CONFERENCIA

"Desigualdad económica es en forma muy sustantiva, reflejo de un fenómeno político"

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Economic Inequality as a Political Issue[1]

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As political scientists Jacob Hacker and Paul Pierson noted in their influential study of *Winner-Take-All Politics*, the dramatic escalation of economic inequality in the United States over the past four decades raises a significant political puzzle: "In a country where public officials must regularly face the judgment of citizens at the polls, how could their efforts come to so persistently favor the very few?" Previous periods of elevated economic inequality in the Gilded Age and the Roaring Twenties were met—eventually—with significant populist backlashes and policy reform efforts. As Kevin Phillips put it, the American public "has distrusted economic elites and periodically used democratic politics to curb their abuses." Why not now?[2]

Perhaps the process of reaction and reform has simply not reached its critical stage. In the view of some observers, the past several years have brought us significantly closer to that sort of political reckoning. The economic distress caused by the Great Recession—and the very uneven recovery of economic fortunes in the wake of the recession—stirred concern for the well-being of the middle-class and, at least in some quarters, resentment of Wall Street and the wealthy. The Occupy Wall Street movement and its various spin-offs raised the consciousness of "the 99%" (or at least of the highbrow national news media) regarding the issue of inequality. And the 2012 presidential election featured as the Republican nominee a genuine plutocrat with an estimated net worth of $250 million, a controversial career in leveraged buyouts, multiple homes, dressage horses, offshore bank accounts, and secret tax returns.

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[1] Adapted from *Unequal Democracy: The Political Economy of the New Gilded Age*, 2nd ed. (Russell Sage Foundation and Princeton University Press, 2016), chapters 10-11.

[2] Jacob S. Hacker and Paul Pierson, *Winner-Take-All Politics* (Simon & Schuster, 2010), 7. Kevin Phillips, *Wealth and Democracy*, 294.

These and other developments might seem to set the stage for a powerful populist backlash against our New Gilded Age. So far, however, economic inequality has had remarkably little traction as a political issue in the contemporary United States. Even the rise of Bernie Sanders, an avowed socialist, as a serious contender for the Democratic presidential nomination in 2016 has had rather little impact on public opinion regarding concrete policy issues related to inequality.[3]

This essay summarizes recent scholarly work on the political consequences of economic inequality, examines some key factors limiting public support for economic redistribution, traces the (very modest) effects of the Occupy Wall Street movement, the 2012 election, and President Obama's high-profile rhetoric on the politics of inequality, and assesses the impact of Obama's presidency on the extent of economic inequality in contemporary America. Of course, it is foolhardy when thinking about the political future to rule anything out. Nonetheless, there is little evidence here suggesting that ordinary Americans will rise up anytime soon to recast the politics of inequality in a more progressive mold. If the greatest economic crisis in eight decades and the momentous resulting declines in the income and wealth of ordinary Americans have had little apparent impact on public perceptions, values, and policy preferences, why should we expect next year or the year after that to be any different?

WHO GOVERNS?

The impact of wealth on political life has been a subject of concern at least since the time of Aristotle, who surveyed and critiqued the laws of the various Greek city-states regarding limitations on wealth, inheritance, communal ownership of property, and the extension of citizenship rights to the working class. Indeed, Aristotle made the relationship between wealth and political status the fundamental basis for classifying regimes: "what differentiates oligarchy and democracy is wealth or the lack of it. The essential point is that where the possession of political power is due to the possession of economic power or wealth, whether the number of persons be large or small, that is oligarchy, and when the unpropertied class have power, that is democracy."[4]

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[3] Christopher H. Achen and Larry M. Bartels, "Do Sanders Supporters Favor His Policies?" *New York Times*, May 23, 2016.

[4] Aristotle, *Politics*, T. A. Sinclair, trans. (Penguin Books, 1962), books II and III, 117.

In the early modern period, the Italian republics viewed their wealthy citizens as constant threats to political stability and liberty. According to political theorist John McCormick,

> If a popular government or republic is not to veer dangerously toward an unaccountable oligarchy, natural or not, institutional affirmative action for common citizens is necessary. In this light, contemporary democracies could do worse than reconsider the extra-electoral practices that earlier republics, their partisans and their theorists often thought were crucial to insure the genuine liberty of citizens.[5]

In the United States in the wake of the late-19th-century Gilded Age, Louis Brandeis famously wrote that "We can have a democratic society or we can have great concentrated wealth in the hands of a few. We cannot have both."[6] Economic trends in the U.S. and other affluent democracies over the past 40 years once again raise the question of whether democracy can flourish in the midst of great concentrated wealth. One way of framing this question is to ask, with Sidney Verba and Gary Orren, whether the economic and political "spheres of justice" can be kept "autonomous and their boundaries intact."[7] On that score there is little basis for optimism in recent political science research, which suggests that economic inequality has pervasive, corrosive effects on political representation and policy-making. In light of these effects, the liberal hope for distinct "spheres of justice" with "their boundaries intact" seems naively fastidious and quite probably ineffectual.

More than half a century ago, in the first sentence of one of the greatest works of modern political science, Robert Dahl asked: "In a political system where nearly every adult may vote but where knowledge, wealth, social position, access to officials, and other resources are unequally distributed, who

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[5] John P. McCormick, "Contain the Wealthy and Patrol the Magistrates: Restoring Elite Accountability to Popular Government," *American Political Science Review* (2006), 147, 161.

