Working and Living in the Shadow of Economic Fragility

Edited by

Marion G. Crain
Michael Sherraden

OXFORD UNIVERSITY PRESS
OVER THE PAST SEVERAL decades, inequalities of income and wealth have risen sharply in the United States (Volscho & Kelly, 2012). The richest have pulled away from the rest, not just economically but also socially and politically (Hayes, 2012, pp. 137–205). Their superior positions have become more secure as rates of social mobility have declined over time and relative to mobility in other wealthy nations (Organization for Economic Cooperation and Development, 2010). At the other end of the economic ladder, decent jobs—the kinds that offer some stability and provide the wages and benefits needed for families to sustain livable lives—have become scarce (Mishel, Bivens, Gould, & Schierholz, 2012). Two-earner families today take home less than one-earner families did in the 1970s and carry far more of the risks associated with sickness, disability, old age, job loss, and changes in family status (Hacker, 2006).

The contemporary era of rising inequality has coincided with a period of declining confidence in elite actors and institutions. Recent years have seen a particularly sharp spike in public outrage and distrust. Across the political spectrum, from the Tea Party to the Occupy movement, protesters have taken to the streets to decry what they see as an elite betrayal of the common good and a system rigged to serve the advantaged. The two movements are at odds politically, but they share a profound loss of faith in elites. That loss of faith now extends to most Americans, protesting or not. Recent national polls reveal that trust in government and elected leaders is at the lowest levels ever recorded in the United States—lower even than right after the Watergate scandals (Gallup, 2011). Levels of trust in the major institutions of the market—banks, financial institutions, and corporations—are as low as or lower than trust in the federal government (Kohut, 2012;
Pew Research Center for People and the Press, 2011). We argue that governing elites in the United States deserve the popular outrage directed toward them.

Since the 1970s, governing elites in America have become increasingly insulated from democratic processes, citizen pressures, and public accountability. Their growing insularity, in turn, has contributed to rising economic inequality, social insecurity for all but the wealthiest Americans, and deep pathologies in the policy process. Democratic institutions have not disappeared, of course, but they coexist today with a host of political forms that sequester elite decision makers and shield them from public accountability. Interactions among our governing elites are marked by rancorous conflict and polarization in some arenas and by smooth collaboration and consensus in others. At both poles and most points in between, however, elites govern America today with their eyes primarily on one another.

Americans outside the upper echelons of business and government are relegated to the sidelines, their potential for influence now reduced to one of the “problems” that elites endeavor to manage (Jacobs & Shapiro, 2000). This demotion of the citizenry to the status of bystander (or object of manipulation) has combined with recurrent spectacles of elite corruption, self-serving action, and partisan deadlock to foster political distrust and deep skepticism about the effectiveness of government. Thus, the very political developments that have served the rich at the expense of the rest now inflame and reinforce opposition to government and its capacity for public actions that would redistribute income and wealth. This opposition extends even to those who would benefit most from the policies. So too, as economic and political inequalities rise together, large segments of the public become accustomed to their marginal role in governance and, though political distrust is widespread, popular deference to ruling authorities becomes more routine and normative (Solt, 2012).

In this chapter, we make two contributions to the study of the politics of inequality in the United States. First, our analysis upends a classic argument from elite democratic theory—namely, that ordinary people are prone to irrational passions and the pathologies of faction; they are too willing to trample rights and will enthusiastically embrace irresponsible policies. Enlightened elites, we are told, safeguard democracy from these tendencies and serve as guardians of the public good. Recent history, we argue, supports the opposite conclusion. It is democracy that enlightens elites, makes their conflicts productive rather than debilitating, and safeguards against enthusiastic, self-congratulatory pursuits of irresponsible policies.

When elites are insulated from democratic dialogue with the public, they gravitate toward excessive and often disastrous forms of conflict or consensus. On one side is the polarized conflict that has crippled the US Congress in recent years, producing an ugly mix of inaction and irresponsible action. On the other side are the ruinous dynamics of groupthink among financiers, regulators, and Federal Reserve officials—dynamics that led to the social and economic crises of the Great Recession. It is, in fact, hard to say which of the two has been more damaging for democracy—or for Americans in the lower half of the income distribution.
Second, our analysis engages a growing body of scholarship that seeks to explain the rise of economic inequality in America on a scale far greater than in other wealthy democracies. In recent years, scholars have begun to assert that this development cannot be adequately explained by analyses that focus only on such systemic developments as demographic shifts, technological changes, institutional rules of the workplace, and globalization. Rather, rising inequality in America should be understood, in large part, as an outcome of politics and public policy (Bartels, 2008; Gilens, 2012; Hacker & Pierson, 2011; Jacobs & Skocpol, 2005; Kelly, 2009).

