# AFFLUENCE & INFLUENCE

## Economic Inequality and Political Power in America

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# INTRODUCTION

DECADES AGO Supreme Court Justice Louis Brandeis wrote, "We can have democracy in this country, or we can have great wealth concentrated in the hands of a few, but we cannot have both." We now live in what has been christened a "new gilded age." Wealth in the United States is indeed concentrated in the hands of a few—more so than at any time since the 1920s. In this book I examine the relationship between individual Americans' financial resources and their political power, seeking to understand the extent to which contemporary America confirms Justice Brandeis's grim assertion.

Citizens in every society are unequal in many ways. But democracy is commonly understood to entail a substantial degree of *political* equality, even in the face of social and economic inequalities. In Robert Dahl's formulation, a central characteristic of democracy is "the continuing responsiveness of the government to the preferences of its citizens, considered as political equals." This ideal of political equality is perhaps impossible to fully achieve in the face of economic inequality—in every democracy citizens with greater resources are better able to shape government policy to their liking. But the *degree* of political inequality in a society, and the conditions that exacerbate or ameliorate it, tell us much about the quality of the society's democracy.

My goal in this book is to document and explain patterns of representation in the United States over the past few decades by examining the relationship between the policy preferences expressed by the American public and the policies adopted by decision makers in Washington. To do so I have assembled a dataset of survey questions reflecting the policy preferences of Americans at different income levels. These data reflect the answers given by hundreds of thousands of respondents to questions about all sorts of government policies—from raising the minimum wage, to restricting abortions, to sending U.S. troops to Bosnia. In the chapters that follow, I analyze these data by comparing the support for specific changes in national policy expressed by lower- or higher-income Americans with the course of actual policy as determined by the president and Congress. What I find is hard to reconcile with the notion of political equality in Dahl's formulation of democracy. The American government does respond to the public's preferences, but that responsiveness is strongly tilted toward the most affluent citizens. Indeed, under most circumstances, the preferences of the vast majority of Americans appear to have essentially no impact on which policies the government does or doesn't adopt.

As I show below, representational inequality is widespread across time, political circumstances, and domains of government policy. Yet there are exceptions to this pattern, and conditions that are more conducive to the representation of the middle class and low-income people. In identifying these conditions, I aim not only to document the variation in representational inequality in the United States, but to identify more and less promising strategies for expanding the responsiveness of government policy makers to more equally encompass all Americans.

## What This Book Is and Is Not

This book is not about plutocrats or corporate titans. America's tycoons certainly have inordinate influence over our government. For many Americans the great recession that began in 2007 confirmed the extraordinary power and unchecked greed of the country's top financial institutions and the millionaires and billionaires who run them. Moreover the apparent failure to hold responsible the people and institutions accountable for the economic crisis, and the difficulty in strengthening government regulation of financial institutions, suggest that the government in Washington is far too beholden to these powerful interests.

The political influence of Wall Street moguls and the financial industry more generally surely helps to explain why the government's response to the financial crisis took the form it did. I will address the power of interest groups in chapter 5 and the influence of wealthy individuals in chapter 8. But most of my attention to the affluent will be devoted not to millionaires and billionaires but to the larger group of Americans at the 90th income percentile. In 2010, 90 percent of American households earned less than $135,000 a year—a substantial sum, but hardly enough to qualify as "rich" by most people's standards. The reason I concentrate on this income level rather than the smaller number of even more prosperous Americans at the 99th or 99.9th income percentile is simply that I lack sufficient data on the preferences of the truly rich. The number of rich Americans is small to begin with, and they are even scarcer among respondents to typical national surveys. Despite the obvious importance of this privileged class, we simply do not have much hard evidence about their policy preferences and how those preferences differ from those of less advantaged Americans.

The existing evidence (which I discuss in chapter 8) suggests that, in general, the policy preferences of the rich are somewhat more extreme than those at the 90th income percentile (whom I call "the affluent") but follow the same patterns in their divergence from the preference of the middle class and the poor. Nevertheless there may be some issues, like corporate regulation or the tax treatment of investment income, that differentially affect the rich, and on which the preferences of rich Americans differ significantly from those of the affluent. Different subsets of individuals and interest groups are of course likely to exert influence on different policies at different times. (Indeed, much of the analysis in the chapters that follow involves an effort to identify these sorts of patterns in the responsiveness of policy makers to subgroups of the public.) It may be that a small group of rich Americans dominate policy making on a subset of issues about which they care most intensely. Assessing that influence, however, will require different kinds of data and perhaps a very different strategy for identifying influence over government policy from the one I adopt here.