[6] Kevin Phillips, *Wealth and Democracy: A Political History of the American Rich* (Broadway Books, 2002), 294, 418.

[7] Sidney Verba and Gary R. Orren, *Equality in America: The View from the Top* (Harvard University Press, 1985), 8.

actually governs?"[8]

If Dahl's question is interpreted as asking whose preferences influence policy outcomes, the answer suggested by recent research on American politics is that affluent people have considerable clout while the preferences of middle-class and poor people are much less efficacious. Whether we consider broad patterns of national policy-making, the overall patterns of roll call votes cast by members of Congress, or their votes on specific salient roll call votes, my own analyses and those of other political scientists are remarkably consistent in suggesting severe disparities in political responsiveness stemming from differences in income or wealth.[9]

These pessimistic findings seem to me to be of profound importance for our understanding of American democracy. Political leaders do appear to be responding to the policy preferences of millions of affluent citizens. That crucial popular element in the American political system is aptly reflected in a term coined by Dahl: *polyarchy*. However, that pattern of selective responsiveness is a very far cry from approximating Dahl's loftier *democratic* ideal of "continued responsiveness of the government to the preferences of its citizens, considered as political equals." Indeed, as the leading contributor to this vein of research, Martin Gilens, has suggested, "representational biases of this magnitude call into question the very democratic character of our society."[10]

In another respect, however, the evidence suggests a different answer to Dahl's question. Patterns of disparate responsiveness to constituency opinion are set against a pervasive pattern of divergence in the

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[8] Robert A. Dahl, *Who Governs? Democracy and Power in an American City* (Yale University Press, 1961), 1.

[9] Martin Gilens, *Affluence and Influence: Economic Inequality and Political Power in America* (Russell Sage Foundation and Princeton University Press, 2012). Martin Gilens and Benjamin I. Page, "Testing Theories of American Politics: Elites, Interest Groups, and Average Citizens," *Perspectives on Politics* (2014). Bartels, *Unequal Democracy*, chapter 8. Elizabeth Rigby and Gerald C. Wright, "Whose Statehouse Democracy? Policy Responsiveness to Poor Versus Rich Constituents in Poor Versus Rich States," in Peter K. Enns and Christopher Wlezien, eds., *Who Gets Represented?* (Russell Sage Foundation, 2011). Patrick Flavin, "Income Inequality and Policy Representation in the American States," *American Politics Research* (2012).

[10] Robert A. Dahl, *Polyarchy: Participation and Opposition* (Yale University Press, 1971). Martin Gilens, "Inequality and Democratic Responsiveness," *Public Opinion Quarterly* (2005), 778.

behavior of Democratic and Republican officials, even when they "represent" the very same constituents. For example, even massive differences in the preferences of middle- and upper-income constituents seem to have less effect on U.S. senators' policy choices than their own partisan ideologies. Whatever elections may be doing, they are *not* forcing elected officials to cater to the policy preferences of the "median voter."[11]

Thus, in a very real sense, the answer to the question of "who actually governs" is: whoever makes a successful claim to have won an election. As Joseph Schumpeter noted more than half a century ago, "collectives act almost exclusively by accepting leadership—this is the dominant mechanism of practically any collective action which is more than a reflex. … Democracy does not mean and cannot mean that the people actually rule in any obvious sense of the terms 'people' and 'rule.' Democracy means only that the people have the opportunity of accepting or refusing the men who are to rule them."[12]

The scope for independent action by elected leaders may be especially great in cases where public sentiment is divided, unstable, confused, or simply non-existent. In the midst of a generally optimistic survey of the policy preferences of *The Rational Public*, political scientists Benjamin Page and Robert Shapiro portrayed tax policy as "a highly technical realm that is ripe for concealment and mystification." Thus, it should perhaps not be surprising to find public officials relying less on citizens' attitudes than on their own ideological convictions for policy direction in this domain. It is tempting to take comfort in the belief that, as Hacker and Pierson put it, "Not all issues make voters' eyes glaze over in the way that details of tax policy do."[13]

It is important to note, however, that the paucity of elite responsiveness to public opinion extends even to issues on which public opinion seems to be unusually firm and stable. In the case of estate tax repeal, for example, the relevant evidence is extremely fragmentary, but insofar as it exists at all it

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[11] Bartels, *Unequal Democracy*, chapter 8.

[12] Joseph R. Schumpeter, *Capitalism, Socialism and Democracy*, 3rd ed. (Harper Colophon Books, 1950), 270, 284–285.

[13] Benjamin I. Page and Robert Y. Shapiro, *The Rational Public: Fifty Years of Trends in Americans' Policy Preferences* (University of Chicago Press, 1992), 166. Jacob S. Hacker and Paul Pierson, "Abandoning the Middle: The Bush Tax Cuts and the Limits of Democratic Control," *Perspectives on Politics* (2005), 49. Bartels, *Unequal Democracy*, chapter 5.

suggests that the estate tax has been quite unpopular for at least 80 years. For most of that time, the only real obstacle to estate tax repeal was the ideological conviction of Democratic presidents and members of Congress. Within months of the arrival of a Republican president with Republican majorities in the House and Senate in 2001, an estate tax phase-out was passed and signed into law.[14]

The case of the eroding minimum wage is even more remarkable. There is abundant evidence of strong, consistent public support for minimum wage increases throughout the past 50 years—a period in which the real value of the federal minimum wage has declined by one-fourth. Here, too, the most important hurdle to the public getting what it says it wants seems to be the conviction of policy-makers—in this case, primarily conservative Republican policy-makers—that a higher minimum wage would have significant adverse consequences unrecognized by the substantial public majority that supports it.[15]