Most scholars who advance this argument emphasize what might be called the horizontal dimension of political life—a left-right dimension of politics that captures the balance of power among competing coalitions of organized interests. From this perspective, the politics of inequality is conceptualized as a form of “organized combat” (Hacker & Pierson 2011, p. 287). On one side are the Democratic Party, labor unions, and aligned interests and organizations; on the other side are the Republican Party, organized business interests, and related organizations (Bartels, 2008; Hacker & Pierson, 2011; Volscho & Kelly, 2012). The perspective suggests that the rise of inequality in the United States has reflected the growing power of business interests and the declining fortunes of labor unions; it has advanced most sharply when government institutions have been controlled by Republicans (Bartels, 2008). The rising importance of money in American politics exacerbates these developments; it tightens the bond between affluence and influence, providing the Republican Party with significant structural advantages in electoral and legislative competition (Bartels, 2008; Gilens, 2012; Hacker & Pierson, 2011; Winters & Page, 2009). From this perspective, the threat to democracy posed by rising economic inequality is also conceptualized along the left-right dimension: because of power imbalances in organized political combat, the median voter loses sway and policies fall “to the right of” (i.e., more market-conforming and inequality-producing than) the actual outcomes preferred by most Americans (Hacker & Pierson, 2011, p. 211).

The balance-of-power story is, in our view, correct and essential. But taken alone, it is incomplete. To fill it out, we must connect it to changes along what might be called the vertical dimension of politics—the dimension that connects elites to mass publics and indicates the depth of their mutual engagement in governance. At one pole of this dimension, elites govern from a highly insulated position and possess expansive freedoms of action. Citizens may be rallied as supporters or appealed to as sources of legitimacy for elite action, but they are seen primarily as objects of governance, as risks to be managed, and as political resources to be deployed (Wolin, 2008). At the other pole, elites are firmly embedded in ongoing relationships of democratic representation and, thus, limited by a variety of constraints and countervailing powers. Citizens are organized into politics and exercise civic agency as coparticipants in governance (Boyte, 2005; Fung & Wright, 2003).

Elites have always stood at the center of American governance, but the extent of their insulation has varied greatly across eras, depending on the broad organization of the
Working and Living in the Shadow of Economic Fragility

political economy. During the mid-twentieth century, elites operated within a variety of constraints that placed them in dialogue with the public and subjected them to pressures from nonelites. Since the 1970s, a rising tide of elite autonomy has swallowed one policy domain after another. Advanced by institutional changes that shield decision making from public influence, it has been justified by arguments for public deference to experts and enlightened officials. These developments have proceeded under both major political parties, and they have empowered governing elites at the expense of ordinary Americans. From this perspective, the problems that have advanced economic inequality are only partially captured by accounts that focus on the horizontal dimension, which emphasizes power imbalances between political combatants and deviations from the policy outcomes preferred by the median voter. Economic inequality has risen in tandem with and through the advancement of a broader erosion of democracy. That erosion is characterized by insulated elite rule, diminished civic organization, and the marginalization of popular political agency. It has occurred not just on the right but on the left as well, not just in the state but also in the powerful institutions of the market and civil society.

To understand the politics of inequality in the United States today, one must clarify how shifts in the right-left balance of power have intersected with the growing insulation of governing elites. Neither dimension can be entirely reduced to the other. Indeed, an appreciation for both dimensions helps to clarify the present political moment: The administration of Barack Obama has diminished the power of the Right, slowing or reversing its policy agenda in important respects (balance-of-power approaches would emphasize such developments). In certain areas, however, the administration has adopted a technocratic managerial style that has further sequestered the power of elites.

In what follows, we begin by clarifying what we mean by “governing elites” and explaining why the relative insulation of elite rule should be seen as a key feature of the political economy, a feature that varies over time. We then outline the major forces that democratized elite-centered governance during the mid-twentieth century and helped produce an era of broadly shared prosperity. Finally, we turn to the period since the 1970s, explaining how the insulation of governing elites has grown over time and why it has contributed to rising economic inequality. In our conclusion, we briefly suggest some important priorities for renewing American democracy.

