Oligarchy in the United States?

Jeffrey A. Winters and Benjamin I. Page

We explore the possibility that the US political system can usefully be characterized as oligarchic. Using a material-based definition drawn from Aristotle, we argue that oligarchy is not inconsistent with democracy; that oligarchs need not occupy formal office or conspire together or even engage extensively in politics in order to prevail; that great wealth can provide both the resources and the motivation to exert potent political influence. Data on the US distributions of income and wealth are used to construct several Material Power Indices, which suggest that the wealthiest Americans may exert vastly greater political influence than average citizens and that a very small group of the wealthiest (perhaps the top tenth of 1 percent) may have sufficient power to dominate policy in certain key areas. A brief review of the literature suggests possible mechanisms by which such influence could occur, through lobbying, the electoral process, opinion shaping, and the US Constitution itself.

There is widespread agreement that the United States is a democracy. But is it possible that the US political system is also oligarchic? We believe that the concept of oligarchy can be fruitfully applied not only to places like Singapore, Colombia, Russia, and Indonesia, but also to the contemporary United States.

Key to this belief is the fact that oligarchy and democracy are not mutually exclusive but rather can coexist comfortably—indeed, can be fused integrally—into governments that Aristotle conceived to be an "admixture of the two elements."[1] Moreover, the existence of oligarchy need not depend upon oligarchs' holding formal government positions (indirect influence is sufficient) or upon explicit coordination or cohesion among oligarchs. It need not be affected by the circulation of elites. It does not require extensive political engagement by oligarchs themselves. It is not subject to "canceling" effects from pluralistic struggles in which oligarchs compete with each other or with other major political forces. Oligarchy can exist with respect to certain limited but crucial policy issues at the same time that many other important issues are governed through pluralistic competition or even populistic democracy.

One of the present authors, Winters, is completing an extensive study of oligarchy in various countries. Our purpose here is not to give a full theoretical or empirical account of the nature and workings of oligarchy, but merely to suggest that the concept helps illuminate important aspects of the contemporary US case. We believe that minority power is a fact of life in any complex society, with representative government changing the character and extent, but not the fact, of majority exclusion. On this point Robert Michels was right, even if his famous "iron law" muddles the most important aspects of oligarchy by focusing on organizational complexity rather than power.[2] Contrary to elite theory (and to a range of writings on oligarchy that are confused versions of elite theory), we argue that the concept of oligarchy properly refers to a specific kind of minority power that is fundamentally material in character. In the US context, as elsewhere, the central question is whether and how the wealthiest citizens deploy unique and concentrated power resources to defend their unique minority interests. In the United States (as elsewhere), to the extent that such minority power is exercised, the political system can be considered an oligarchy.

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In presenting these ideas, we seek to advance the research agenda heralded by the American Political Science Association's 2004 Task Force on Inequality and American Democracy, and recently advanced by Bartels and Page and Jacobs.[3] Indeed, although the theme of the 2006 American Political Science Association Conference was "Power Reconsidered," our basic point is that political science as a whole and the American politics subfield in particular needs to treat power, especially in its material form, much more seriously than it recently has done.

The Theory of Oligarchy

We adopt a definition derived from Aristotle: oligarchy involves the exercise of power by the *richest* citizens—who happen always to be "the few."[4] Oligarchy refers broadly to extreme political inequalities that necessarily accompany extreme material inequalities. Oligarchs are actors who personally command or control massive concentrations of wealth—a material form of power that is distinct from all other power resources, and which can be readily deployed for political purposes. This materialist interpretation of oligarchy was dominant from Antiquity until the emergence of elite theory at the end of the nineteenth century, when scholars such as Gaetano Mosca, Vilfredo Pareto, and Robert Michels stretched the analysis of oligarchy to include power resources other than wealth. The concept of oligarchy then lost clarity and explanatory value by being blended with notions of elite power. Pareto, for instance, saw liberal democracies as sham "demogagic plutocracies," in which politicians, party bosses, union leaders, capitalists, and other elites engage in patron-client relations fed by money flows.[5] More recent attempts to define oligarchs and oligarchy, particularly in the US context, have foundered for a variety of reasons—the most important being that oligarchy has mistakenly been construed as incompatible, both conceptually and functionally, with democracy. We argue that oligarchy limits democracy but does not render it a sham.

In our view, oligarchs and oligarchy can best be defined and understood by focusing at the individual level on *power resources,* particularly *material* power resources as manifested in wealth.[6] There are three aspects of material wealth that have led it to serve as a unique and persistent source of political power throughout much of human civilization. First, wealth has generally been highly concentrated among a very few citizens. Second, material wealth of whatever sort (money in the bank, equity ownership of corporations, ownership of landed estates) has—in virtually all times and places—been easily translatable into substantial political influence. Third, the ownership of material wealth carries with it a set of political interests: interests in preserving and protecting that wealth, interests in ensuring its free use for many purposes, and interests in acquiring more wealth. That is, highly concentrated material wealth generally brings with it both enormous political power and the motivation to use that power in order to win certain kinds of political-economic outcomes. Possession of great wealth defines membership in an oligarchy, provides the means to exert oligarchic power, and provides the incentives to use that power for the core political objective of wealth defense (which, depending on the national and historical context, means property defense, income defense, or both).

The power resources approach to oligarchs and oligarchy underscores the importance of power capacities, or, as Isaac framed it in his critique of the faces-of-power debate, "power to" rather than "power over."[7]

Clearly wealth is not the *only* source of political power. Power can also proceed from holding formal political office, from enjoying political rights (such as "one person, one vote" under a democratic electoral system), from personal or organizational capacity to mobilize others, and from coercive capacity or armed force. (In most modern polities, however, the coercive function is largely monopolized by the state.) Our argument is only that wealth is consistently a *major* source of political power and that it is often the most important source with respect to certain policies. In many or most political systems, concentrated wealth in the hands of a small fraction of a community's members is a particularly versatile and potent source of political power. During the politics of the ordinary, wealth can hire or persuade the wielders of other political resources. In extraordinary times, severe threats to property and wealth can provoke the richest citizens to engage in destabilizing and sometimes violent political and economic reactions.

A distinctive quality of political power based on wealth is that it does not depend upon extensive investments of time or action by wealthy individuals themselves, nor does it rely for its potency on mobilization and coordination among oligarchs. The wealthy often control large organizations, such as business corporations, that can act for them. They can hire armies of professional, skilled actors from the middle and upper-middle classes who labor as salaried advocates and defenders of core oligarchic interests. In modern societies these actors are often denizens of foundations, think tanks, politically connected law firms, consultancies, and lobbying organizations. Sometimes they are politicians or officials recruited and funded by the wealthy. They blend smoothly into the complex give and take of pluralist politics, but their character, focus, and effect is different: it is to advance the basic material interests of the wealthy.

The literatures on oligarchy and democracy usually view the two political arrangements as mutually exclusive. We view them as compatible and often fused. Thus it does not follow from our argument that the wealthy dominate all facets of politics. In a formally democratic political system, Dahlian pluralistic struggles—and even segmented (not general or revolutionary) mass mobilizations—may carry the day on many issues involving such matters as race, women, gays, ethnicity, religion, morality, guns, or the environment.[8] These are issues of great importance to many ordinary citizens, but of only limited and cross-cutting concern to the wealthy. We are arguing here that the earlier critics of "the biases of pluralism" were onto something, that the skewed distribution of wealth in the United States is a source of oligarchy, and that US political scientists, and especially scholars of American politics, ought to pay much more attention to these issues than they do.[9] To the extent that they have failed to do this, the field, in spite of its increasing technical sophistication, has made less progress than many like to believe.[10]

The extent and character of oligarchic power varies according to place and historical period, from wild and unconstrained to tamed and restricted. In some countries, oligarchs still have layered upon them power linked to race or ethnicity, noble birth, or religion. But oligarchic power always covers issues that affect the core material interests of the wealthy in safeguarding claims to what they have and permitting the acquisition of more. Distinctly oligarchic interests are focused on wealth defense, which has two components: property defense (avoiding confiscation by force) and income defense (avoiding legal redistribution of otherwise secure private property). From the time of the first civilizations until the rise of the modern state, oligarchs devoted most of their attention to property defense and were compelled to make major investments in capacities for violence and coercion. The advent of secure and institutionalized arrangements for property defense has allowed oligarchs to focus far more on defending income. In the US case this means deflecting redistributive taxation and shifting the burdens of social welfare downward to the less affluent. In modern societies it has also meant the legal creation and protection of limited liability corporations and the facilitation of their global reach through open markets, free trade, and investment of capital abroad.

It would be too risky to leave potentially divisive, extreme asymmetries of wealth to the mercies of pure democracy.[11] The rise of representative democracy involved a difficult and delicately executed trade-off of property security for the richest and historically most powerful actors in exchange for universal suffrage for the unpropertied masses. Whenever this bargain has broken down (and since World War II it has done so only in poorer states where institutions are weak), democracy has broken down with it. This same arrangement that guarantees the property of the wealthiest against serious threats forms the basis of the fusion between oligarchy and democracy.