PARTISAN POLITICS AND THE "HAVE-NOTS"

Scholars of political participation and liberal activists often seem to suppose that the cure for political inequality is to educate and mobilize the disadvantaged in support of specific progressive policies. However, the evidence on unresponsiveness to the views of low-income citizens suggests that that strategy is unlikely to be politically effective. As one energetic critic of the "burgeoning 'democratic inequality studies' field," Robert Weissberg, has argued, political activism "does perform as advertised, but only *sometimes*, and even then usually for those who already enjoy many advantages." Weissberg added that, "shouting louder ('voice') is likely to be futile … for those mired in poverty."[16]

If "voice" is "likely to be futile" for people on the losing end of economic inequality, is there any hope for progress? One bright spot in an otherwise gloomy picture is that the correlation between class positions and political views is not so substantial that support for egalitarian policies is limited to "those mired in poverty." Just as many poor people espouse antipathy to redistribution and the welfare state, many affluent people support egalitarian policies that seem inconsistent with their own narrow material interests. Insofar as the political activism of affluent egalitarians "does perform as advertised," policy-

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[14] Bartels, *Unequal Democracy*, chapter 6.

[15] Bartels, *Unequal Democracy* , chapter 7.

[16] Robert Weissberg, "Politicized Pseudo Science," *PS: Political Science & Politics* (2004), 36–37.

makers may be much more generous toward the poor than the political clout of the poor themselves would seem to warrant.

Moreover, even if poor people have negligible *direct* influence on the day-to-day decisions of elected officials, they—and their more affluent ideological allies—may have substantial *indirect* influence by altering the balance of power between Democrats and Republicans in the making of public policy. If policy choices depend more on the partisan ideologies of policy-makers than on the details of public opinion, then the most significant key to changing policies is to change policy-makers. That is especially true in the current, increasingly "polarized" political environment. In Congress, ideological moderates have largely disappeared, turning the two parties' delegations into increasingly distinct liberal and conservative camps with unusually high rates of party-line voting. In the electorate, the strength of the relationship between partisanship and voting behavior has increased markedly, and citizens increasingly see important differences between the parties, recognize their relative ideological positions, and volunteer more reasons for liking one party and disliking the other.[17]

The hitch, of course, is that responsible parties may do little for the "have-nots" if the wrong party wins. Thus, while organized party competition may be a *necessary* condition for progressive policy making, it is not a *sufficient* condition. Indeed, one recent study of American politics suggests that "the unmatched coordination and cohesion" of the contemporary Republican Party has resulted in "tilting the balance of benefits and protections away from ordinary Americans and toward the well off, the well connected, and the Republican base."[18]

Although there seems to be relatively little empirical support for the proposition that party competition per se produces progressive social policy, a substantial empirical literature underlines the political importance of *which* party controls the reins of government at any given time. Within the past

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[17] Nolan McCarty, Keith T. Poole, and Howard Rosenthal, *Polarized America: The Dance of Ideology and Unequal Riches* (MIT Press, 2006); Larry M. Bartels, "Partisanship and Voting Behavior, 1952–1996," *American Journal of Political Science* (2000); Marc J. Hetherington, "Resurgent Mass Partisanship: The Role of Elite Polarization," *American Political Science Review* (2001).

[18] Jacob S. Hacker and Paul Pierson, *Off Center: The Republican Revolution and the Erosion of American Democracy* (Yale University Press, 2005), 3, 14.

decade or so, political scientists and economists have found significant partisan differences in state revenues and expenditures, taxes and spending patterns, and Medicaid spending. They have also demonstrated that welfare benefits tend to be more generous in states with higher absolute or relative turnout rates among low-income voters.[19]

These state-level findings are strongly echoed by my own findings regarding partisan patterns of policy making and economic distribution at the national level. In case after case, Democratic officials have provided strong support for policies favoring the "have-nots"—expanding the economy, increasing funding for domestic programs, raising the minimum wage—while Republican officials have pursued policies favoring the "haves"—fighting inflation, cutting taxes, repealing the estate tax. These consistent, long-standing differences in the class interests embodied in the two parties' governing philosophies are revealed most dramatically in contrasting patterns of income growth. Over the past several decades, Democratic presidents have generally presided over robust income growth for families across the economic spectrum, while Republican administrations have generally been bad for the economic fortunes of middle-class families and even worse for the economic fortunes of the working poor.[20]

Large-scale historical analysis of "the macro polity" underscores the impact of political parties on the broad course of American public policy. In the context of a complex analysis relating economic conditions, liberal or conservative shifts in "public mood," partisan loyalties in the electorate, presidential approval, election outcomes, and policy making in the White House, Congress, and the Supreme Court, Robert Erikson, Michael MacKuen, and James Stimson found that partisan control of government was by far the most important determinant of policy outputs. For example, the estimated effect on White House policy activity of replacing a Republican president with a Democrat was more than three times as large as the estimated direct effect of moving from the most conservative public mood on record (in 1952) to the most liberal public mood on record (in 1961); the estimated effects of partisan control on congressional policy activity were even larger. Although the authors themselves did not stress these findings, it is

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[19] Timothy Besley and Anne Case provided a comprehensive review of relevant studies in "Political Institutions and Policy Choices: Evidence from the United States," *Journal of Economic Literature* (2003).