ELITE RULE AND THE AMERICAN POLITICAL ECONOMY

The term “governing elites” may lead some to think of government officials. To others, it may suggest a clandestine group conspiring to advance secret agendas. It sounds a bit like the “power elite,” which an earlier era of scholars saw as a coherent, tightly connected group that monopolized power by occupying commanding positions in business, government, media, and other key institutions (Mills, 1956, p. 3; see also Domhoff, 1967). Elements of these earlier approaches remain helpful in mapping power across sectors and
Guardianship and the New Gilded Age: Insular Politics and the Perils of Elite Rule

focusing on those at the upper echelons of American institutions. Yet we use the term in a somewhat different way, and it is worth taking a moment to avoid confusion.

By governing elites, we refer to people who participate in the process of governance—an activity that extends beyond government. In contemporary governance, networks of actors in the state, market, and civil society make decisions, separately or together, that “guide and restrain the collective activities” of society (Keohane & Nye, 2000, p. 12; see also Bevir, 2010; Treib, Bähr, & Falkner, 2007). We intend for our analysis to encompass a variety of sites—in government but also in businesses, nonprofit organizations, policy institutes, philanthropic foundations, and other institutions. By governing elites, we refer to actors at such sites “who regularly have the capacity to wield a great amount of power and authority in the form of decisions and non-decisions which significantly influence the values of society” (Bachrach, 1967, p. 77).

Governing elites do not share a single demographic profile, nor are they necessarily members of a group that takes intentional action together. They are people who, by virtue of the positions they occupy, possess outsized influence in power relations. They also possess extraordinary capacities to exercise authority and coordinate the activities of others. Governing elites rise to their positions in a variety of ways. Some are elected or appointed to government office; others gain admission by virtue of professional credentials and technical expertise; others ascend through the ranks of corporate or nonprofit management; still others leverage their vast personal fortunes for a seat at the table.

People who hold elite positions in one arena of governance may hold little influence in another. Within a given policy area, contending elites may hold opposing values, goals, and interests. Diversity among elites is hardly guaranteed, however. In many sites of governance, one finds clusters of governing elites who share remarkably similar experiences, assumptions, interests, and worldviews. For instance, a new financial rule may spark fierce debates among elites who share experiences in the financial sector and consider it common sense to defer to international finance and shield private firms from state regulations (Brown & Jacobs, 2008).

In large, complex societies, governing elites of some kind are a political necessity. Busy citizens cannot follow every public issue or participate directly in every decision. In political life as elsewhere, society needs divisions of labor, delegations of authority, and systems of political representation that shape as well as respond to public opinion. It needs professionals who possess technical expertise, inform public debate, devise policy proposals, and evaluate the effects of collective choices (Fischer, 2009; Warren, 1996). In a well-functioning representative democracy, governing elites and relevant publics constitute and respond to one another in an ongoing dialogue (Disch, 2011). The problem is that this back and forth has broken down in the United States today.

Or perhaps we should say that it has broken down again. The history of democracy in the United States is, in many respects, a tale of ebbs and flows in the insulation of governing elites. The nation’s constitutional founding was itself an effort to insulate governance from the “unruly” public (Dahl, 2003, p. 24). James Madison and the framers of the US
Constitution sought to overcome what they saw as an excess of democracy under the Articles of Confederation. Citing the tendency of the masses toward “violence,” incompetence, and “temporary or partial considerations,” Madison hoped for a system in which elites could impose themselves between the people’s desires and government actions, serving as gatekeepers who “refine and enlarge the public views” to “best discern the true interest of their country” (Publius, 1787, p. 2). For democracy to work, he stated, “you must first enable the government to control the governed” (Publius, 1788, p. 2). Toward this end, the Constitution tempered popular pressures on governing elites by leaving in place extensive voting restrictions (based on race, gender, and property ownership) and by insulating political institutions.

Over the ensuing decades, elite rule was often consolidated, disrupted, and driven toward democratic forms. Plantation aristocrats and their allies ruled the Old South through extreme forms of political exclusion, racial subjugation, and economic exploitation. Through long periods of the nineteenth century, entrenched elites controlled both major parties without disruption. During the Gilded Age, business elites often decided Americans’ fates in ways that were virtually unconstrained by government officials, who were often deeply in their debt. It was in this era that the powerful politico Mark Hanna famously quipped, “There are two things that are important in politics. The first is money, and I can’t remember what the second one is” (Miner & Rawson, 2006, p. 526). Indeed, periods of profound economic inequality have typically coincided with eras of insulated elite governance, each development abetting the other.

How is such a feedback loop disrupted? Typically, great groundswells of popular pressure combine insurgent social movements with shifts in the degree and direction of electoral participation. Popular movements use ad hoc activities (including protests and strikes) to directly challenge insulated elite rule, fracture elite consensus, and disrupt the political coalitions on which elites depend (Goodwyn, 1978; Piven, 2006). The critical elections that accompany these movements embolden and empower reformers to create new constraints on wealth accumulation and reconnect governance to the masses.