Once a stable oligarchic-mass settlement is in place—often accompanied by an "elite settlement"—so that serious threats to oligarchy disappear, a democratic "politics of the ordinary" can proceed to govern many issues of little interest to oligarchs as a group.[12] Dahlian polyarchy can blossom within a broad—though not unlimited—sphere in which voice, organization, and voting matter. An oligarchic-mass settlement, in which masses of ordinary citizens are persuaded to accept the key requirements of oligarchs, permits a classic Aristotelian fusion in which oligarchy respects and allows democracy and liberal freedoms, so long as democracy respects and allows oligarchy. A thriving oligarchy in the richest and most politically developed nations implies a limited, rather than a sham, democracy.

It is important to recognize that oligarchy can operate without explicit coordination or cohesion among oligarchs. School ties, clubs, social networks, interlocking directorates and the like among the wealthy can be interesting and important, but they are not necessary to enable oligarchs to act in unison. The common material interests of the wealthy can be sufficient for that. In key realms, common interests lead nearly all wealthy individuals to seek the same sorts of policies. Moreover, the wealthy often constitute a "privileged group" in Mancur Olson's sense: one or more individuals with extreme wealth can gain so much from, say, a free trade agreement or a regressive tax cut that they have incentives to act on their own.[13] There is no need to cooperate or coordinate with other wealthy individuals. Ordinary citizens, by contrast, though very much affected in the aggregate, usually have far less at stake as individuals and are more divided than the super-rich. For non-oligarchs, any effort to mobilize faces formidable collective action problems.

The common material interests of the wealthy help overcome any threat to oligarchy that might result from the circulation of elites and the replacement of individual oligarchs by newcomers. Individuals who start from modest beginnings and acquire great wealth usually learn rather quickly that they have new material interests. The occasional renegade is no match for the monolithic power and shared interests of the oligarchy as a whole.[14] Indeed, Mosca and Pareto pointed out long ago that elite circulation brings new vigor to an oligarchy and strengthens its legitimacy.

The US Case

Does an identifiable oligarchy exist in the United States? If so, how do oligarchs overcome the democratic features of the political system and circumvent majority rule on certain issues? Over what policy domains, if any, do they exert decisive influence?

A useful starting point is to consider the extent of economic inequality in the United States. Economic inequality may be taken as an indicator of highly concentrated material resources for influencing politics (the primary condition for the existence of oligarchy) and perhaps also as evidence of non-majoritarian public policies—of the failure of a democratic political system to redress market-based inequalities that disadvantage large majorities of the population.

The story is a familiar one: since about 1973 the real wages and family incomes of average Americans have lagged behind productivity gains and have mostly stagnated, while those at the very top of the income distribution have prospered spectacularly. The result has been very high—and sharply increased—inequality.[15] For the year 2005, for example, Piketty and Saez—using IRS income tax data, which probably understate top incomes—found that the top 1 percent of Americans (more precisely, the top 1 percent of "tax units")[16] received the largest share of national income they had enjoyed since 1928: more than one fifth of it. The top 300,000 Americans collectively received almost as much income as the bottom 150 million. Per taxpayer, the top group received 440 times as much as the average in the bottom half, nearly doubling the gap from 1980.[17]

The sharp increase in economic inequality can be illustrated by the greatly increased gap between the earnings of average factory or service workers and the earnings of the chief executive officers of the firms they work for. In 1973 the average CEO in major companies earned approximately 27 times as much as the average worker, a substantial premium. But in 2005, when the average worker earned $41,861, the average CEO was paid $10,980,000: *262 times* as much.[18]

Even more dramatic is what has happened to incomes at the very top. In 2006, three managers of hedge funds each took home more than one billion dollars ($1,000,000,000, one thousand million dollars) in income, putting to shame the mere $10 million received by the average CEO. Their combined income was $4.4 billion, with the top earner, James Simons, making $1.7 billion, followed by Kenneth Griffin and Edward Lampert earning $1.4 and $1.3 billion, respectively. The top 25 hedge fund managers got a total of $14 billion in 2006, more than the gross domestic product of Jordan or Uruguay—that is, enough to double the income of every person in one of those countries.[19] Incredibly, hedge fund managers did even better in 2007: the total take of the top twenty-five jumped from $14 billion to $22 billion. The top five each took home more than $1 billion. John Paulson earned about $3.7 billion; George Soros made $2.9 billion; and James Simons got $2.8 billion, now ranking only third despite making $1.1 billion more in 2007 than 2006.[20]

Of course many top income earners have faced steep drops in income with the 2008–2009 economic crash; figures for 2009, when available, will certainly be lower. But it is far from clear that the extent of *inequality* in incomes has been affected. Those on the bottom—suffering pay and benefit cuts and sometimes losing jobs altogether—have taken very sharp percentage hits as well, which may have left the shape of income distribution much the same.

Consider that every citizen has an individual power profile based on the power resources he or she can deploy. One person's power profile might be very low because although he has a right to vote (part of the power profile of all registered adult citizens), he is unmobilized and has almost no spare material resources. Another person's power profile might be very high by virtue of holding an office like senator or being a Supreme Court justice. Yet another person's individual power profile might be high because she is capable of mobilizing tens of thousands of other citizens to act in concert. And finally, there is the person whose power profile is dominated more than anything else by ownership of massive material resources in the form of income or wealth.

Suppose, for the sake of argument, that money income can be translated easily and directly into political power and—as a first cut into the problem—that it translates on a one-to-one basis: twice the income produces twice the political power, and so forth.[21] A search for oligarchy in the United States, then, could begin by calculating exactly how much income the richest Americans get as a multiple of the income earned by most other Americans. This ratio could be used as a first, rough estimate of the political power of potential oligarchs.[22] An effort to calculate such an income-based Material Power Index for individuals (or, more precisely, tax units) is presented in the third column of table 1.

In table 1 the bottom 90 percent of Americans—the vast majority of the US population, including most of the middle and upper middle classes—are taken as the baseline. The average income of tax units in the bottom 90 percent ($29,143 in 2005) is arbitrarily assigned a power index score of 1.0. That is, the average member of the bottom 90 percent is treated as having exactly 1 unit of political power. (Note that this treatment ignores very substantial inequalities within the 90 percent, which have been the subject of many survey-based studies of unequal political voice. We are concerned here chiefly with the very top of the income distribution, which is too small to show up in most survey samples representative of the whole population.)

Reading upwards from the bottom of the third column of table 1, the average incomes of increasingly small but increasingly affluent groups of Americans are expressed as multiples of the average income of the bottom 90 percent, producing figures for the Individual Material Power Index that rise markedly as one moves toward the top of the table. By this income-based measure of material political resources, each member of the top 10 percent of income earners averaged 8.5 times as much political power as the average member of the bottom 90 percent. Each member of the top 1 percent averaged 38.1 times as much; each of the top tenth of 1 percent, 190.7 times as much; and each member of the top hundredth of 1 percent of income earners averaged a remarkable *882.8 times* as much income-based political power as the average member of the bottom 90 percent of income earners. These discrepancies are vastly greater than the SES- or income-related biases and

Table 1
Income-based material power indices

Fraction of taxpayers	Average income	Individual Power Index	Total Group Power Index
Top 1/100 of 1%	$25,726,965	882.8	5.1%
Top 1/10 of 1%	$5,556,963	190.7	10.9%
Top 1%	$1,111,560	38.1	21.8%
Top 10%	$246,853	8.5	48.5%
Bottom 90%	$29,143	1.0	51.5%

Source: http://elsa.berkeley.edu/~saez/TabFig2005prel.xlx, Tables A0, A3, A6, revised 3/12/07, updating Piketty and Saez (2003); computations by the present authors. Based on IRS tabulations of individual income tax returns for 2005, CPS-estimated number of potential tax units, and National Income Accounts total income figures. Income and rankings include realized capital gains.

The Individual Power Index for each income fractile is a ratio, calculated as the average income for that fractile divided by the average income of the bottom 90%. The Total Group Power Index for a fractile is the percentage of total national income received by that group. Except for the bottom 90%, each group is inclusive of the smaller groups above it.

political inequalities that show up in standard, survey-based studies of mass political participation.[23]

Would this degree of concentrated power be sufficient to establish the existence of oligarchy in the United States? Striking as these figures are, they still leave room for doubt. The groups that include the highest-income, most powerful individuals are quite small, so that the total power wielded by those groups may not be overwhelming. We have tried to take this into account with a "Total Group" Material Power Index—shown in the fourth column of the table—which calculates the income-based resources of each income group (that is, the total income received by the group) as a percentage of all income received in the country. By this measure the power of the highest income earners looks less imposing. The tiny group consisting of the top hundredth of 1 percent of income earners, for example, together has "only" about 5 percent of all the income-based power in the country. The top tenth of 1 percent together have only about 11 percent of it. And the top 1 percent have "only" about 22 percent of the total income-based power.