This book is also not about good versus bad government policy. My interest here is in how the public's preferences shape policy outcomes, not in whether those preferences are wise or misguided. In chapters 1 and 7 I discuss the formation of public preferences, the role of elite manipulation, and the extent to which public preferences can serve as a useful foundation for democratic policy making. My conclusions in this regard are fairly positive, certainly more so than those of the many observers who see the American public as typically misinformed or hoodwinked by powerful interests. Nevertheless I hold no illusion that citizens' policy preferences are in fact the best policies, or even the policies best suited to advance the interests and values of those citizens. If public policy better reflected the preferences of the majority, our country would be more democratic. But that doesn't always mean it would be better. Citizens are often shortsighted and unsophisticated in forming their judgments about public policy, just as they are often shortsighted and unsophisticated in making decisions in their own private lives, and numerous elites are more or less constantly trying to influence the public, with varying degrees of success. Yet however imperfect the public may be as a guardian of its own interests, it is a more certain guardian of those interests than any feasible alternative.

Finally, the approach I use to assess government responsiveness to public preferences does not account for all aspects of democratic representation or assess all dimensions of representational inequality. I don't examine inequalities by race or sex or age or geographic location. Nor do I consider inequalities in the administration of policies once they are adopted, or unequal opportunities to articulate one's preferences or attempt to shape the public debate. My focus is confined to the expressed preferences of Americans at different income levels and the differential association of these preferences with policy outcomes. To measure Americans' policy preferences, I assembled a dataset of survey questions asking whether respondents favored or opposed specific policy changes. Most the analyses in this book assess how the level of support or opposition to a policy among poor, middle-class, or affluent Americans affects the probability of that policy being adopted. I call this association between policy preferences and policy outcomes the "preference/policy link" and use interchangeably the terms "responsiveness," "policy responsiveness," and "representation" to refer to this association between what citizens want and what government does. A strong positive preference/policy link for a particular income group indicates a high degree of responsiveness to the preferences of that group. To the extent that policy responsiveness is both strong and equal across income levels, it approaches the idealized condition I call "democratic responsiveness." In my analyses I estimate the strength of the preference/policy link in order to determine how much and under what conditions policy outcomes reflect the desires of more and less economically advantaged Americans.

Responsiveness, then, can be democratic (to the extent that it reflects the preferences of all citizens) or antidemocratic (to the extent that it reflects the preferences of only a privileged subgroup of citizens). But this specific kind of responsiveness—the strength of the preference/policy link—is not the only important feature of the connection between citizens' desires and government activity. For example, if government policy makers are gridlocked and little policy change is adopted during some period, then many important issues may go unaddressed. Yet if the policies that are adopted during this period are highly popular, then the preference/policy link will be strong and responsiveness in the sense that I am using it will be high.

## Plan of the Book

I begin by addressing the role of public opinion in a democracy. Many observers view the policy preferences expressed by survey respondents as largely reflecting ill-informed "nonattitudes." Given citizens' demonstrably low levels of knowledge and engagement in public affairs, I ask whether the public's policy preferences are worthy of shaping government policy. Chapter 1 takes up this question by considering the claims of public ignorance raised by scholars of public opinion. I argue that despite the failure of the public to live up to many observers' standards of citizen knowledge and engagement, the policy preferences that Americans express in public opinion surveys do in fact deserve respect as criteria from which to judge the degree of democratic responsiveness in the United States. That doesn't mean that policymakers should always follow majority opinion. But it does suggest that substantial deviations of public policy from public preferences are prima facie indications of a failure of democratic governance, and that inequality in the responsiveness of policy makers to the preferences expressed by more and less advantaged citizens is a prima facie indication of a violation of the norm of democratic equality.