Reformers during the Jacksonian period of the 1820s and 1830s, for example, stymied the King Caucus that allowed a small clique to monopolize candidate nominations. Those efforts precipitated an era of mass mobilization and democratic opening (Ostrogorski [1902], 1970). Abolitionists would later capitalize on these new democratic opportunities. Using insurgent tactics to disrupt sectional alliances and challenge both political parties, they helped put an end to chattel slavery and turned the US Constitution into a far more democratic document. The Populist movement of the late-nineteenth century, including the presidential campaigns of William Jennings Bryan, set an agenda for economic redistribution (including the establishment of the federal income tax) and precipitated an “age of reform” that set the cornerstones upon which future generations would build the American welfare state (Brinkley, 2000; Hofstadter, 1955; Kazin, 2006).

The institutional arrangements created at such times generally last well beyond the turbulent episodes that mark their birth. Time and again, however, governing elites have
seized on the subsidence of popular pressures to shed the new constraints, protect themselves from accountability, and enhance their capacity for autonomous action.

When citizen engagement fades and elites become less worried that citizens will punish them politically, elite decision makers in government and business often drift into favoritism and corruption. The effects on the lives of ordinary Americans can be disastrous (Glaeser & Goldin, 2006). If liberated from the need to win over broad swaths of the public, elites tend to lose sight of the center, fighting bitterly among themselves and gathering into uncompromising, polarized camps (McCarty, Poole, & Rosenthal, 2006). With only like-minded experts observing and checking them, technocrats have recklessly wagered the health and welfare of Americans on grand designs backed by elegant theories. In these circumstances of widening latitude, governing elites have persistently failed to serve as “guardians of the public good” (Publius, 1787, p. 2). Instead, they have proven exquisitely sensitive to the interests of business and the affluent; such attention comes at the expense of the less advantaged.

DEMOCRATIZING GOVERNANCE AND THE GREAT COMPRESSION

From this perspective, it is no accident that the high-water mark of economic equality in the United States—the era of broadly shared economic prosperity known as the “great compression” (1940s–70s)—coincided with an era in which governing elites confronted unusually strong democratizing constraints. It was no golden era of democracy, to be sure, especially for Americans who were not White, male, heterosexual, and employed. But it was a period in which elites were forced to accept limits and share power—a period in which governance was rooted in a meaningful dialogue between elites and nonelites.

Federated civic organizations with cross-class memberships connected business elites to workers, and public officials to constituents, providing forums where citizens learned about public issues and were recruited into political life (Skocpol, 2003). Labor unions grew in strength and number, drawing workers into the political process as an organized and potent force that elites on the Left and Right could not ignore (Dray, 2010; Levi, 2003). The major political parties operated as big-tent organizations (Epstein, 1989). They won elections by mobilizing armies of foot soldiers and by appealing to the numerous split-ticket voters whose moderate and episodic votes could not be counted on (Jacobson, 1990; Kimball, 2004). Business elites operated on a constraining field of government regulations and social norms that, along with tax-and-transfer policies, converted productivity gains into broadly shared prosperity (Kenworthy, 2011; Western & Rosenfeld, 2011).

The politics of inequality in this period operated on an institutional foundation made far more conducive to democracy by the achievements of the Progressive and New Deal eras. During the Progressive Era (1890s–1920s), activists and reformers cleaned out many of the corrupt systems of collaborative elite rule that linked vast inequalities
of wealth to insulated, undemocratic processes of governance during the Gilded Age (1870s–90s). They attacked corrupt party machines that relied on patronage reward to sustain public cooperation while reserving power for elites. They extended the vote to women and directly strengthened popular control over governing elites on multiple fronts—for example, through the direct election of US senators, new referendum and recall procedures, and primary election systems (Diner, 1998). As ordinary Americans assumed a more prominent place in governance, mechanisms of economic equality and social protection also emerged. Among these were a progressively redistributive federal income tax, workman’s compensation programs, and mother’s pension programs. The New Deal deepened these developments by imposing new constraints on financial and banking elites (e.g., the Glass-Steagall Act, the Securities Act, and the creation of the US Securities and Exchange Commission); promoting the political organization of labor (e.g., the Wagner Act); and strengthening redistributive programs and social protections (e.g., the Social Security Act). The Great Compression was a product of a certain type of political era in which civic groups and ordinary citizens were organized into the governing process. Indeed, it is telling that leading scholarly analyses of US politics describe this era as a raucous clashing of groups, an era when deadlock and delay often emerged if policies could not draw sustained support from the electorate (Burns, 1967; see also Dahl, 1956). Governing elites were constrained by the rules, norms, and relationships in which they were embedded; by countervailing political forces that came from beyond their ranks; and by the need to appear familiar, engaged, and responsive to community members and organizations at election time.