On the other hand, one may consider it to be rather sobering that by this measure the top 10 percent of the population has about as much material-based political power as the entire bottom 90 percent. This may or may not be a definitive sign of oligarchy, but it certainly does not look like pure, one-person one-vote democracy. Furthermore, higher-income people are probably able to deploy more of their incomes for politics, more effectively, than are those on the bottom. The bottom 90 percent face formidable collective action and communications problems, and they must spend a much higher proportion of their incomes on necessities. For similar reasons fiscal sociologists have argued that just a 4 percent ownership share in a large organization (such as a business corporation) is often sufficient to control the organization.[24]

In any case, the picture changes when we recall the Aristotelian definition of oligarchy, which focuses on *wealth* rather than income. Most of the resources of the working and middle classes are not available for political action. Their income has to go for day-to-day necessities. Great wealth, on the other hand, can command political influence even when the wealth-owner's annual income is low or negative. Many of the wealthiest individuals maintain large savings that can be readily tapped. And illiquid wealth can serve as collateral for loans that can be spent on politics. Furthermore, without anyone spending a dime, wealth can pose a threat to—can hover as a dark cloud of potential retaliation above—any politician who might threaten the interests of wealth holders. Thus wealth is more relevant to political power than income. And it is more highly concentrated in fewer hands. A focus on wealth provides stronger evidence for the existence of oligarchy.

We now know a fair amount about the distribution of wealth in the United States. One good source of data is the Survey of Consumer Finances (SCF) by the Federal Reserve Board, which regularly (every three years since 1983) has gathered information on the elusive upper ranges of the wealth distribution by over-sampling the very rich and by imputing information on items for which survey responses are unreliable. Using SCF data and a definition of wealth based on "marketable" net worth (excluding consumer durables and pension rights beyond currently realizable value, but including owner-occupied homes as well as other real estate, cash, savings deposits, bonds, cash surrender value of life insurance, stock, equity in unincorporated businesses, and trust funds, minus all debt), Edward Wolff has calculated that in 2004 the top 1 percent of US wealth-holding households had fully 34.3 percent of all the wealth in the country, while the bottom 40 percent of wealth holders had just 0.2 percent of the total. The top 1 percent held, on average, $14,786,000 in net worth (up 78 percent in real terms since 1983), whereas the bottom 40 percent averaged only a meager $2,200 in net worth—*down* 59 percent since 1983.[25]

Table 2
Wealth-based material power indices

Fraction of Adult Population	Average Wealth	Individual Power Index	Total Group Power Index
Forbes 400 list of richest Americans (2000: Kopczuk & Saez)			
Top 5/100,000 of 1% (n = 101)	$8,191,000,000	59,619[a]	2.5%
Top 2/10,000 of 1% (n = 404)	$3,000,000,000	21,836[a]	3.7%
Estate tax method (2000: Kopczuk & Saez)			
Top 1/100 of 1%	$63,564,000	462.7[a]	3.9%
Top 1/10 of 1%	$14,786,000	107.6[a]	9.1%
Top 1%	$3,392,000	24.7[a]	20.8%
Survey of Consumer Finances (2004: Wolff)			
Top 1% of households	$14,786,000 ($13,485,000 non-home)	107.6 (199.4 based on non-home wealth)	34.3% (42.2% based on non-home wealth)
Top 10%	$3,068,000	22.3	71.2%
Bottom 90%	$137,389 ($67,611 non-home)	1.0	28.7% (19.1 non-home)

Sources: Kopczuk and Saez (2004a, tables 1,2,3,6; 2004b, table B2); Wolff 2007, tables 2,4); computations by the present authors.

Based on net worth including home equity except where noted. Calculated for the adult (age 20 and over) population except where noted. The Individual power Index for each member of a wealth fractile is a ratio, calculated as average wealth of that fractile divided by the average wealth of the bottom 90%. The Total Group power index is calculated as the percentage of all US wealth possessed by that fractile. Except for the bottom 90%, all groups are inclusive of the smaller groups above them.

[a]he denominator figure for average wealth of the bottom 90% of adults is approximated by Wolff's SCF-based 2004 data for households.

The concentration of wealth looks even greater when one considers a more politically relevant definition: "financial" or "non-home" wealth, including all the above items except the net value of owner-occupied residences. In recent decades home equity has constituted between one-quarter and one-third of all the wealth in the United States (33.5 percent in 2004), and it is much more evenly distributed than other wealth.[26] But most people view their homes as places to live, not as resources for political investment. Home equity loans have mostly gone for home improvements or other consumption rather than political action. (Indeed the recent plunge in housing prices highlights the hazards of treating home equity as a usable asset for any purpose.) In analyzing material resources available to influence politics, therefore, it makes sense to look at non-home wealth.

When Wolff did so, he found that in 2004 the top 10 percent of wealth holders—taken together—had 80.9 percent of all the non-home wealth in the country; the top 20 percent had 92.5 percent of it. The top 1 percent of wealth holders had a remarkable 42.2 percent of all the non-home wealth in the country—close to half of it. Their average of $13,485,000 each in non-home wealth far outweighed that of the bottom 40 percent, who in fact had *negative* net wealth: setting aside home equity, they were, on average, $8,700 in debt.[27]

There can be little doubt, then, that the wealthiest American households have enormous material resources available to be used for political influence, vastly greater resources than other Americans. In table 2 we present *wealth-based* Material Power Indices for increasingly affluent, smaller fractions of the population as one goes from the bottom to the top of the table. Both Individual and Total Group power indices are given. The bottom section of the table—which we will discuss first—is based on Wolff's analysis of the 2004 SCF data.

The wealth-based Material Power Index for individuals[28] in the third column of the table indicates that each of the top 10 percent of American households had on average about 22 times the political power of the average member of the bottom 90 percent. Each member of the top 1 percent averaged more than 100 times the power of a member of the bottom 90 percent; about *200 times* if the index is calculated in terms of the more politically relevant non-home wealth. These figures are much higher than the corresponding income-based entries in table 1. Again, many top wealth-holders have lost vast sums in the economic crash, but the extent of inequality may not have changed because percentage losses at the bottom (where most wealth consists of home equity) may have been as great or greater.

The wealth-based Material Power Index for total groups begins to make a more substantial case for the existence of oligarchy. By this measure the top 1 percent of households—with about one third (34.3 percent) of the net worth and close to half (42.2 percent) of all the non-home wealth-based power resources in the country—would seem to have more than enough resources to exert dominant political power over the issues of greatest importance to them, especially since the rest of the top 10 percent might be allies or (at worst) neutral on many such issues. The entire bottom 90 percent of the citizenry, taken together, have less total wealth-based power than the top 1 percent.

Does this make the top 1 percent of wealth holders potential oligarchs? The top 1 percent is a fairly large group of some 3,000,000 Americans, perhaps too large to constitute an oligarchy. Moreover, it includes many upper-middle class managers and professionals (possibly even readers of this article) who do not think of themselves as oligarchs. Perhaps they are not. What if we continue the search for oligarchs into higher reaches of the wealth distribution? What can we say about the power of the top tenth of 1 percent, the top hundredth of 1 percent, or still smaller groups of the most affluent Americans?

The SCF data, even with over-samples of the rich, cannot tell us much about such tiny slivers of the population. For that we need to turn to estate tax records, which catch most of the very top wealth holders at death and which can be used (if one accepts certain assumptions about age-, gender-, and wealth-specific probabilities of death) to draw inferences about the distribution of wealth among the living. We believe that this "estate multiplier" method unfortunately leads to serious underestimates of top wealth amounts and wealth shares, for a variety of reasons: evasion and avoidance of the estate tax; a narrowed definition of wealth (excluding, for example, human capital in closely held proprietorships that may vanish at the proprietor's death); a focus on individuals rather than households. Still, these data can tell us something.

The best available analysis of estate-tax data, carried out by Kopczuk and Saez through the year 2000, was used to calculate the middle section of table 2.[29] Comparison of the middle section of table 2 with the bottom and the top sections strongly suggests that top wealth shares were indeed underestimated by the estate tax method: the top 1 percent of individuals, for example, are seen by the estate-tax method as having just 20.8 percent of all the net worth, as opposed to the highly reliable SCF estimate of 34.3 percent for households. And the top hundredth of 1 percent individuals are estimated by the estate-tax method to have just 3.9 percent of the wealth, whereas calculations based on the detailed Forbes data on the 400 richest Americans—a far smaller group—indicate that they had a nearly equal 3.7 percent.

Still, despite this major underestimation of wealth concentration, the Individual Material Power Index based on the estate tax data indicates that each of the top 1 percent of wealth holders had on average about 25 times the political power of a member of the bottom 90 percent; each of the top tenth of 1 percent had more than 100 times; and a member of the top hundredth of 1 percent had a hefty *463 times* the power of an individual in the bottom 90 percent. The estimates of Total Group material power for the top 1 percent, tenth of 1 percent, and hundredth of 1 percent—about 23 percent, 9 percent, and 4 percent, respectively, of all the wealth-based power in the country—are also very substantial. The 9 percent share held by the top tenth of 1 percent of wealth holders, in particular, indicates that a rather small group of very affluent Americans (roughly 300,000 of them) commands the resources to exert quite substantial political power.