Chapter 2 describes my approach to analyzing democratic representation. I first consider the difficulty of identifying a set of actual and potential policy changes that is neither too broad (e.g., encompassing minor and obscure issues about which few Americans could be expected to have meaningful opinions) nor too narrow (e.g., neglecting important issues that political actors have failed to include on the government's agenda). Next I describe the survey data and policy outcome coding that form the basis of my analyses. Finally, chapter 2 addresses the advantages and disadvantages of alternative approaches to assessing government responsiveness to the public. In particular I point to the benefits of using actual policy rather than congressional votes as the outcome of interest. For one thing, examining only congressional roll-call votes (a common approach in analyses of representation) fails to account for the importance of agenda-setting power in determining which among the many potential issues government takes up and which it ignores. In addition, many of the key decisions concerning even those issues that do result in congressional roll-call votes are made behind closed doors earlier in the legislative process. Finally, I argue that understanding representational inequality requires the analysis of discrete policy choices rather than broad measures of liberal or conservative leanings. Affluent Americans tend to be more conservative on economic policies but more liberal on issues like abortion, gay rights, and foreign aid. Consequently preference differences across income groups are canceled out when these countervailing issues are combined into broad ideological indices.

In chapter 3 I assess the link between public preferences and government policy in broad terms. I find a fairly strong association between policy outcomes and the preferences of the affluent, and weaker associations for the preferences of the middle class and the poor. I also find that most of the observed association between preferences and policies for these latter groups is accounted for by shared preferences with the affluent. When less-well-off Americans hold preferences that diverge from those of the affluent, policy responsiveness to the well-off remains strong but responsiveness to lower-income groups all but disappears.

My examination of policy responsiveness also shows that the impact of preferences on policy outcomes is most apparent at high levels of support for or opposition to a proposed policy change. For example, a difference of 20 percentage points in support for a policy has little effect if opinion is evenly divided (e.g., the difference between 40 percent and 60 percent favorability) but a much greater effect if opinion leans in one direction or the other (e.g., between 20 and 40 percent or between 60 and 80 percent favorability). This pattern implies that the most politically significant aspect of public preference is less likely to lie in the simple distinction between majority support and opposition than in the *degree* of support or opposition among the relevant group.

Chapter 3 also addresses alternative explanations for the representational inequality I find. First, I show that the reliability of my policy-preference measures does not differ significantly across income groups. Nor is differential responsiveness caused by differences in the breadth of opinionation across income groups (i.e., the proportion of respondents at different income levels that have opinions on the issues contained in my dataset). Differences in the strength of opinion (i.e., the extent to which respondents' preferences are held "strongly" versus "somewhat") also fail to explain patterns of representational inequality. Finally, I address the possibility that the link between preferences and policy outcomes reflects not the influence of the public (or of the affluent segment of the public) over government policy, but rather the influence of policy makers and other elites on the public's preferences. Drawing on a variety of evidence from my own data and from previous scholarship, I argue that while both these processes contribute somewhat to the observed association of preferences and policy outcomes, the influence of the public over government policy likely accounts for the bulk of the association I observe in my analyses.

While chapter 3 shows dramatic representational inequalities between lower- and higher-income Americans, chapter 4 looks at the variation in this inequality across substantive issue domains. For the most part I find the overall pattern of unequal responsiveness reproduced across each of the four issue domains I examine. A detailed look at preferences and policy outcomes in each domain shows how government policy would differ if it more equally reflected the preferences of all Americans. For example, in the economic domain we would expect a more progressive tax system, stricter corporate regulation, and a higher minimum wage; foreign policy would reflect a more protectionist trade regime and less foreign aid; policies on "religious" or "moral" issues such as abortion and gay rights would be more conservative. On many of these policies, the differences across income groups are matters of degree rather than differences in which side of an issue the majority favors. But as chapter 3 shows, degree of support (or opposition) can be as politically consequential as whether a majority favors or opposes the policy, if not more so.

My analyses in chapter 4 do show a partial exception to the general pattern of representational inequality in the case of social welfare. On issues such as Social Security, Medicare, school vouchers, and public-works spending, policies are more responsive to the preferences of poor and middle-class people than is true for the other issue domains I examine. The reason, I argue, is that poor and middle-income Americans have interest-group allies on these issues that they lack elsewhere. The American Association of Retired People (AARP), teachers' unions, the health care industry, and other lobbying interests share the preferences of less-well-off Americans on these issues and serve to pull policy outcomes in the direction that both the less advantaged and the interest groups prefer.