Under these conditions, the needs and aspirations of ordinary people played an important role in governance, and governance produced broadly shared material benefits. Problems of inequality in this period—both economic and political problems—centered on exclusions from the broad social compact that positioned large numbers of Americans as participants in civic life and as cobeneficiaries of economic prosperity. The shortcomings of American democracy remained legion. These disproportionately affected women, racial minorities, and the very poor. They were especially severe in the South. But placed in a broad historical perspective, the period can be seen as a relative low point in the insulation of governing elites and as a high point in shared economic prosperity.

INSULATED ELITE RULE AND THE NEW GILDED AGE

In the 1970s, the United States began to dismantle the political and economic compact that produced engaged and contested democracy in the three decades following World War II. Civic associations, the once common links between business leaders and workers, disappeared (Skocpol, 2003). Business ownership shifted from wealthy local families—people who often had deep roots in their communities and held a variety of civic leadership and stewardship roles—to corporate operatives who owed their allegiance to
the profitability expected by shareholders (Page, Bartels, & Seawright, 2013). Business elites moved to expand their freedoms to pursue the kinds of rapid, unilateral actions that maximize profits. They adopted new production models based on managerial flexibility and cheap, fungible workforces. Through unilateral and state-based strategies, businesses removed themselves from the limits imposed by collective bargaining relationships with labor unions (see the chapter by Crain in this volume).

Across a wide range of policy areas, constraints on elites also have been rolled back by shifting governance away from government itself. Since the early 1990s, the big push has been to “reinvent” government as a collaborator that shares power with organizations from the business and nonprofit sectors (Osborne & Gaebler, 1993, p. xxii; see also Kettl, 2002). As contracts have bestowed public resources and authority on nongovernmental organizations, new networks of governing elites have emerged under the guise of “public-private partnerships” and “cross-sector collaborations.” Interacting in these networks, elites from various sectors produce outcomes that Americans cannot strictly blame on any democratically accountable institution or representative.

The shifting of governance away from government complemented more direct efforts by business elites to shed the constraints imposed by the citizenry’s political representatives. The result was a substantial weakening of what John Kenneth Galbraith (1967, p. ii) termed the “countervailing” powers of government. Business interests invested heavily in campaign contributions, new lobbying capacities, think tanks, and other resources for “organized combat” (Hacker & Pierson, 2011, p. 287). They deployed these capacities to roll back regulations, cut taxes, and weaken or capture the state agencies charged with monitoring their actions (Akard, 1992; Ferguson & Rogers, 1986). As they slipped out of governmental constraints, business elites used their newfound freedoms to opt out of the social compact that supported a vibrant and growing middle in the mid-twentieth century. Businesses moved quickly to pare back wages and benefits, renege on pension agreements, shift health care and pension risks onto workers, and diminish the budgetary costs and labor-market–tightening effects of social protections for US workers (Hacker, 2006; Piven & Cloward, 1997).

As business elites freed themselves from unwanted governmental limits, state authorities took parallel steps to enhance their autonomy from mass publics. Reacting to the freedom movements of the 1960s, concerned elites began to warn in the 1970s of an “excess of democracy” that threatened to overload state institutions, erode political legitimacy, and make society ungovernable (e.g., Crozier, Huntington, & Watanuki, 1975, p. 113; King, 1975). They asserted that political institutions had become too porous, subjecting public officials to a paralyzing onslaught of group demands and citizen voices. Indeed, over the ensuing decades, elites in government would move in a variety of ways to shore up the institutional boundaries between themselves and citizens.

Congressional leaders, for example, developed a host of strategies to exercise independent power and shield themselves from popular pressure. Today, demands from the public are blunted through escalated uses of the Senate filibuster or sidestepped via the growing abilities
of the Speaker of the House of Representatives and the Senate Majority Leader to set agendas and control rules in their chambers (Mann & Ornstein, 2008). Members of both legislative chambers possess a range of sophisticated tactics for minimizing the visibility of their policy decisions and avoiding exposure to blame (Weaver, 1986). Policies are cleverly designed to obscure or delay costs and cloud the identities of elite beneficiaries (Hacker & Pierson, 2005; Mettler, 2011). Deploying sophisticated strategies of “crafted talk” developed through public opinion research (Jacobs & Shapiro, 2000, p. xiii), elected officials use stories, arguments, and symbols to frame actions that service the affluent. These frames cast policies in terms that Americans find palatable or, in some cases, rally behind even as they are harmed.