Kopczuk and Saez also used the Forbes data on the very pinnacle of wealth holders, the top 400 and top 100 richest Americans, to calculate those groups' shares of the total wealth.[30] The results, displayed in the top section of table 2, are quite striking. The Individual Material Power Index indicates that each of the top 400 or so richest Americans had on average about *22,000* times the political power of the average member of the bottom 90 percent, and each of the top 100 or so had nearly *60,000* times as much. This does not look like garden-variety pluralism. The Total Group power index indicates that the 400 and the 100 had 3.7 percent and 2.5 percent, respectively, of all the wealth-based political power in the country. This might be enough to get their way, on selected issues, even if the entire bottom 90 percent of the citizenry disagreed—particularly if the rest of the top 10 percent were neutral or allied with the Forbes 400.

What should we make of this welter of numbers?

Any fixed quantitative criterion used to identify oligarchs is bound to be arbitrary. In particular, we would argue strongly against any mechanical rule of looking (say) for groups that have "a majority" of the political power in society according to some quantitative measure. We have noted that the very affluent are probably much better able to deploy their resources fully and effectively in politics; the less affluent are constrained by financial needs and beset by collective action problems. Even if the data on wealth and income are accurate, resource-based measures of political power may well underestimate power at the top.

The size of oligarchies (if and when they exist) is an empirical matter that undoubtedly varies by time and place and will require considerable effort and ingenuity to pin down. Moreover, membership in an oligarchy is not likely to be dichotomous (yes or no) but rather a matter of degree; the top five hundred or one thousand wealth-holding households in the US, for example, are likely to wield far more political power than their less extravagantly wealthy compatriots among the next few thousand. And finally, not every individual possessing immense material power necessarily uses it (although our theory of oligarchy does not require that all oligarchs exercise their power, only that some do and that the others tend not to use their power against core oligarchic interests).

Keeping these caveats in mind, we suspect that the power share of the top tenth of 1 percent of US households may well be sufficient to dominate politics on key issues of most intense interest to that group, when we take into account the collective action problems of their potential opponents among less wealthy citizens and the likely sympathy or (at worst) indifference of most of the rest of the top 10 percent. That is, for the United States at the present time, a definitional boundary that identifies the top tenth of 1 percent of the wealthiest households as potential oligarchs seems fairly plausible.

The roughly 300,000 individuals in the top tenth of 1 percent far exceed in size any tiny conspiracy or cabal. Though some of them undoubtedly network with each other, most are not even mutually acquainted. They are bound together—if at all—by material self-interest and political clout, not by social ties. At the same time, a group that constitutes just one-tenth of 1 percent of the population is much smaller than a Marxian class or a mass-based pluralistic interest group. And it has a much more distinct character than a broadly defined "elite." Perhaps, then, we have identified a set of potential oligarchs in the United States. Do they in fact exert decisive influence over some subset of policies? Do they actually get policies they want? How can they possibly do so, within a formally democratic, "one-person, one-vote" political system in which elections are vigorously contested by competing, mass-based political parties?

Oligarchy and Public Policy

Can we specify key policy areas in which a tiny minority of wealthy Americans, constituting (say) just one-tenth of 1 percent of the population, consistently get their own way? An objection immediately springs to mind. There seems to be substantial evidence from scholarly research—including the influential *Macro Polity* by Robert S. Erikson, Michael B. MacKuen and James A. Stimson—that public policy in the United States responds strongly to public opinion, to the preferences of ordinary citizens, rather than to the wishes of some small set of oligarchs.[31]

This objection turns out not to have much weight. For one thing, the relationship that Erikson and his colleagues found between ideological "mood" and public policy is highly aggregated; their analysis conceals the fact that on many specific issues—perhaps one third of all issues—policy actually moves in the *opposite* direction from public opinion.[32] That leaves plenty of room for the possibility that an oligarchy controls a small set of key issues.[33] Moreover, most of the evidence of close connections between policy and public opinion is essentially bivariate. Other actors omitted from the analysis (interest groups, affluent citizens, oligarchs), whose preferences are positively but not perfectly correlated with public opinion, may be exerting the real influence and producing a spurious relationship between public opinion and policy.

Recent multivariate analyses have produced much more sobering estimates of the extent to which ordinary citizens influence public policy. In his study of Senate roll call voting, for example, Larry Bartels found that higher-income constituents had a big impact on their senators' votes; controlling for that, undifferentiated public opinion had little or no effect.[34] Similarly, Martin Gilens found that changes in policy outputs in the United States have generally responded to changes in the preferences of higher income citizens, not citizens generally.[35] Jacobs and Page found that the expressed preferences of foreign policy decision makers (which are closely aligned with actual policy) have responded much more to the wishes of executives of multinational firms than to the wishes of the general public.[36] Page and Bouton (in a chapter co-written by Jacobs) found that—in eight surveys over a 28-year period—the preferences of foreign policy decision makers disagreed with those of a majority of American citizens about one quarter of the time.[37]

None of these studies establishes influence over US public policy by an oligarchy. Perhaps the Jacobs and Page work comes closest; it points toward extensive impact on US foreign policy—especially international economic policy—by a very small group of owners and managers (e.g., international vice presidents) of Fortune 1000 multinational corporations. For the most part, however, the studies noted above just bolster the extensive evidence reviewed by the APSA Task Force on Inequality and American Democracy, which demonstrates the prevalence of what is sometimes called "biased pluralism": over a wide range of political issues, Americans with more income or wealth generally exert more political influence than those with less.[38] But biased pluralism is not the same thing as oligarchy. For our purposes, the main point of this empirical work is simply that it is no longer plausible (if it ever was) to argue that US policy making reflects the pure workings of populistic democracy, in which every citizen has an equal voice. Wealth and income matter. The question is, to what degree and on which issues?

The Jacobs and Page work also points toward one issue area in which oligarchs may prevail: key aspects of *international economic policy.* In the present globalized economy, the international economic policies pursued by the United States have crucial effects upon the present and future assets of US wealth holders. Opening and keeping open (by force if necessary) foreign markets for US exports, imports, and investments can help preserve wealth and greatly facilitate its further accumulation. So can the dismantling or prevention of any barriers to free trade, even barriers—like workplace and environmental standards for trade partners—that are very popular with the US public and might benefit both foreign and US workers. From GATT and WTO to NAFTA and beyond, there are indications that US international economic policies have been more closely attuned to US owners of multinational capital (i.e., to some of the wealthiest Americans) than to ordinary citizens.[39]

This tendency has prevailed under Democratic as well as Republican administrations, just as it would have to do if oligarchs were to maintain effective control over long periods of time. Indeed, according to one study, the peak in recorded disagreements between foreign policy decision makers and majorities of the US public on international economic policy issues—disagreement on fully 50 percent of all issues surveyed—came in 1994, when Democrats controlled the presidency and both houses of Congress and when Robert Rubin, formerly a top partner in the Goldman Sachs investment banking firm, served as Secretary of the Treasury.[40] This tendency has persisted at least since the second New Deal, when capital-intensive, multi-nationally oriented firms had become a major segment of the US economy (hence a major source of wealth) and when a subset of their owners and managers invested in the Democratic Party.[41]

A second issue area that seems a likely candidate for possible oligarchic rule is financial and *monetary policy.* Monetary policy—while complex and far outside the ken of most ordinary citizens—is of central interest to the wealthy, nearly all of whom strongly favor high interest rates and "sound money" except during financial panics, when easy money may be preferred. Wealthy holders of dollar-denominated debt (e.g., bonds), in particular, ordinarily have a keen interest in preventing inflation, which would erode the value of their capital, while inflation would lighten the burdens of those with heavy fixed debts. (Unanticipated inflation causes the real value of fixed-dollar assets to decline.) This was the heart of the famous conflicts over currency and debt that animated the Founders of our country, who made sure (through Article I, Section 10 of the Constitution) that no state could again issue inflationary paper money to ease debtors' obligations—in the way that Rhode Island had done for its poor farmers, which Madison alluded to as an "improper or wicked" project.[42] Related conflicts over the gold standard erupted at several points in the nineteenth century, culminating in the decisive 1896 rejection of the free coinage of silver.

More recently the Federal Reserve Board has diligently fought against inflation, even avoiding expansionary policies at the outset of the Great Depression and squeezing the economy when oil prices rose in the 1970s.[43] US monetary policy has taken a shape consistent with the possibility of oligarchic rule.[44] The 2008–2009 bailout of financial institutions, in which hundreds of billions of dollars went mostly to bankers and bond-holders with little help for homeowners or accountability to taxpayers, also seems consistent with oligarchy.[45]

A third and very important issue area is *tax policy.* Elite settlements and oligarchic peace imply that stable political, ideological, and legal arrangements are in place that permit small minorities of the population to hold immense wealth and earn mind-boggling salaries without fear of confiscation or other threats to their social position. With basic rights to private property firmly established and secure, a critical material and political battleground concerns taxation. Most of the wealthy do not want a substantial portion of their income or wealth taken by progressive taxes and redistributed to the less affluent.