The identification of interest groups as important in explaining variation in representational inequality in chapter 4 leads to a broader examination of the role of interest groups in chapter 5. For these analyses I develop a measure of interest-group alignment on each of the proposed policy changes in my dataset. Using this measure I show that while interest group alignments are strongly related to policy outcomes, they do not explain the representational inequalities documented in the previous chapters. Nor is it the case that the preferences of the public (or of affluent members of the public) are more or less influential when interest groups are more strongly engaged on an issue. Instead I argue that interest groups form an essentially parallel channel of influence over government policy. When interest groups and affluent Americans agree, policy makers are very likely to follow suit. When these two influences work at cross-purposes, they typically prevent policy from changing—whether it is interest groups or affluent members of the public that favor the status quo. I conclude that interest groups help to explain the patterns of policy outcomes in my data and to account for anomalous cases such as outcomes that are more consistent with the preferences of the poor or the middle class than of the affluent. But interest groups as a whole cannot be held accountable for the economic biases in policy responsiveness.

In chapters 6 and 7 I examine changes over time in political conditions and the impact of those changes on policy responsiveness. Chapter 6 begins by describing additions to my dataset and modifications to its structure to better assess how representation has differed across time and political context. I then examine the role of the electoral cycle, showing that responsiveness to all income groups is highest in presidential election years, but that this "representational boost" is greatest for the least-well-off Americans. Consequently representational inequality is lowest during presidential election years (although even in these periods, the preference/policy link remains strongest for the affluent and weakest for the poor). I also show in chapter 6 that responsiveness to the preferences of well-off Americans increases in the first years after control of the presidency shifts from one party to the other. This pattern is much weaker for the middle class and wholly absent for the poor. Thus the flurry of policy making that typically characterizes a new partisan regime in Washington tends to advance the preferences of the affluent but not those of the less well-off.

Finally, chapter 6 explores the impact of political parties on representation by contrasting periods in which Republicans had greater control of Congress and the presidency with periods in which the Democrats dominated the federal government. The Democratic Party has long been recognized as the party of the working class, and less-well-off Americans continue to identify as Democrats to a greater extent than do the affluent. But, unexpectedly, representational inequality is greater and responsiveness to all income levels (including the poor) lower under Democratic control. Analyses of the specific issues that account for these partisan patterns of representation show that they are largely a consequence of the core policy commitments of the two parties, including the broad unpopularity of tax increases (and popularity of tax cuts), approval of the Reagan defense buildup, support for the Afghan and Iraq wars (at least in their early stages), opposition to loosening restrictions on immigration, and support for George W. Bush's "faith-based initiative." In addition the Democratic Party's long-standing alliance with organized labor has eroded as the party has adopted a more free-market orientation toward regulation and trade policy over the past decades (exemplified by the ratification of the North American Free Trade Agreement under unified Democratic control). A different partisan pattern does emerge in the social welfare domain, however, where responsiveness to the poor is greater under Democratic Party control and responsiveness to the affluent is greater under Republican control (the policy responsiveness for the middle class is about equal under Democrats and Republicans).

It is important to note that the stronger policy responsiveness for poor Americans under Republican than Democratic control does not mean that policies that benefit the poor in material terms are more likely to be adopted when the Republicans hold power. I show in chapter 6 that policies with clearly downwardly redistributive consequences, such as increases in the minimum wage, are considerably more likely to be adopted under Democratic rule, while policies with upwardly redistributive consequences, such as reductions in the estate tax, are more common when Republicans are in control. But these redistributive policies, while very important, are a small fraction of the policies in my dataset, and preferences on these policies do not differ as consistently or as strongly across income levels as one might suppose.

Chapter 7 addresses broader trends in policy responsiveness over the past decades. My expectation was that representational inequality had grown in the United States along with the growth in economic inequality. I did find evidence of this pattern in the steadily rising responsiveness to the well-off—but not to other income levels—over the four decades covered by my data. But the story is more complicated than this, and short-term fluctuations in political conditions are powerful influences that overlay long-term trends and shape responsiveness to all income levels. Specifically, chapter 7 shows that an evenly divided Congress enhances responsiveness to poor, middle-class, and affluent Americans alike, as parties and politicians (temporarily) neglect their own policy commitments in an effort to bolster their support among the public. I also show that the policy gridlock that grows out of partisan polarization serves, counterintuitively, to enhance responsiveness as well. Gridlock reduces the *amount* of policy change and consequently diminishes the extent to which the federal government addresses the public's concerns. But gridlock, I show, impedes unpopular policies more than popular policies. As a result policy outcomes during periods of high gridlock are more consistent with public preferences, as only those policies with the broadest public support are able generate sufficient political pressure to overcome the "gridlock filter."