Elites in government also insulate themselves by moving issues to arenas where visibility and accountability are limited. Elected officials distance themselves from inequality-enhancing decisions by shifting them to insulated, secretive government agencies, such as the Federal Reserve, and to expert panels run by unelected administrators and judges. In many cases, they react to rapacious market forces by doing nothing, as in the case of stagnating minimum-wage and crumbling labor-relations systems. The result is maddening to watch: lawmakers go before the public to denounce outcomes that their actions ensured. But the process plays a key role in linking insulated elite rule to the production of inequality. Politicians dodge public outrage by pointing to a ready supply of scapegoats. Liberated from blame, they retain popular support while reaping the political rewards that come from providing favors for more attentive and well-heeled interests.

Not surprisingly, these maneuvers to shield elected officials from accountability have accompanied a resurgence of broader efforts to demobilize and defang the electorate. In recent years, numerous actions have been taken to make it more difficult for less advantaged Americans to make their voices heard. Examples include efforts to toughen voter registration procedures, impose new voter identification rules, and sustain felony disenfranchisement laws (Keyssar, 2012; Manza & Uggen, 2006; Piven, Minnite, & Groarke, 2009). Legislators also have used their redistricting authorities to redraw jurisdictions, creating a growing number of “safe seats” that insulate elected officials from public accountability (Bullock, 2010, p. 123).

In addition, lawmaking increasingly falls under the growing sway of the executive branch, which relies on prerogative powers through administrative rule making and executive orders (Mayer, 2002; Moe, 2003). In recent decades, “the strategy of unilateral action has grown increasingly more central to the modern presidency” (Moe & Howell 1999, p. 852). The administration of George W. Bush is widely seen as a high-water mark for the “imperial presidency,” and Democrats decried it for unilateral evasions of the democratic process (Rozell & Whitney, 2009). However, many of these techniques persist under the Obama administration.

For example, President Obama has continued to use signing statements, albeit at a lower rate, to reinterpret provisions of new statutes and thus to unilaterally alter their effects. He has adopted a technocratic managerial style of “enlightened administration” that “risks short-circuiting the legislative process and implementing major reforms through
Guardianship and the New Gilded Age: Insular Politics and the Perils of Elite Rule

means largely invisible to the public” (Milkis, Rhodes, & Charnock, 2012, p. 67). He has asserted “vigorous authority to exercise power independently of his Democratic base in Congress” and, in areas as diverse as climate change, economic policy, health care, housing, and education, has appointed “policy czars” with broad authority to “cut through—or leapfrog”—traditional processes of policymaking and implementation (Milkis et al., p. 66). Embracing Thaler and Sunstein’s (2008, p. 3) argument that elites should design “choice architecture” in subtle ways to ensure that ordinary people pick correctly, Obama appointed Sunstein as the head of the Office of Information and Regulatory Affairs, granting him broad authority to review and revise government regulations.

The continued accretion of presidential power under Obama has had mixed effects on economic inequality. The Obama administration used its administrative powers to establish environmental rules, to create new regulations on labor relations, and to expand health insurance coverage in ways that mitigate market distributions (Jacobs, 2012; Jacobs & Ario, 2012; Jacobs & Skocpol, 2012). Although a fuller treatment of the nuances of the administration’s actions is not possible here (but compare Jacobs & King, 2012; Skocpol & Jacobs, 2011), its policies raise an important puzzle: technocracy in the hands of the Democrat-progressive coalition may help check or perhaps offset market operations. To flesh out this puzzle fully would, in our view, require attention to the long-term effects of technocracy, including its role in undermining democratic responsiveness and its potential to persistently redirect America’s political economy.

Even with the somewhat mixed record of the Obama administration, the broad theme of the past four decades is disturbing: governing elites succeeded in separating governance from the more democratic processes of policymaking that prevailed during the mid-twentieth century. As a consequence, the wealthiest Americans have siphoned vast resources out of public and private systems while little has been done to address the growing insecurities of citizens suffering from declining wages and supports.