[20] Bartels, *Unequal Democracy*, chapter 2.

difficult to read their work without being mightily impressed by how substantially the course of public policy over the past half-century has altered with changes in partisan control of the reins of national government.[21]

The United States is by no means unique in this regard. Writing in the late 1990s, Carles Boix criticized comparative political economists for "the rather tangential role they have ascribed to electoral politics and the impact of partisanship" in accounting for cross-national differences in economic policies and performance. Summarizing his own research on Europe, Boix asserted that "conservative governments cut taxes, slash public investment programs, sell most public businesses, and revamp the labor market to increase the profitability of capital and to induce the unemployed to actively search for jobs. Socialist cabinets, instead, raise tax rates on high-income brackets and boost public spending on infrastructure and human capital in order to ease the transition from an unskilled population profile to a well-educated workforce without having to lower the social wage."[22]

What may be surprising, both to Americans and to foreigners, is the extent to which the supposedly tame partisan politics of the post-war United States mimic the contrast Boix portrayed between European socialists and conservatives. Notwithstanding the popular perception that there's "not a dime's worth of difference" between Democrats and Republicans, as George Wallace used to say—and notwithstanding the strong emphasis on the moderating effects of electoral competition in formal theories of majoritarian politics—the fact of the matter is that partisan control of government has been of consistent, substantial importance to the economic fortunes of "have-nots" throughout the post-war era.

The current configuration of the American party system features a highly competitive balance between Republicans and Democrats in the electorate, in Congress, and in the Electoral College. But the parties are not evenly matched because they are indistinguishable; in fact, they are now more ideological, more cohesive, and more distinct in their supporting coalitions than at any time in recent memory. While a large segment of the public remains politically disengaged, attentive citizens have increasingly

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[21] Robert S. Erikson, Michael B. MacKuen, and James A. Stimson, *The Macro Polity* (Cambridge University Press, 2002), 204, 305, 308, 310.

[22] Carles Boix, *Political Parties, Growth and Equality: Conservative and Social Democratic Economic Strategies in the World Economy* (Cambridge University Press, 1998), 219, 202.

responded to these developments by choosing up sides, adopting more or less consistent packages of policy positions and partisan loyalties.

The implications of increasing economic and ideological polarization of the parties and their supporting coalitions appear to depend primarily on the outcome of the partisan struggle for political dominance. Political scientists have found rather little evidence that intense partisan competition per se benefits "have-nots," but considerable evidence that "have-nots" benefit when their party wins. For most of the past century, when Democrats have controlled the reins of government, they have consistently pursued high employment, high taxes, and economic redistribution from the rich to the poor. When Republicans have governed, they have consistently done the opposite. The partisan tenor of the contemporary political environment seems likely, if anything, to reinforce those tendencies, making the stakes for "haves" and "have-nots" alike even higher than in the past—and the political struggle correspondingly more intense.

POLITICAL OBSTACLES TO ECONOMIC EQUALITY

The temptation to suppose that organized political competition must work to the advantage of "have-nots" is grounded in the natural-seeming assumption that "have-nots" will use the power of the ballot to restrain the privileges of the less numerous "haves," if not to expropriate their wealth. Certainly that has happened from time to time in the course of American history. Likening the economic circumstances of the current era to the most conspicuous past eras of escalating inequality, the original Gilded Age and the Roaring Twenties, Kevin Phillips observed that those periods of concentrated wealth and political corruption ended with the Progressive Era and the New Deal, respectively, and suggested that "A politics in this tradition is unlikely to blink at confronting twenty-first century elites."[23]

So far, however, ordinary Americans have demonstrated little capacity to curb the abuses of the New Gilded Age's "malefactors of great wealth" through the political process. One explanation for this fact is simply that people are confused about what is in their own interest. When it comes to thinking specifically about economic inequality as a political issue, Americans may be stymied by our tendency to view economics and politics as "separate arenas." According to Jennifer Hochschild,

[23] Phillips, *Wealth and Democracy*, 294.

> In other Western nations, socialist parties have developed a world view that overcomes this separation; but Americans see class relations, if at all, as only one among many components of public life. … When they view redistribution as an economic question, they argue from a principle of differentiation and oppose it. When they view it as a political question, they argue from a principle of equality and sometimes favor it. … People who feel torn between two views are unlikely to act forcefully to promote either; therefore by default, they end up "supporting" the status quo.[24]

Reliance on a "principle of differentiation" in moral judgments about inequality is reinforced by a tendency to think of the economic sphere as existing prior to and apart from the political sphere. Thus, a U.S. Treasury secretary can insist that when "market forces work to provide the greatest rewards to those with the needed skills," the resulting escalation of economic inequality "is simply an economic reality, and it is neither fair nor useful to blame any political party." Here, "market forces" are impersonal but beneficent, "economic reality" is simple and inexorable, and political blame "is neither fair nor useful." The Wall Street meltdown was a temporary embarrassment to the prestige of "market forces," but it does not seem to have prompted much fundamental rethinking of the relationship between economics and politics. As one heterodox economist put it, "Economics functions in a theological role in our society … to justify the ways of the market to men."[25]

Even a cursory examination of trends in other countries provides strong evidence that technological change and globalization do not *have* to produce the glaring disparities in economic fortunes experienced by Americans over the past four decades. Government action can ensure that the economic benefits stemming from these historic developments are broadly shared. Studies of income redistribution in affluent democracies suggest that the United States has simply done less than other countries to mitigate the effects of increasingly unequal market incomes. Whereas most countries have

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[24] Jennifer L. Hochschild, *What's Fair? American Beliefs about Distributive Justice* (Harvard University Press, 1981), 20, 48, 249.