Throughout American history, with only brief redistributive interludes (particularly during World War I, the Great Depression, and World War II), the US tax system has been very gentle with our wealthiest citizens. The idea of a progressive income tax was fiercely resisted for many years.[46] In recent decades tax progressivity has been thoroughly defanged by exemptions, deductions and loopholes, so that the effective (as versus nominal) tax rates on the highest income earners have never been very steep. Rate cuts at the top have accentuated the process. The treatment of wealth itself has been particularly lenient, with no tax at all on unrealized capital gains (increases in the value of assets not "realized" through a sale) and a special, low rate—now just 15 percent—on realized, long-term gains from the sale of stock, bonds, commercial real estate and the like. The George W. Bush administration was especially solicitous in reducing taxes on the wealthy. But twelve Democratic senators also voted for the 2001 cuts.[47]

Related to taxes but going beyond them, the combined, *over-all redistributive impact* of all government policies taken together may be the issue of most central concern to the extremely wealthy, who generally do not want their wealth or income taken away and given to others. In principle, in order to calculate the actual redistributive impact of government action one should compare "pre-" and "post-government" distributions of income. This is not easy to do. The "pre" situation is purely hypothetical; government actions affect all sorts of ostensibly private market outcomes, and it is hard to untangle those effects (e.g., of subsidies, labor market regulations, or tax burdens that may be "shifted" onto people other than the nominal payers). Moreover, it is hard to calculate the "post" government value to individuals or households of non-cash transfers, let alone public goods like defense or law and order.

An overly simple but suggestive approach is to compare Current Population Survey data on households' "market income" (all before-tax income except government transfer payments, including imputed net capital gains and imputed rent on owner-occupied homes, subtracting imputed work expenses) with data on "disposable income" (which adds government cash and non-cash transfers and subtracts payroll taxes, income taxes, and property taxes for owner-occupied homes). The most recently analyzed CPS data indicate that there was a significant drop in inequality between market income (a Gini coefficient of

0.493) and disposable income (a Gini of 0.418), chiefly because Social Security and other social insurance payments go mostly to very low-income people.[48] But this effect is modest at best. Disposable incomes remain highly unequal. The lowest quintile (20 percent) of income earners, in the aggregate, get a minuscule 1.50 percent of total market income in the United States; their 4.42 percent share of disposable income is substantially higher but still quite small. The top quintile's 53.83 percent share of market income drops only a little, to 47.28 percent of disposable income. In other words, according to this measure the totality of government action in the United States leaves the top fifth of Americans with ten times as much income as the bottom fifth.[49]

More sophisticated studies have tried to take account of additional government effects, making "pre-" and "post-fisc" comparisons that involve particular incidence assumptions or general equilibrium models. They have generally come to similar conclusions: taxes, spending and regulatory policies by US federal, state and local governments, taken all together, do not have a very great net effect on the distribution of income.[50] That is, US governments have not greatly moderated the high inequality in economic outcomes produced by private markets, even during the period of sharply increasing inequality since the early 1970s. This may be just what oligarchs want.

Our brief discussion of international economic policy, monetary policy, taxation, and the over-all distributional consequences of government action is only intended to be suggestive. We have by no means established the fact of oligarchic rule in those areas. Nor have we ruled it out with respect to other policies. Those are topics for future research. For now, it is enough to say that there are plausible reasons to suspect that an oligarchy may dominate certain narrowly defined but very important areas of policy making in the United States. The next question is: how might this be possible within formally democratic rules of the game? Through what mechanisms might a tiny oligarchy dominate aspects of policy making within a substantially democratic political system?

Mechanisms of Influence

Existing research on American politics suggests that there may exist mechanisms or pathways of influence by which a very small set of oligarchs could—to a far greater extent than their numbers alone would suggest—have a major impact on policy outcomes. These mechanisms can be conveniently grouped into three categories: lobbying, electoral impact, and opinion shaping.[51] The US Constitution may also contribute to oligarchy.

Lobbying

Lobbying—broadly construed to include all efforts outside of elections to influence government policy, through contact and communication with government officials—has been the subject of a great deal of research and writing in the pluralist theoretical tradition. We are all familiar with the techniques that lobbyists and politically connected law firms use to try to influence legislation, regulations, court decisions, and executive actions: establishing personal relationships and shared perspectives with officials through socializing, gifts and contributions, trips, friendship networks, revolving-door employment, and the like; working out detailed policy positions through foundations, think-tanks, and in-house research operations; and communicating those positions through testimony at hearings, official advisory groups, commissions and task forces, legal briefs and lawsuits, drafts of rules and legislation, informal meetings in social settings, and strategically placed memos and phone calls, as well as organized influxes of communications from real or simulated "grass roots" sources.[52]

We also know that in recent years such lobbying activities, particularly by "K Street" organizations in Washington, DC, have become highly professionalized and extremely expensive.[53] This gives a big advantage to those who are able and willing to invest large sums of money—including potential oligarchs. We have long known that the universe of Washington lobbyists and lobbying organization is quite unrepresentative of the US population as a whole: it tilts heavily toward business and professional groups.[54] Any countervailing power by organized labor—which now covers less than 15% of the work force—has faded.[55] The pluralist dream of balance among competing interest groups is largely discredited. Mancur Olson's logic of collective action demolished Truman's and others' argument that "potential" groups will automatically form to protect the unorganized.[56]

Some—though by no means all—business groups may speak for an oligarchy of major wealth holders. Organizations like the Business Roundtable, the US Chamber of Commerce, and the National Association of Manufacturers, for example, have often but not always represented owners and managers of the very largest US corporations, in which the wealthiest Americans have substantial ownership shares. Such firms also often have Washington representation on their own. (Other business lobbies speak for narrow sectors of business or for small- to medium-sized firms; neither they nor professional organizations of doctors, lawyers and the like should be considered as representing oligarchs—though on issues of major concern, such as sound money and low taxes, they may share oligarchs' preferences and serve as useful allies.)

A particularly promising avenue for oligarchic influence may involve what have been characterized as "policy planning" activities. The owners of great wealth are well situated to invest large amounts of money in policy-oriented foundations and think tanks, to fund scholars and their publications, and to communicate their oligarchy-friendly policy ideas to decision makers.[57] The wealthiest Americans, as individuals, also tend to have exceptionally good personal access to high officials. If Bill Gates wants a phone conversation or a personal meeting (publicized or secret) with the President of the United States, there is a good chance he will get it. Charles Lindblom has pointed out that top business leaders enjoy a "privileged position" for their views since, in a private enterprise system, they can purport to speak for job creation and the health of the economy as a whole.[58]

But does all this activity actually influence policy? Students of American politics have taken a wide range of positions on this question, some of them extremely skeptical. Quantitative researchers, for example, have often failed to find solid evidence of impacts upon policy making by money or organized interests.[59] But this may simply reflect the inherent difficulty of designing quantitative research that can pin down some of the most complex, sensitive and secretive phenomena in politics. Neither the wealthy nor politicians have an interest in disclosing direct influences by the former upon the latter. Indirect influence (e.g., through foundations, think tanks, and the like) can be extremely subtle and complex. What is one to count? What sorts of variables should be regressed on what?[60]

We believe that if one wants to understand the political world it is essential to employ multiple methods of inquiry. The best available evidence on the political impact of money probably comes from case studies—contemporary or historical—by journalists, political scientists, and historians. Journalists or scholars who prowl the corridors of power often see things they are not supposed to see and pick up relevant boasts, accusations and downright gossip that (even if disdained by some social scientists) can help clarify mysterious political events. Such material, together with process-tracing investigations (finding, for example, that large monetary contributions are followed by strong policy advocacy in private meetings and by policy success) can lead to reasonable inferences of influence that are convincing to all but the most die-hard skeptics.[61]

Some of the best scholarly evidence is based on research in historical archives, where private papers often reveal more about the tactics of the wealthy and the calculations of politicians than present-day observations or interviews can do. The findings by Ferguson, Swenson, Domhoff, Berkowitz and McQuaid, and others of a pivotal role by top business leaders in designing and enacting key New Deal programs, for example, suggests that perhaps nothing really big can happen in American politics without support from at least some sizeable faction of the wealthiest Americans.[62] Conversely, when an oligarchy is reasonably unified perhaps it generally gets its way. By 1980, for example, most US businesses and wealthy individuals, pressured by global competition and fearful of costs at home, turned against taxes, social welfare spending, and regulatory policies, apparently fueling the subsequent "right turn" in American Politics.[63]

David Cay Johnston's work on the armies of skilled professionals who are engaged at very high salaries to ensure that the wealthiest Americans can avoid taxation is illuminating.[64] The techniques of these professionals include two stealth components that generally fly under the radar of ordinary pluralist politics. They are employed first to generate a morass of tax code that is so arcane and relevant to such a small number of super-wealthy individuals that even specialists and auditors at the I.R.S. cannot keep pace. Second, they navigate the enabling morass of code to generate "tax letters" and daring shelters that allow the richest citizens to withhold tens of billions from the public treasury. Tracking down these schemes and unraveling them is usually a losing game of catch-up.