INSULATED ELITES AND THE FINANCIAL MELTDOWN

Emerging in 2007 and leading to the Great Recession, the recent financial crisis offers a stark illustration of many of the dynamics outlined in this chapter (e.g., Carpenter, 2011; Ferguson & Johnson, 2009a, 2009b; Krippner, 2011; Wessel, 2010). Networks of elites created and then managed the crisis, with individuals often moving back and forth between positions in state and market institutions that governed through extensive consultation. Throughout, elites worked to shield themselves from democratic pressures and public accountability as they managed events from insulated positions of institutional power. Ignoring mounting evidence of trouble and increasingly shrill warnings from outside, authorities recklessly clung to ideologically driven policy agendas accepted as enlightened conventional wisdom among the narrow groups of elites that mattered to them.
Rampant corruption flourished and was tolerated among elites who claimed they needed to be buffered from politics so that they could apply their expertise in virtuous service to the public interest. As political decisions determined economic winners and losers on a vast scale, citizens were reminded that they could not hope to understand all the complexities involved and should trust in the knowledge, skill, and virtue of technocratic elites. On measures designed to service banking interests and the affluent, governing elites proved remarkably capable of agreement and action. On decisions to meet the needs of Americans in the lower half of the income distribution, they descended into a sorry spectacle of polarization, discord, and deadlock. While millions of Americans suffered from losses of jobs and homes, federal officials quickly doled out over $7.7 trillion to big banks, insurance companies, and other financial institutions—that jaw-dropping figure accounts only for transfers through March 2009 and yet amounts to half of the value of everything produced in the United States during that year (Ivry, Keoun, & Kuntz, 2011). As one of the country’s most prominent business reporters explained, “The big powered, moneyed institutions are in control in Washington…. There’s a drastic imbalance between the people who created the problem and the people who had to pay [for] the problem…. [With] the rise of the financial institutions as a percentage of GDP,…[they] can persuade the treasury secretary that, if you don’t bail me out Armageddon is going to happen and everyday people will lose access to their money and the world will come to an end” (Morgenson, 2012).

The power to threaten, however, is only part of the story. As the Great Recession proceeded, arguments touting the advantages of governance by experts and governing elites proved highly resilient, even in the face of clear evidence of elite failure. Shortly after his departure from a post in the Obama administration for a top corporate position at Citigroup, and despite the persistence of widespread pain from the financial meltdown and recession, Peter Orszag (2011) argued publicly that, when it comes to democracy, Americans now have “too much of a good thing.” Citing issues as diverse as climate change, financial recovery, long-term fiscal planning, monetary policy, health care policy, tax policy, and infrastructure investment, Orszag (2011) called for an expansion of technocracy-centered, managerial governance modeled after that of the Federal Reserve.

To be sure, the Great Recession aroused public demands for new constraints on financial elites, and these demands have been hard to ignore. Some significant new forms of oversight emerged from such interventions as the Sarbanes-Oxley Act and the Dodd-Frank Act of 2010. They were championed and passed as efforts to impose tough new limits on banking and finance elites but soon met with organized resistance that slowed or subverted implementation of important provisions. In many areas, banking elites waited for the public outcry to subside and then quietly moved to restore and even strengthen their freedoms to self-regulate with limited political accountability.

Federal regulators, many of whom previously worked at the very firms they regulated, mostly functioned as collaborators in this project. Believing that their first responsibility was to the “financial health of those banks” (on which all depend) rather than to any
process of public accountability, they embraced the firms’ preferred view that government regulation should be kept to a minimum (Morgenson & Story, 2011). Against the backdrop of catastrophic failures of self-regulation, they delegated broad new governing authorities to “clearinghouses” of financial elites under the pretext that (more publicly accountable) government officials could not understand the complexities of the new financial commodity markets (Story, 2010). The identities of the banking elites who run these clearinghouses are hidden from the public, yet they have broad leeway to regulate themselves and “protect the interests of big banks in the vast market for derivatives, one of the most profitable—and controversial—fields in finance” (Story, 2010, para. 2).

In the Great Recession, governing elites were ultimately able to evade a democratic day of reckoning even as they failed to deliver on their promises and betrayed the trust of the public. In 2010, the first official year of economic recovery, the top 1 percent of income earners captured 93 percent of the income gains over the preceding year (Saez, 2013). For the staggering numbers of less fortunate Americans who lost jobs, homes, and their retirement savings, the “recovery” was still a long way off.

**CONCLUSION**

There has never been a “golden era” of thoroughgoing democratic rule in the United States. The powerful have long organized US political and policy processes to invite disengagement and to bias decision making in favor of the advantaged (Schattschneider, 1960). Race, gender, religion, and sexuality have served as the basis for exclusion and subordination of individuals (Smith, 1997). The poorest Americans have been chronically marginalized in the political process, just as business has enjoyed a reliably privileged position (Lindblom, 1977; Piven & Cloward, 1974).