[25] Remarks Prepared for Delivery by Treasury Secretary Henry H. Paulson at Columbia University, August 1, 2006, http://www.treas.gov/press/releases/hp41.htm. Duncan K. Foley, quoted in Peter Steinfels, "Economics: The Invisible Hand of the Market," *New York Times*, November 25, 2006.

responded to increases in income inequality by engaged in more aggressive redistribution, the United States experienced a larger-than-average increase in market income inequality but no corresponding increase in redistribution.[26]

Insofar as Americans have any understanding of the alternative policies pursued by other affluent democracies, they mostly seem to reject those alternatives as inconsistent with America's core cultural values of economic opportunity and self-reliance: European welfare states, they tell themselves, are bloated, ossified, and hidebound. The reality seems to be that European economies have performed about as well as the American economy in generating long-term growth, and that economic mobility is at least as extensive in contemporary Europe as in the United States. However, it seems quite unlikely that most Americans would acknowledge those facts. As Hochschild has observed, the "dominant American world view … is complex and flexible, has a long history and deep roots, and has withstood or absorbed great shocks and vehement opposition."[27]

Political pressure for redistribution in the contemporary U.S. is probably further curtailed by the increasing social isolation of winners and losers in the market economy of the New Gilded Age. As economic inequality increased in the United States after 1970, economic segregation increased as well. Moreover, "As Americans migrated to the suburbs … rich and poor have become separated not just by neighborhood but also by municipal boundaries. With suburbanization, wealth has come to differentiate not just America's citizens but its cities as well."[28]

The political implications of this class divide are no doubt exacerbated by the fact that the people on the losing end of the market economy often have different skin colors and accents than those that predominate among the affluent and comfortable. Martin Gilens has documented the importance of racial

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[26] Lane Kenworthy and Jonas Pontusson, "Rising Inequality and the Politics of Redistribution in Affluent Countries," *Perspectives on Politics* (2005). For related evidence, see Kenworthy, *Social Democratic America* (Oxford University Press, 2014) and William R. Kerr, "Income Inequality and Social Preferences for Redistribution and Compensation Differentials," *Journal of Monetary Economics* (2014).

[27] Perotti (1996); Wilensky (2002), chapter 12; Pontusson (2005); Solon (2002); Osberg and Smeeding (2003); Hochschild (1981), 281.

[28] Massey and Denton (1993); Jargowsky (1996); Mayer (2001); Oliver (2001), 69.

discrimination in accounting for *Why Americans Hate Welfare*. Alberto Alesina and Edward Glaeser have used cross-national data to show that racially and ethnically heterogeneous societies generally have much less generous social policies than those that are more homogeneous. Since American society will become even more diverse in the coming decades, it seems certain that racial and ethnic divisions will continue to be a major obstacle to greater economic equality.[29]

If social segregation limits public demand for redistribution, it also matters more directly by shaping the attitudes and behavior of political elites. Nicholas Carnes has found that elected officials are overwhelmingly drawn from the ranks of the affluent and privileged. But the relatively few elected officials who have any personal experience in blue-collar jobs are distinctly more liberal on economic policy issues, even after allowing for differences in party affiliations, constituencies, and other characteristics. That difference seems plausibly attributable to the knowledge and empathy that come with lived experience—experience that the vast, sheltered majority of elected officials lack. According to Carnes,

> as long as policy makers have some discretion and as long as they are drawn overwhelmingly from white-collar America, white-collar Americans will continue to have a disproportionate say in the legislative process, which will in turn tilt economic policy in favor of the interests of white-collar Americans. Even if we somehow equalized routine forms of political participation, even if we somehow stopped organized interests from buying influence, millionaires would still get to set the tax rate for millionaires. White-collar professionals would still get to set the minimum wage for blue-collar workers. People who have always had health insurance would still get to decide whether to help people without it.[30]

A TURNING POINT?

In a highly publicized December 2011 speech in Osawatomie, Kansas, President Obama cited “a raging debate over the best way to restore growth and prosperity, restore balance, [and] restore fairness.” The

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[29] Martin Gilens, *Why Americans Hate Welfare* (University of Chicago Press, 1999). Alberto Alesina and Edward L. Glaeser, *Fighting Poverty in the US and Europe: A World of Difference* (Oxford University Press, 2004).

[30] Nicholas Carnes, *White-Collar Government: The Hidden Role of Class in Economic Policy Making* (University of Chicago Press, 2013), 148.

president insisted that

> this is not just another political debate. This is the defining issue of our time. This is a make-or-break moment for the middle class, and for all those who are fighting to get into the middle class. Because what's at stake is whether this will be a country where working people can earn enough to raise a family, build a modest savings, own a home, secure their retirement. … This isn't about class warfare. This is about the nation's welfare.[31]

Journalists interpreted Obama's speech as a reflection of widespread public concern about the issue of inequality inspired by the Occupy Wall Street movement and the fallout from the Great Recession. One attributed the president's populist rhetoric "to Occupy Wall Street's success in turning the national conversation towards inequality." Another thought it showed "exactly how the Occupy movement has impacted the debate in Washington."[32]

It is always worth bearing in mind, however, that "the debate in Washington" may be a far cry from a "national conversation." Significant shifts in attention within the rather insular community of political activists and commentators may have little traction among ordinary citizens. And even if they do spur significant shifts in public perceptions and concerns, they may often fail to connect those perceptions and concerns to any concrete issues of public policy.