Political conditions like partisan regime change, majority party strength in Congress, and gridlock help to account for some unexpected patterns of policy responsiveness over time. For example, I anticipated a high degree of responsiveness to the poor and the middle class during the Lyndon Johnson years but found low levels of responsiveness to all income levels instead. I argue in chapter 7 that the strong Democratic control during this period insulated the Johnson administration from public pressures and allowed the Democratic Party to pursue its own policy agenda—an agenda that included both broadly popular policies like Medicare and federal aid to education, and broadly unpopular policies like (many aspects of) the war on poverty and immigration reform. In stark contrast the early years of George W. Bush's first administration were characterized by an evenly divided Congress and a highly polarized political climate following the disputed 2000 presidential election. Policy outcomes in this period were highly responsive to the preferences of all income levels—a significant and unexpected departure from the lack of responsiveness to poor and middle-class Americans characteristic of Bush's predecessors. But as I show in chapter 7, this unique set of circumstances was short-lived, and responsiveness to public preferences plummeted during the period of strong Republican control that characterized the middle years of Bush's presidency. Political conditions, then, not a predisposition of the Bush administration to respond to the preferences of the less advantaged, account for this unexpected finding.

The patterns of responsiveness that emerge from my analyses in chapters 6 and 7 support a view of political parties as "policy maximizers" captured by activists and interest groups with strong commitments to enacting their preferred policies. My findings seem to support the notion that parties in the United States have evolved from broad-based, vote-maximizing organizations attentive to the preferences of large and diverse publics to coalitions of intense, narrow "policy demanders." Yet the fact that parties and politicians must be forced by political circumstances to respond to the preferences of the public means that they *can* be forced by those circumstances. Thus there is reason to hope that reforms that enhance political competition can intensify the beneficial impacts of electoral proximity and equal partisan division of Congress and thereby strengthen the responsiveness of policy makers to poor and affluent Americans alike.

In my concluding chapter I further explore the role of money in American politics and seek to identify the most promising strategies to enhance representational equality. I focus on citizens' engagement with the political system, showing that affluent Americans are more likely to vote, to volunteer in political campaigns, and to donate money to political causes. But donating money is the only component of political participation that mirrors the patterns of representational inequality revealed in earlier chapters. This finding, which parallels those of other studies of political influence, suggests that the disproportionate responsiveness to the preferences of the affluent cannot be attributed to their higher turnout rates or their greater involvement with political campaigns. Money—the "mother's milk" of politics—is the root of representational inequality, and as political campaigns have become more expensive over the decades, the responsiveness to those who supply the necessary resources has grown.

I close by exploring efforts to tame the flow of money in politics and suggest possible avenues by which democratic responsiveness might be increased and representational inequalities lessened. Achieving even modest gains in this regard will be difficult. Campaign finance reform has been likened to squeezing a balloon; if you push in one place the balloon simply pops out in another. Moreover, the increasing concentration of income and wealth in an ever smaller slice of well-off Americans raises the specter of an ever increasing concentration of political power as those with the means to influence the government shape policy in ways that further reinforce their advantaged position.

But American democracy did not spring fully grown from the Revolution of 1776. Voting rights were limited at first to white, male property holders, and it took long decades—indeed centuries—of struggle to include poor people, women, and African Americans among the electorate. My analyses suggest that the power to shape policy outcomes has not been following this hopeful trajectory. In recent decades the responsiveness of policy makers to the preferences of the affluent has steadily grown, but responsiveness to less-well-off Americans has not. Our country faces huge challenges in the years ahead in responding to economic uncertainty, increasing ethnic diversity, shortcomings in our educational system, and

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the emergence of new global military and economic powers. How we respond to these challenges will depend significantly on whose preferences guide government policy making, and those policies in turn will significantly shape the life circumstances of more- and less-advantaged Americans.