Despite these limitations and more, the period from the 1940s to the 1970s was one in which the United States constrained governing elites, who found themselves hemmed in by countervailing popular forces in a variety of ways. Since the 1970s, however, elites have expanded and insulated their capacities for a mode of governance that is often unencumbered by involvement from citizens and public interest groups. Elites *contend with* other elites; they *manage* nonelites. The products of this mode of governance surround Americans; they can be seen in the spiraling concentrations of wealth in gated communities and in the desperation of struggling Americans whose dreams of livable lives grow ever more distant.

Can anything be done? Our answer is an emphatic yes. Citizens continue to have the power to disrupt and constrain governing elites (Piven, 2006). Well-organized electoral coalitions and social movements can disrupt—as they have in the past—the prevailing politics of insulated elite rule. Consider how popular resistance halted the Bush administration’s aggressive push to privatize Social Security (Béland, 2007). Or consider the powerful role played by citizen groups, such as Health Care for America Now, in the
passage of the Patient Protection and Affordable Care Act of 2010 (Pub. L. No. 111-148, 124 Stat. 119; see also Jacobs & Skocpol, 2012). Or consider how a wave of popular outrage prompted the Susan G. Komen foundation to quickly reverse its unilateral decision to defund Planned Parenthood (Belluck, Preston, & Harris, 2012).

These instances of popular influence swim against the tide in US politics today. To make them less exceptional, citizens must demand deep, systemic reforms to undo the combination of political and economic inequality that defines this new Gilded Age. Fortunately, the needed reforms are not so mysterious, and many have already been developed. Campaign finance reforms should deepen transparency through disclosure rules, make small donations more effective through public matching, and restore the capacity for state regulation of campaign contributions (Ackerman, 2013). Election laws can be redesigned in a variety of ways to broaden citizen participation. Examples include Election Day holidays, early voting, easier registration, and felon enfranchisement (Ackerman, 2013; Piven et al., 2009). New institutional designs can be used to promote a greater citizen role in police oversight and public educational institutions (Fung, 2006). A variety of reforms are available to revitalize civic organizations in America and to promote informed public engagement in policy design and implementation (Jacobs, Cook, & Delli Carpini, 2009). Reforms of the Senate filibuster and the party nomination process can play an essential role in redemocratizing major government institutions (Mann & Ornstein, 2012). The United States does not need good blueprints; they are already available. What is needed is the kind of political will and commitment to action that allowed citizens and reformers to end the last Gilded Age.

REFERENCES


Working and Living in the Shadow of Economic Fragility


7. Although the PSID gathers extensive income data during each wave, it first collected comparable data on assets during the 1984 wave; it subsequently fielded a module of asset-holding questions for the 1989, 1994, 1999, 2001, 2003, 2005, 2007, and 2009 waves. Because this analysis considers the life-course dynamics of asset poverty across 5-year blocks of time, we use data from the 1984, 1989, 1994, and 1999 waves; we combine data from the 2003 and 2005 waves to create a comparable 5-year point in time for 2004. We use 5-year intervals for the life-table analysis of asset poverty because 5-year intervals separate the early PSID individual-panel asset waves. This approach underestimates the true incidence of asset poverty because we sample annual household asset data for individuals at one point during these age intervals rather than at five points; thus, estimates are lower than those produced if one uses yearly panel data. See Haveman and Wolff (2000) for further details on the construction of asset poverty using the PSID.


Chapter 9

1. Political elitism has never been an exclusive province of the political right. Consider, for example, W.E.B. DuBois’s argument that the achievement of racial justice would depend on a uniquely “talented tenth” (1903, p. 33), or Vladimir Lenin’s belief that only an elite vanguard could lead the misguided proletariat down a revolutionary path to emancipation.

2. As Peter Bachrach (1967, p. 79) rightly emphasizes, “It is imperative that the definition of political elite be sufficiently broad to include both governmental and nongovernmental institutions…. [For example], there seems little question that heads of giant corporations are political elites.”

3. A short list of constitutional features designed for this task must include the separation of powers and federalism; the selection of US Senators by state legislators; the appointment (without election) of federal judges for their lifetime; and the Electoral College (Dahl, 2003). In his original Virginia Plan for the Constitution, Madison went further, proposing to give centralized national elites the power to tax and regulate all commerce and to veto all state laws. Stating that he wanted the US national government to “have powers far beyond those exercised by the British Parliament,” Madison also wanted it to control the establishment of universities, the development of infrastructure, the organization of all militias, and the chartering of all corporations (Robertson, 2005, p. 228).