Indeed, there is remarkably little evidence that the Occupy Wall Street movement or President Obama's high-profile rhetoric produced anything like a genuine "national conversation" about economic inequality. For example, almost 80% of respondents in the fall 2012 American National Election Studies survey believed that the difference in incomes between rich people and poor people in the United States

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[31] Remarks by the President on the Economy in Osawatomie, Kansas, December 6, 2011 (https://www.whitehouse.gov/the-press-office/2011/12/06/remarks-president-economy-osawatomie-kansas).

[32] A. G. Sulzberger, "Obama Strikes Populist Chord With Speech on G.O.P. Turf," *New York Times*, December 6, 2011. Ezra Klein, "Occupy Wall Street Occupies Obama's 2012 Campaign,' " *Washington Post Wonkblog*, December 7, 2011 (http://www.washingtonpost.com/blogs/wonkblog/post/wonkbook-occupy-wall-street-occupies-obamas-2012-campaign/2011/12/07/gIQAZVN0bO_blog.html). Ari Berman, "In Osawatomie, Obama Embraces New Populist Moment," *The Nation*, December 6, 2012 (http://www.thenation.com/blog/164996/osawatomie-obama-embraces-new-populist-moment).

had increased over the past 20 years. On its face, that sounds like an overwhelming public endorsement of one of the primary factual premises of the Occupy Wall Street movement. But the results of earlier ANES surveys show that public recognition of increasing inequality was actually no greater in 2012—or, for that matter, in 2016—than it had been a decade earlier. If one test of a "national conversation" is that it shifts public perceptions of economic or political reality, this one seems to have had no discernible impact.

Nor is there any evidence that widespread discussion of inequality increased public support for egalitarian values. For example, in 2012 almost 90% of Americans agreed (and more than 60% agreed "strongly") that "our society should do whatever is necessary to make sure that everyone has an equal opportunity to succeed." Two-thirds agreed that "if people were treated more equally in this country we would have many fewer problems." However, public support for these and other egalitarian values was no higher in 2012 than it had been for most of the past 30 years.

Nor is there any evidence that "turning the national conversation towards inequality" produced significant shifts in public views regarding specific policy issues related to economic inequality and opportunity. For example, opinion surveys registered no evidence of any significant evolution of public views regarding the Bush tax cuts—the most momentous concrete policy issue bearing on the issue of economic inequality—at any point in President Obama's first term. Nor is there any evidence that the public became increasingly engaged by the debate over the Bush tax cuts in the months in which the Occupy Wall Street movement is supposed to have focused attention on the issue of economic inequality. If this was a "national conversation" about inequality, it left little or no mark on the minds of ordinary Americans.[33]

In the run-up to the 2012 election, the Obama administration made repeated efforts to keep the issue of inequality on the political front burner. A January speech by the chairman of the president's Council of Economic Advisers signaled to one reporter that Obama "is going all in with the 2012 re-election message of stemming the rise in income inequality and reforming a system that's increasingly perceived to be rigged in favor of the rich." In his State of the Union message, the president himself

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[33] Larry Bartels, "Occupy's Impact Beyond the Beltway," *Bill Moyers World of Ideas*, January 18, 2012 (http://billmoyers.com/2012/01/18/has-the-occupy-movement-altered-public-opinion/).

reiterated his claim that inequality is "the defining issue of our time."[34]

This emphasis on inequality as a campaign issue was partly a matter of principle and partly a matter of political calculation. The apparent rise of "the 1%" as an object of public apprehension seemed to ensure a fertile political reception for long-standing Democratic policy positions in the areas of taxes, spending, and regulation. "Since Occupy Wall Street and kindred movements highlighted the issue," one journalist noted in March, "the chasm between the rich and ordinary workers has become a crucial talking point in the Democratic Party's arsenal." Certainly, opinion polls provided some reason to think that such an appeal might have considerable traction. For example, most Americans favored increased taxes on the wealthy, putting them considerably closer to the president and his Democratic allies in Congress than to Republicans.[35]

The emergence of a wealthy hedge-fund capitalist as the Republican nominee seemed likely both to increase the salience of economic inequality and to heighten Republicans' vulnerability on the issue. Thus, according to another press report, Obama attempted "to shift the focus of the election campaign away from health care and unemployment to a debate about income inequality, betting voters will back his call for tax increases on the rich." The report added that the president's renewed push to raise taxes on the wealthy "complements the Obama campaign's efforts to define Mr. Romney, whose net worth exceeds $250-million, as beholden to billionaire backers and corporate interests."[36]

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[34] Sahil Kapur, "Krueger's Speech Seals Obama's 2012 Inequality Message," *TalkingPointsMemo*, January 12, 2012 (http://tpmdc.talkingpointsmemo.com/2012/01/kruegers-inequality-speech-seals-obamas-2012-inequality-message.php). Alexander Eichler, "State of the Union Address 2012: Obama Calls Income Inequality 'The Defining Issue of Our Time,'" *Huffington Post*, January 24, 2012 (http://www.huffingtonpost.com/2012/01/24/state-of-the-union-address-2012_n_1229510.html).

[35] YouGov survey, December 2011 (https://today.yougov.com/news/2011/12/12/americans-and-republicans-would-extend-payroll-tax/).