The case of taxes on the super-rich hedge fund managers mentioned earlier is instructive. Well barricaded by complex laws concerning taxation and partnerships, hedge funds and their managers have operated in a non-transparent realm that is, according to the Economic Policy Institute, "unregulated, or exempt from Securities and Exchange Commission (SEC) regulation, under both the Investment Advisor Act and the Investment Company Act." By having a large portion of the fruits of their management service labor taxed at the 15 percent capital gains rate rather than the 35 percent ordinary income rate, hedge fund managers have been able to take home a sum conservatively estimated to be $6.3 billion per year in tax savings. Because of these arrangements, the top 25 hedge fund managers who collectively earned $14.25 billion in 2006 avoided paying an estimated $2 billion in taxes, or an average of $80 million each.[65]

Like scores of other similarly lucrative arrangements, these tax benefits have been in place for years and have only recently emerged into public debate. Few ordinary citizens know or comprehend the details. "Defending this tax break are highly paid lobbyists such as Douglas Lowenstein and Grover Norquist, who loudly and repeatedly make the claim that taxing hedge fund managers like everyone else will harm the average working family."[66] Even after they were exposed in public, it was far from certain that these tax loopholes would be closed. The Democratic Senatorial Campaign Committee received $779,100 in contributions in the month of June 2007 from private equity firms and hedge funds. The initial response of Senator Charles Schumer (D-NY)—who as head of that committee was the architect of the Democrats' 2006 senatorial election victories, and who has consistently aided the private equity interests whose contributions help keep him in office—was to block efforts to force hedge fund managers to pay the same taxes everyone else must pay.[67]

As of this writing (early in 2009), no serious move had been made to tax hedge fund managers at the same rates as other Americans. Whatever the outcome of this particular issue—which is crucial for only a few extremely wealthy individuals and may not much concern the wealthy as a group—it makes clear that solicitude toward the rich can be found in more than one political party.

Electoral Impact

If small, wealthy minorities sometimes prevail through lobbying, why do not ordinary voters rebel and throw out the officials who are responsible? It is helpful but not sufficient to give the classic answer associated with E.E. Schattschneider: that lobbying victories often involve low-visibility issues—monetary policy and many tax policies surely qualify—on which the scope of conflict is narrow and the public is not involved.[68] Why don't political entrepreneurs *get* the public involved, publicizing officials' betrayals and defeating them in elections? Any account of oligarchy within a formally democratic political system must grapple with the question of how oligarchs influence elections.

Simple Downsian "median voter" models have convinced many political scientists that—at least when politics are unidimensional—competition for votes in two-party elections ensures democratic control of policy making.[69] But such models *a priori* exclude the possibility of influence by money or interest groups and maximize the apparent power of ordinary voters, by making a series of highly restrictive and quite implausible assumptions: that all citizens or a random sample thereof turn out to vote; that all citizens perceive candidates' policy stands correctly and vote purely on that basis; that candidates or parties are pure vote seekers and don't care about policy. In the real world, turnout is skewed and is an important variable that money and organization can affect. Perceptions are malleable, subject to media advertising that costs a lot of money. Voting often turns on candidate images, which are particularly subject to manipulation through expensive advertising campaigns. Candidates and parties (and the activists and money-givers who back and animate them) often care a great deal about policy.

For these reasons there is every reason to expect that money affects electoral outcomes. The empirical evidence confirms this expectation. At least since Gary Jacobson's pioneering work, it has been clear that large sums of money are generally necessary (though not sufficient) for getting elected to the House of Representatives, especially for challengers.[70] Senatorial and presidential elections are even more expensive, so success there is probably all the more dependent on raising money.

Enormous amounts of money are spent on US elections: perhaps $4 billion in 2004, up about $1 billion from 2000.[71] Much campaign money has come from the wealthiest Americans, like the "Pioneers" who gave or bundled $100,000 or more to George W. Bush's campaign in 2004. In fact the vast preponderance of money, some 80 percent of it, has generally come from a small "donor class" constituting roughly one-tenth of 1 percent of the population.[72] True, the 2008 Obama campaign's enormous success at Internet fundraising may have tended to democratize campaign money giving, but probably not as much as the imagery suggests. For crucial early money the campaign relied heavily on Wall Street, and big donors continued to be important throughout. Even on the Internet, a great proportion of *money* collected (as opposed to the more ballyhooed proportion of contributors) reflected large contributions by the wealthy.[73] The Robert Rubin/investment-banking oriented Obama economic team (Summers, Geithner, and Furman) was not very threatening to the rich.

Most big campaign donors want something from politics. And what they want may be closely related to the fact of their wealth. Survey data based on national samples have not found that contributors express much different policy preferences than the average American does, but this probably results from the focus of survey questions on matters of politics as usual rather than on core concerns of the wealthy, and from the prevalence of low-level donors in surveys.[74] The divergence is surely much greater for the wealthiest and most important contributors on the issues they care most about. This is an important topic for research.

The biggest contributors may be able to insist upon adherence to their positions on key issues as a condition for contributing. Or—it amounts to the same thing—parties and candidates may know what they have to advocate in order to get the money. Adherence to key pro-wealthy positions gains rather than loses votes for politicians if the vote-producing impact of the money exceeds any alienating effect that unpopular issue stands (if publicized and known) would have upon voters. This is obviously the case if both parties agree formally or informally to take similar, pro-wealthy stands on certain key issues, but no cartel may be necessary (that is, each party's individual incentives will do it), if money—with its effects on turnout, perceptions, and candidate images—can produce enough votes.[75] Thus campaign contributions constitute a plausible mechanism by which oligarchs could influence public policy despite formally democratic institutions.

Still, some observers are skeptical about whether campaign contributions actually gain policy results after elections are over. A particularly clever (though, we think, wrong-headed) argument is McChesney's: this is "money for nothing"; politicians are not really influenced by contributions but simply engage in extortion, extracting rents by threatening to enact hostile policies.[76] More troubling to our argument is the fact that efforts to pin down the impact of PAC contributions on congressional roll call voting behavior have often found that, controlling for a member's party and ideology, contributions have little effect.[77] (Note, however, that PAC contributions constitute only a very small part of the flow of money into politics, and that they tend to have a less conservative [e.g., more pro-labor] tilt than the much greater "soft money" and "bundled" contributions that tend to come from the wealthy.) But this finding—if correct—does not imply that campaign money has no impact. It simply indicates that any influence by money tends to work chiefly by selecting (nominating and electing) officials with ideologically friendly stands, rather than by bribing officials to go against their own beliefs once in office.

A promising line of thinking about this is Ferguson's (1995, ch.1) "investment theory" of political parties, which rests on the assumption that *both* parties in a two-party system require large amounts of cash in order to be viable and that this need forces them to round up major investors, who in turn insist upon a measure of policy allegiance.[78] Politicians of the two parties could tacitly or expressly agree not to compete over the issues of greatest importance to the (in this respect) rather homogeneous set of big money givers; or their individual calculations of the vote-producing impact of money could lead to the same results. Either way, voters may have no real choice: the candidates presented to them may be carefully filtered and found acceptable by oligarchs.[79]

Still, the conceivable danger of an outraged citizenry turning to a third party (which, to be sure, would face formidable legal barriers), or rioting and demonstrating, suggests that secure oligarchical rule might also have to involve a third pathway of influence; the shaping of public opinion.[80]

Opinion Shaping

There are good reasons to believe that—under certain conditions and within certain limits—shrewdly invested money can move public opinion in directions inimical to citizens' interests. Despite what we consider a remarkable ability of collective opinion to come to sensible conclusions when the information environment communicates contending views, under certain conditions even a "rational public" can be fooled.[81] This is particularly likely to happen when elite communications are monolithic, which might well occur (for precisely the reasons noted in our discussion of lobbying and electoral impact) on issues of central concern to an oligarchy.

We know, from experimental and time series as well as cross-sectional evidence, that the contents of the mass media can affect both what people think about and how they think about it. Citizens' agendas are influenced, their decisions are primed, their perceptions are affected, and their collective policy preferences are moved by what is said on television, print media, and (no doubt) the Internet.[82] This creates opportunities for vilifying candidates who might threaten oligarchs, sowing distrust of government, changing the subject (e.g., promoting "values" rather than economic policies), and obfuscating the merits of proposals seen as dangerous.

One of the most important and best-replicated findings of media research is that official sources—especially the US president and his administration—tend to dominate political news in the mass media.[83] Most Americans, most of the time, have to rely upon officials—and on ostensibly nonpartisan "experts" and commentators who generally speak the same language—for facts and interpretations about world and national politics.[84] To the extent that officials are selected or influenced through electoral and lobbying activities by the wealthy, it is plausible that public opinion is indirectly shaped by an oligarchy. More directly, oligarchs could orchestrate information campaigns through advertising and through friendly or subsidized communicators.

