the biggest winners in the winner-take-all economy—namely, executives in financial firms. The evidence that business groups were involved in lobbying for these policies is incontrovertible. The evidence that such lobbying actually caused the passage of the policies is circumstantial, but always plausible, and often consistent with the accounts of policy makers who were there. More than the other books reviewed here, *Winner-Take-All Politics* will leave skeptical social scientists with questions about measurement: one may wonder just *how much* of the rising inequality is due to precisely these policies, just how many votes on these policies were really swayed by precisely those interest groups, and just what share of the blame we might apportion instead to Republican Party ideologues, or to public opinion, or to the kind of systematic bias in political participation that Schlozman and her co-authors describe. But it would take a determined skeptic indeed to come away from this book unconvinced of the basic point that lobbying by organized business interests is part of how the very rich got so very much richer in the United States since the 1970s.

Indeed, if Hacker and Pierson's analysis is correct, then the other books reviewed here may actually be *underestimating* the influence of the rich in American politics. Gilens's analysis in *Affluence and Influence*, for example, includes only those policy issues that are the subject of national public opinion polls, but many of the historic turning points on the road to plutocracy that are identified in *Winner-Take-All Politics* concerned abstruse policies of the sort that rarely rise to the attention of polling firms or the public. This is a point that Hacker and Pierson emphasize: in their account, rich people may influence political outcomes, not only by voting and contributing money and so forth to sway public officials one way or another, but also by deliberately exploiting the limited attention of the public.

Sometimes the rich lobby most effectively by keeping issues out of the public eye—and therefore out of the public opinion polls. One historic Congressional policy decision concerning the regulation of executive pay, for example, was a non-binding resolution passed by the Senate in 1993 that discouraged the Financial Accounting Standards Board from changing the accounting rules for stock options. Who except the rich and their accountants even pays attention to an issue like that? At other times, Hacker and Pierson argue, business interests get their way by selectively maneuvering policies *into* the spotlight of publicity. This is the story they tell about estate tax repeal, which rose to the attention of the public—and thereby got onto the agenda of the major polling firms, and thus into the sample of policies Gilens studied in *Affluence and Influence*—only because a lobbying effort by rich businesspeople put them there. A majority of the public vaguely supported this policy, but only weakly understood it, and would not really have cared about it in the absence of a concerted campaign to bring it to their attention in the form of an overly simplified yes-or-no question. None of this is to say that the rich get their way by brainwashing the poor. It is simply to say that the rich can and do use their money to draw the attention of the public to some issues (and some *aspects* of those issues) and away from others. There is no evidence that rich people's propaganda ever changed anyone's mind about the estate tax; but there is plenty of evidence that some rich lobbyists changed how much people paid attention to the estate tax, and spent lots of money eliciting expressions of public opinion from people who otherwise would not have volunteered an opinion on the issue to anyone. The result has been an increase in inequality.

More Political Influence?

Has the resulting increase in inequality exacerbated the political influence of the rich? Again, the answer is less obvious than it might seem, in this case because political influence in a competitive system is a positional good. Presumably what rich people want in exchange for their political contributions, in other words, is not some absolute quantum of influence, whatever that might mean, but simply to have more influence than other people. If this assumption is correct, then the rising incomes enjoyed by the very richest Americans might not allow them to buy a greater quantity of political influence. It might simply cause them to bid up the price. If you are only trying to keep up with the Joneses, but the Joneses are getting richer every year, then you might have to up your campaign contributions every year just to keep the same influence you already had. A bidding war for political influence is likely to shut out the perspectives of the poor. But once the price goes above a certain threshold—and it might be a pretty low one—the poor cannot get any more shut out than they already were. People have been complaining about plutocracy in America for a century. Do we really have any evidence that it has been getting worse in recent decades?

For an answer, we may turn again to *The Unheavenly Chorus*. Schlozman, Verba, and Brady examine whether rising inequality in economic life has contributed to increasing inequality in political voice. Their answer is no. By most measures, political participation was at its most unequal in the 1970s, when the amount of income inequality in the American economy was at or near a historic low. Income inequality has increased steadily since then, but the socio-economic skew of American political participation has not. We may also return to *Affluence and Influence*: Gilens, too, examines the trends and finds that representational inequality has not increased over time. If anything, his data suggest, it has decreased: at least since the Johnson administration, policy makers' responsiveness to the poor has been increasing faster than their responsiveness to the rich. American political expression is not becoming more unequal, if only because it was already so unequal.