[36] Eduardo Porter, "Inequality Undermines Democracy." *New York Times*, March 20, 2012. Konrad Yakabuski, "Obama Finds His Campaign Focus—Inequality," *The Globe and Mail*, July 9, 2012 (http://www.theglobeandmail.com/news/world/worldview/obama-finds-his-campaign-focus-inequality/article4399261/).

For his part, Romney seemed to be on the defensive on the issue of inequality throughout the campaign. In a January interview touching on "the bitter politics of envy," Romney replied, "I think it's fine to talk about those things in quiet rooms and discussions about tax policy and the like. But the president has made it part of his campaign rally. Everywhere he goes we hear him talking about millionaires and billionaires and executives and Wall Street. It's a very envy-oriented, attack-oriented approach and I think it will fail."[37]

At a May fundraising event secretly videotaped and leaked to the press in September, Romney expanded on his view of class politics in the campaign:

> There are 47 percent of the people who will vote for the president no matter what … who are dependent upon government, who believe that they are victims, who believe that government has a responsibility to care for them, who believe that they are entitled to health care, to food, to housing, to you name it. … These are people who pay no income tax. … So our message of low taxes doesn't connect. And he'll be out there talking about tax cuts for the rich. … And so my job is not to worry about those people—I'll never convince them that they should take personal responsibility and care for their lives.[38]

In light of the salience of economic inequality as an issue in the 2012 campaign and the apparent strength of public support for Democratic positions on related policy issues, it is not surprising that Obama's reelection was interpreted in some quarters as a mandate for egalitarian policy change. According to *New York* columnist Jonathan Chait, for example,

> American voters had a chance to lay down their marker on the major social divide of our time: whether government can mitigate the skyrocketing inequality generated by the marketplace. For so many years, conservatives have endeavored to fend off such a debate by screaming 'class war' at the faintest wisp of populist rhetoric. Somehow the endless repetition of the scare line inured us

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[37] Greg Sargent, "Romney: Questions about Wall Street and Inequality are Driven by 'Envy'," *Washington Post Opinions*, January 11, 2012 (http://www.washingtonpost.com/blogs/plum-line/post/romney-questions-about-wall-street-and-inequality-are-driven-by-envy/2012/01/11/gIQAJ6L2qP_blog.html).

[38] "Full Transcript of the Mitt Romney Secret Video," *Mother Jones*, September 19, 2012 (http://www.motherjones.com/politics/2012/09/full-transcript-mitt-romney-secret-video#47percent).

> to the real thing. Here it was, right before our eyes: a class war, or the closest thing one might find to one in modern American history, as a presidential election. The outcome was plain. The 47 percent turned out to be the 51 percent.[39]

In Chait's view, the outcome of this "class war" had clear policy implications. "If there is a single plank in the Democratic platform on which Obama can claim to have won," he wrote, "it is taxing the rich." However, that judgment begs the question of whether there *was* a single plank in the Democratic platform on which Obama could claim to have won. Policy "mandates" in elections are often more illusory than real, elite constructions which voters may endorse—or not—in the course of choosing candidates primarily on the basis of group loyalties, retrospective judgments of performance, and other considerations unrelated to party platforms.[40]

A very different, rather less uplifting interpretation of the 2012 outcome was offered by Romney campaign adviser Kevin Hassett. "I don't think the Obama victory is a policy victory," he said. "In the end what mattered was that it was about Bain [Romney's controversial hedge fund, Bain Capital] and frightening people that Romney is an evil capitalist."[41] Hassett's interpretation, like Chait's, portrayed inequality as a significant factor in the 2012 election—but not because the campaign spurred public deliberation and judgment about policies that might address the issue.

Survey data gathered over the course of the 2012 campaign suggest that Hassett's interpretation of Obama's victory was probably closer to the mark than Chait's. Egalitarian policy preferences seem to have had rather little impact in the voting booth. What mattered more was the widespread perception that Romney cared more about rich people than about middle-class or poor people. Indeed, Obama probably

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[39] Jonathan Chait, "We Just Had a Class War. And One Side Won," *New York*, November 11, 2012 (http://nymag.com/news/features/obama-class-war-2012-11/).

[40] See, for example, Gabriel Lenz, *Follow the Leader? How Voters Respond to Politicians' Policies and Performance* (University of Chicago Press, 2012); Christopher H. Achen and Larry M. Bartels, *Democracy for Realists: Why Elections Do Not Produce Responsive Government* (Princeton University Press, 2016), especially chapters 2 and 10.

[41] Suzy Khimm, "How Republicans Are Trying to Look on the Bright Side Today," *Washington Post Wonkblog*, November 7, 2012.

benefited three times as much from the fact that his opponent was viewed as an out-of-touch plutocrat as from any specific public demand for more progressive tax policy.[42]

This evidence is consistent with Hassett's emphasis on Mitt Romney's image rather than policy preferences related to inequality. However, it does not necessarily follow that this image was a result of the Obama campaign "frightening people" by creating concerns about Romney that would not otherwise have existed, or by increasing the salience of concerns that would otherwise have been less consequential at the polls. The perception that Romney cared mostly about wealthy people was already well established before the Obama campaign began its concerted attempt "to define Mr. Romney … as beholden to billionaire backers and corporate interests."[43] Even more tellingly, a comparison between battleground and non-battleground states suggests that months of intensive campaigning in battleground states did nothing at all to shift prospective voters' views about Romney's class sympathies or to increase their impact on voting behavior.