Case studies have identified some of the specific mechanisms by which public opinion may be manipulated. Jacobs and Shapiro, for example, show how "crafted talk" by politicians (themselves likely influenced by special interests), and information campaigns by the interests themselves, can mislead citizens about what the politicians are doing and about what sorts of policies would actually benefit the citizenry.[85] The painful case of misleading information and incorrect public perceptions leading up to the invasion of Iraq confirms that officials' rhetoric can indeed manipulate opinion—especially on foreign policies, which are often complex, distant, and subject to centralized information control by the executive.[86]

We believe, however, that any opinion shaping on behalf of a US oligarchy is more likely to operate in much a much more slow, subtle, and hard-to-pin-down fashion, involving long-term influences through the policy planning apparatus noted above (foundations, think tanks, helpful scholars, and commentators); the increasingly concentrated and corporate-owned mass media, few of which have much sympathy with egalitarian economic notions; and the US education system.[87] It is very difficult to gather definitive evidence concerning the presence or absence of such long-term persuasive effects, but it seems possible that Americans' apparent reluctance to seek any major redistribution of wealth, and their pervasive distrust of government, may reflect oligarchic influence on opinion.[88] Anti-redistributive attitudes by ordinary citizens could constitute a major element in a stable oligarchy-mass settlement.

Constitutional Rules

In assessing possible mechanisms of oligarchic influence it is important to bear in mind that the US Constitution—a revered but hardly democratic document—has imposed rules beyond the reach of simple majority control that may substantially facilitate oligarchy.[89] The Founders made sure that the Constitution protected private property in a variety of ways. Article I, sec. 10 prohibits states from printing inflationary paper money or impairing the obligation of contract. The Article IV, sec. 4 guarantee of a republican form of government would presumably prevent any radical revolution in a state. Most important, the

Fifth Amendment prohibits the federal government—and now, through the Fourteenth Amendment, also state governments—from depriving any person of property without "due process of law" (a phrase interpreted to include substantive protection) and from taking private property without "just compensation." Redistribution with full compensation, of course, would not be redistribution at all.

The Constitution provides for an appointive judiciary that has consistently interpreted and enforced constitutional and statutory law in ways that protect wealth. Indeed it can be argued that one of the chief missions of the Court through most of its history has been to further and protect the private acquisition of wealth.[90] Appointment of acceptable Supreme Court justices and lower court judges, then, may be one key to the exertion of oligarchic influence over key, property-related issues. The US Senate plays a special part in the appointment of judges—as it does in foreign policy—as well as playing a role coequal with the House in ordinary legislation. Even after the demise of the original constitutional system for appointing rather than electing senators, the peculiar, state-based apportionment of the Senate and its small number of members have ensured that it poorly represents the US population as a whole. (Relative to Californians, each resident of Wyoming is overrepresented by a factor of about 70 to 1, for example.)[91] Senate elections, including those in small states that can be inundated with outside cash, appear to be particularly money-driven. They often result in victories by multi-millionaire candidates (or candidates backed by multi-millionaires), who are likely—consciously or not—to have special sympathy for the views of the wealthiest Americans. Perhaps most important, the Constitution's fundamental arrangements of federalism and separation of powers provide multiple veto points at which any serious threat to an oligarchy-friendly status quo can be blocked.

Conclusion

Some excellent research has been done on political inequality in the United States. We believe it is now appropriate to move a step further and think about the possibility of *extreme* political inequality, involving great political influence by a very small number of extremely wealthy individuals. We argue that it is useful to think about the US political system in terms of oligarchy.

The oligarchy approach suggests many important questions for future research. Does material wealth translate into political power, on a one-to-one (or some other) basis? Does an identifiable oligarchy exist in the United States? If so, who are the members? Do networks among oligarchs matter, or just common interests? What specific areas of public policy do they dominate? How, precisely, do they exert influence? What are the relative contributions of lobbying, electoral impact, opinion shaping, or other pathways of influence? How does the United States compare with other countries, including those of Western Europe? We have sketched, but *only* sketched, possible answers to some of these questions. Much more investigation is needed.

We have mainly dealt with empirical issues. If an oligarchy exists in the United States, what are the normative implications? To what extent might oligarchs, ruling in their own interest, incidentally benefit many others? Alexander Hamilton's schemes for an "extensive commercial republic" (laying the foundations for capitalism and economic development) suggest a benign answer (Hamilton, Madison and Jay 1961 [1787–88], paper #11.) On the other hand, do oligarchs sometimes push public policy in directions harmful to most citizens? Which policies, to what extent, and how? These questions are profoundly important for understanding possible limits to democracy in America. We believe that answering them ought to be a central concern for students of American politics.

Notes

1 Aristotle 1996, IV, viii.

2 Michels 1999.

3 Jacobs and Skocpol 2005; Bartels 2008; [see the symposium in the March 2009 issue of *Perspectives on Politics*]; Page and Jacobs 2009.

4 Aristotle writes, "whether in oligarchies or in democracies, the number of the governing body, whether the greater number, as in a democracy, or the smaller number, as in an oligarchy, is an accident due to the fact that the rich everywhere are few, and the poor numerous" (Aristotle 1996, III viii 1279b, 35–39). Important writings on oligarchy and elite rule include Mosca 1939, Michels 1915, Pareto 1935, Bottomore 1964, and Mills 1999. Leach 2005 presents a sophisticated discussion of oligarchy. For a skeptical view see Payne 1968. Other critiques include Dahl 1958, Rustow 1966, and Cammack 1990. We cannot cite all the relevant literature; one of us (Winters) has collected more than one thousand books and articles bearing on oligarchy. Leach 2005 is an excellent entry point.

5 A plutocracy is an oligarchy of the wealthy, which to Aristotle and to us is a redundancy. Femia 2006 provides the best overview and critique of Mosca and especially Pareto. He shows that Pareto's optic was based much more on the psychological origins of political processes than on material considerations. Indeed, Femia notes (114) that Pareto juxtaposes materially-based power and exploitation with all other forms of exploitation based on race, ethnicity, religion and gender. We view materially-based power (and politics) as analytically distinct from these other forms.

6 We adapt the power resource approach developed by Korpi 1985.
7 Korpi 1985 and Isaac 1987 provide important summaries and critiques of the faces-of-power debate. Key contributions to that debate include Bachrach and Baratz 1962 and Lukes 1974.
8 Dahl 1967.
9 Connolly 1969.
10 On this and related points we are indebted to Jeffrey Isaac.
11 See Przeworski 1991.
12 Higley and Burton 2006.
13 Olson 1965, 22, 49–50.
14 Renegades (rich individuals who favor extensive redistribution of wealth) do of course exist. One should not be too hasty in identifying them, however. In our view, neither Franklin Roosevelt (arguably the savior of capitalism in the United States) nor George Soros (a prodigious contributor to Democrats in the 2004 election, motivated chiefly by concerns over the rule of law and US standing in the world), fits the description. In a conversation with one of the present authors (Page) at a 2003 APSA event concerning "Democracy and Inequality," Soros noted that it would be odd if someone like him, who had profited so greatly from the US system, were deeply outraged about economic inequality.
15 Dew-Becker and Gordon 2005 show that between 1966 and 2001, real wage and salary income growth in the US for the bottom 90 percent of earners did not keep pace with productivity growth. Average (mean) wage and salary income for the whole population only kept up with productivity growth because fully half of all income gains accrued to the top 10 percent. With particular relevance to oligarchy, "increasing inequality *within* the top decile was as important a source of growing inequality as the gap between the top and bottom deciles" (67, emphasis original). US Department of Labor data show that since 2001 incomes have lagged behind productivity even more spectacularly. According to Head 2007, "between 1995 and 2006, the growth of employee productivity exceeded the growth of employee real wages by 340 percent. Between 2001 and 2006, the first six years of George W. Bush's presidency, the gap widened alarmingly to 779 percent"(42). See also Johnston 2003; Katz and Autor 1999.
16 Because of their reliance on tax data, the unit of analysis for Piketty and Saez is actual or potential "tax units"—those who file (or potentially would file) income tax returns singly or jointly.
17 Johnston 2007. See Piketty and Saez 2003 and the updates at http://elsa.berkeley.edu/~saez/TabFig2005prel.xls.
18 Economic Policy Institute 2006; Mishel, Bernstein, and Allegretto 2006.
19 Top 25 Moneymakers 2007.
20 *Alpha* magazine, as reported at Bloomberg.com, 5/08.
21 We certainly do not claim that material resources translate into political power on an exactly linear, one-to-one basis; we consider the precise terms of translation to be an important matter for empirical investigation. There may be a linear coefficient of translation of either less or more than 1.0; or the translation function may be nonlinear. The power indices we introduce below can easily be adjusted to different translation functions. We believe that any plausible function will yield highly concentrated material-based political power among top income earners and wealth holders.
22 An individual's Material Power Index is one component of the overall power profile just mentioned. One could imagine similar indices based on mobilizational power, coercive power, or the power derived from holding office, which might be combined in various ways into a comprehensive index of political power. This, too, is a major topic for empirical investigation.
23 E.g., Verba, Schlozman and Brady 1995.
24 McEachern 1975; Pfeffer and Salancik 1978; Salancik and Pfeffer 1980.
25 Wolff 2007, 5, 11, 15. See also Wolff 2002.
26 Wolff 2007, 17.
27 Wolff 2007, 11, 15.
28 The term "individual" is used here to contrast with "group" indices of power. As we make clear, however, the SCF data on wealth use households as units, whereas the estate tax method and the Forbes list refer to individuals. The apparent differences in wealth distribution when different units are considered, which we note in the text, do not much affect the main point of extreme wealth concentration at the top.
29 Kopczuk and Saez 2004a.
30 Ibid., 479–83, esp. 481.
31 Erikson, MacKuen, and Stimson 2002; Page and Shapiro 1983. Page and Shapiro, however, acknowledged several reasons to be cautious about any conclusion that democratic responsiveness pervades American politics (189).
32 Page and Shapiro 1983, 179, found that public policy moved in the *opposite* direction from public opinion in 34 percent of the 231 cases studied in which both policy and collective preferences changed. Considering all their 357 cases of opinion change (including the 120 in which policy did not change at all), policy moved in a congruent direction within one year only 43 percent of the time,