The best evidence, then, is that the increase in economic inequality has not yet produced the vicious circle described by the Populists and Progressives. These books provide us with strong evidence that the rich participate in politics more than anyone else, that they often but not always get the policies they want, and that at least some of those policies sometimes produce more inequality; but these books do not provide evidence that this increasing inequality is making political inequality any worse than it already was. This conclusion is hardly comforting. Even so, it may be over-optimistic. There are at least three reasons to worry that political inequality may be increasing more than these scholars recognize.

The first reason concerns the measurement of inequality. The clearest picture of stasis comes from *Unheavenly Chorus*, whose authors find no increase in the association between "socio-economic status" (SES) and political voice. But they measure SES by averaging income, which has been more and more unequally distributed since the 1970s, with educational attainment, which has been more and more *equally* distributed over the same period. This measurement decision is some years behind the state of the art in sociology; leading stratification scholars today generally recommend against composite measures of SES precisely because such measures obscure rising income inequality within occupations and educational strata. This measurement decision may cause Schlozman and her co-authors to somewhat understate the change in the political overrepresentation of the rich.

A more serious worry is that the available data do not permit us to distinguish among degrees of affluence. The surveys on which *Unheavenly Chorus* and *Affluence and Influence* rely are the best data sources we have for the study of inequality in political participation and public opinion, but they are not very good data sources for telling us about rich people. Almost all of these surveys record income in just a few broad categories that typically lump together everyone whose income is above a middling-high threshold (e.g., "$150,000 or more"). As Hacker and Pierson remind us, the greatest increase in inequality has come far above this threshold, in the highest reaches of the income distribution. The top one percent (with incomes of $336,000 or more in 2010), and even the top tenth of a percent ($1.3 million and up), have been pulling away from their merely rich peers for the last three decades. These books provide us with the best available systematic evidence about the gap in political representation between rich and poor. They do not tell us anything about the gap in political representation between the super-rich and everyone else. *That*, as far as we know, may be increasing.

The third reason for concern is that these books may miss slow changes because they cover only a limited time span. *Affluence and Influence* covers the period from 1964 to 2002, with particular attention to the years after 1981. *The Unheavenly Chorus* covers the period from 1952 to 2008, again with a particular focus on the years after 1981. This time span is dictated by the availability of high-quality data, and it deserves to be emphasized that these books provide *far* more and better data about trends in political inequality in the United States than we ever had before. Even so, any book that relies on high-quality public opinion survey data to describe trends in American politics perforce gives us a picture of trends with the first half of the twentieth century left out—thereby excluding two mass-mobilizing wars, a Great Depression, and a long list of the most egalitarian public policies in the history of the United States. If we want to measure whether America is drifting towards plutocracy, it probably matters quite a lot whether we take our historical baseline to be the New Deal or the Reagan Revolution.

The United States May Not Be A Plutocracy….Yet

I take some comfort in the observation that the United States is not a plutocracy yet. The presidential election of 2012 was a critical test. Both major-party candidates raised record amounts of money from very rich people; and it is my impression that neither Barack Obama nor Mitt Romney is especially responsive to the policy preferences of the poor. But if only the rich could vote, Romney would have won, and he did not. American democracy is awash in money. It is not yet drowning in money.

But that does not mean that Tocqueville was wrong about the danger of corruption. It might just mean that the process is not over yet. If our data about global warming were limited to a biennial measure of the arctic sea ice, say, over the period from 1981 to 2002, the proper scientific conclusion might be that there was still insufficient evidence that the polar ice cap is melting. Yet we would be foolish to delay action until the sea level rose further.

Tocqueville did not waste many pages warning democrats about the threat of plutocracy, because he thought that American democracy was much more likely to run aground on the rocks of majority tyranny. Since his time we have drifted far from the rocks, and we are now close to the whirlpool. My conclusion from reading these books is that it is not clear yet whether we are irrevocably caught in its pull. But prudence would dictate that it is probably well past time to start rowing against the current. Plutocracy sucks.

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