hardly a sign of perfectly functioning populistic democracy.

33 See Domhoff 2002.
34 Bartels 2005, 2008.
35 Gilens 2005.
36 Jacobs and Page 2005.
37 Page with Bouton 2006, 210.
38 Jacobs and Skocpol 2005; American Political Science Association 2004.
39 See Block 1977; Stiglitz and Charlton 2005.
40 Page with Bouton 2006, 213.
41 Ferguson 1995.
42 Hamilton, Madison, and Jay 1961, #10.
43 Ferguson 1995, ch. 3.
44 See Greider 1987.
45 Reuters 2009; Johnson 2009; Ferguson and Johnson 2009a, 2009b.
46 Brownlee 1996.
47 Johnston 2003; see Pechman and Okner 1974.
48 2005 CPS.
49 US Census Bureau 2007, 2, 6.
50 Reynolds and Smolensky 1977; Wolff and Zacharias 2006; Page 1983, 135–145. Page reviews the early economic studies and concludes that US government activity had little or no net effect on the distribution of income, particularly if public goods spending (e.g. military spending) is allocated across households in proportion to income rather than equally. Wolff and Zacharias 2006 find substantial equalizing effects from transfer spending (especially Social Security and Medicare) and some effects from public consumption (especially education and health), but none at all from taxation, because of the regressive effects of payroll, property, and consumption taxes. Again the net effects are moderate.
51 See Domhoff 2006, ch. 4–7. The analysis of policy planning, opinion shaping, candidate selection, and special interest activities by a "power elite" ("the leadership group for a dominant social class consisting of the owners and managers of large income-producing properties") is very useful for our argument, though the concept of oligarchy is distinct from that of power elite. Similarly useful are Dye 2002 and Block's 2007 "neo-Polanyian" analysis.
52 See Truman 1971, chs. XI–XV; Berry and Wilcox 2007.
53 Continetti 2006.
54 Schlozman and Tierney 1986, 70; Schlozman and Burch 2009. Schlozman and Tierney found that, of all lobbying and interest groups with Washington offices, 71 percent were business groups, including corporations and trade associations, and 17 percent were professional associations. Only 4 percent were labor unions, and far fewer represented women, the handicapped, senior citizens, or other major population groups. Since 1981 there has been a big increase in the representation of sub-national governments and institutions like universities and hospitals, but not of organizations seeking public goods or representing the economically disadvantaged. In 2001 corporations, trade and other business associations, and business occupational associations still constituted 55 percent of all the organizations represented in Washington, and unions constituted just 1 percent (Kay Lehman Schlozman, personal communication, 7/7/07; see Schlozman and Burch 2009, table 2).
55 See Goldfield 1987.
56 Olson 1965; Truman 1971.
57 Domhoff 2006, ch. 4; Peschek 1987; Dye 2002.
58 Lindblom 1977, ch. 13; Lindblom 1982; Lindblom and Woodhouse 1993.
59 Ansolabehere, de Figueiredo and Snyder 2003; Jacobs and Skocpol 2005, 115–117.
60 In a time series analysis, Smith 2000 regressed the proportion of times per year that the US Chamber of Commerce's position prevailed in legislative decisions, on various explanatory factors. He found that business succeeded most often following a more conservative public "mood" and when there were more Republicans in Congress. But the study did not provide an estimate of the over-all frequency of business success or the extent of business's causal impact. It dealt only with contested issues on the public agenda, not issues on which an oligarchy may have won widespread consent. The substantial coefficient for public mood may signal earlier opinion shaping by business (cf. ch. 8). And an oligarchy might work partly through influence on the partisan balance. For these reasons, Smith's analysis by no means rules out either extensive political influence by business or the possibility of oligarchy.

Several economists and others have used events analysis of equity portfolios to estimate the value to businesses of political connections, which is often found to be quite substantial: Fisman 2001, Faccio 2006, Jayachandran 2006, Ferguson and Voth 2008. Most of these findings imply political influence by business, though they do not conclusively demonstrate it.
61 E.g., see Drew (1999, ch. 4) and her earlier work; Graetz and Shapiro 2005.
62 Ferguson 1995, ch. 2; Swenson 2002, ch. 9, 10; Domhoff 1990; Berkowitz and McQuaid 1988.
63 Ferguson and Rogers 1986.
64 Johnston 2003.
65 "Only because hedge funds and private equity firms are organized as limited liability partnerships—which are already treated favorably for tax and liability purposes—are these same professional services taxed differently. The result is a distortion in the

compensation and after-tax income between these super-rich hedge fund managers and millions of others in the workforce"; Dodd 2007.

66 Ibid.

67 Donmoyer and Goldman 2007 write that"the fight over taxation of buyout firms and hedge funds isn't the first time Schumer has gone to bat for New York-based companies that are among his top donors. In 2000, Schumer was among several dozen lawmakers who wrote letters to then-Securities and Exchange Commission Chairman Arthur Levitt questioning a proposed SEC rule that would bar accounting firms from providing consulting services to companies they audit. That practice was restructured two years later as part of the overhaul of accounting industry laws after the collapse of Enron Corp. Two of Schumer's leading contributors from 1995 to 2000 were top accounting firms, according to the Center for Responsive Politics."

68 Schattschneider 1960, ch. I, II; see also McConnell 1966, ch. 4.

69 Hotelling 1929; Downs 1957, ch. 8.

70 Jacobson 1978; see Jacobs and Skocpol 2005, 113–115.

71 Accessed July 25, 2007 ⟨http://www.msnbc.msn.com/id/6388580⟩, November 2, 2004, citing the Center for Responsive Politics. On the "wealth primary" and campaign finance reform see Raskin and Bonifaz 1993, 1994, and Raskin 1997. On the "donor class" see Overton 2002, 2004.

72 Johnston 2003.

73 Simpson and Farnam 2008; Luo and Drew 2008.

74 Verba, Schlozman, and Brady 1995, 211.

75 A telling critique of median voter models is Ferguson 1995, appendix ("Deduced and Abandoned"), 383, which notes that so long as campaigns are costly, the generic policy interests of all large investors diverge from those of ordinary people, and pooling of resources would confront high transaction costs or other obstacles, "voters are checkmated" without collusion or conspiracy of any kind.

76 McChesney 1997.

77 Ansolabehere, de Figueiredo and Snyder 2003.

78 Ferguson 1995, ch. 1.

79 Of course there are exceptions. Candidates for the Presidency, the Senate (full of multi-millionaires), House leadership, and the Supreme Court may be most susceptible to filtering for acceptability to an oligarchy. Success with just one of those institutions would be sufficient to block any dangerous, oligarchy-threatening legislation.

80 See Domhoff 2002 and 2006, ch. 5.

81 Page and Shapiro 1992, ch. 9 and 394–97.

82 Iyengar and Kinder 1987; Page, Shapiro, and Dempsey 1987.

83 Sigal 1973; Gans 1979; Hallin 1986; Bennett 1990; Entman 2004; Bennett, Lawrence, and Livingston 2007.

84 Page, Shapiro, and Dempsey 1987 found that experts and commentators, as well as popular presidents, have the biggest effects on collective policy preferences. See also Page and Shapiro 1992, ch. 8.

85 Jacobs and Shapiro 2000; see also West and Loomis 1998, and the striking 2005 analysis by Graetz and Shapiro of efforts to change the "climate of opinion" about the estate tax.

86 Rich 2006; Kull, Ramsay, and Lewis 2003–2004.

87 Bagdikian 2004.

88 Hochschild 1981; Ladd and Bowman 1998; but see Page and Jacobs 2009.

89 Dahl 2003.

90 See McCloskey 1960.

91 Dahl 2003, 48–50.

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