Thus, while the issue of inequality seems to have contributed significantly to Barack Obama's reelection in 2012, its contribution seems to have been highly circumstantial. Obama had the good fortune to run against a multi-millionaire whose background and rhetoric fueled a widespread public perception that he cared more about wealthy people like himself than about poor and middle-class Americans. Obama's campaign team did its best to exploit that advantage; however, those efforts were probably neither sufficient nor necessary to create the perception and to give it substantial political traction.

OBAMA AND INEQUALITY

From the standpoint of democratic theory, it would be nice to think that President Obama's reelection signaled a popular mandate for shifting public policy in the direction of "taxing the rich." That interpretation would tend to validate an eminently rational and reassuringly simple notion of how a democratic political system can and should address the challenge of escalating economic inequality: call

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[42] Bartels, *Unequal Democracy*, chapter 10.

[43] Konrad Yakabuski, "Obama Finds His Campaign Focus—Inequality," *The Globe and Mail*, July 9, 2012 (http://www.theglobeandmail.com/news/world/worldview/obama-finds-his-campaign-focus-inequality/article4399261/).

attention to the issue, propose a logical policy response, invite voters to render their verdict, and assume that that verdict will be translated more or less directly into policy change. Alas, the evidence mostly supports a quite different interpretation of the 2012 election outcome, certainly less tidy and perhaps also less edifying: The "issue" of inequality mattered not primarily as a premise in a high-minded debate about good public policy, but as a visceral basis for public concern about Mitt Romney personally as "an evil capitalist," in Kevin Hassett's phrase.

This interpretation casts significant doubt on whether populist concerns about inequality, insofar as they did matter in 2012, could be successfully mobilized in circumstances lacking a convenient personification of wealth, privilege, and the purported "evils" of capitalism. In the meantime, however, this may be a distinction without a difference. While Obama's victory may not have reflected a popular mandate for taxing the rich or expanding opportunity, votes cast due to qualms about Mitt Romney's secret tax returns, offshore bank accounts, and manifest disdain for the "47 percent" counted just as surely as if they had been inspired by an abstract commitment to progressive policy change.

Perhaps the best test of the concrete implications of the 2012 election for the issue of inequality came in the two months after the election, as Democrats and Republicans alike turned their attention to the major policy questions raised by the looming expiration of the Bush tax cuts and the Obama payroll tax cut and by the prospect of significant automatic cuts in defense and domestic spending triggered by the failure of Congress to reach a grand bargain on deficit reduction.

This confluence of deadlines—the so-called "fiscal cliff"—presented President Obama and his Democratic allies with substantial leverage to recast tax and spending policy to their liking. Many observers assumed that Obama's election mandate would further strengthen his hand, ensuring that he would get his way on "taxing the rich"—the issue on which Jonathan Chait and others argued that he could "claim to have won." As it turned out, however, translating the Democrats' election "mandate" into policy was a good deal harder than it looked. Republicans held firm on their demand that all of the Bush tax cuts should be made permanent, then retreated to a "Plan B" in which only incomes in excess of $1 million per year would be subject to higher rates. After weeks of haggling, Congress and the president agreed to a last-minute deal in which the income threshold for permanent tax cuts increased from

$200,000 for individuals and $250,000 for families—Obama's long-standing proposal—to $400,000 for individuals and $450,000 for families.

The higher income threshold reduced by more than half the number of income tax filers whose tax rates increased, costing the Treasury about $12 billion in the first year and reducing the average tax bill of people in the top 1% of the income distribution by almost $9,000. Meanwhile, the 2% reduction in payroll tax rates that had begun in 2011—a policy much more consequential for most taxpayers than the fate of the top income tax rate—was allowed to die almost without discussion. According to a summary from CNN, "the deal gives Obama bragging rights for raising income taxes on the wealthiest Americans," but really amounted to "breaking a promise" to significantly increase the progressivity of the overall tax system.[44]

A few weeks after the 2012 election, journalist Zachary Goldfarb had suggested that, for the president,

> the imminent debate over the 'fiscal cliff' is not simply a war over taxes, spending, and how to tame the nation's mushrooming debt. As Obama did in legislative fights during his first term he also will be striving to reduce a three-decades-long wave of rising income inequality that has meant that fewer Americans have prospered while more struggle to get by. … [B]eneath his tactical maneuvering lies a consistent and unifying principle: to use the powers of his office to shrink the growing gap between the wealthiest Americans and everyone else. If presidents set missions for themselves that are greater than winning the partisan battle of the moment, then this is Obama's.[45]

By that standard, the partisan battle of the "fiscal cliff" must be judged a draw—and the question of whether ordinary Americans can be mobilized for a wider war on skyrocketing inequality remains very much open.

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[44] These figures are based on an analysis by the Tax Policy Center of the "Incremental Effect of Raising 'High-Income' Thresholds to $500,000 for Married Couples" (Table T12-0306). Matt Smith, "Obama Signs Bill Warding Off Fiscal Cliff," *CNN Politics*, January 3, 2013 (http://www.cnn.com/2013/01/02/politics/fiscal-cliff).

[45] Zachary Goldfarb, "How Fighting Income Inequality Became Obama's Driving Force," *Washington Post*, November 23, 2012.

Twenty months later, an exchange between Goldfarb and fellow journalist Timothy Noah illuminated both the successes and the failures of Obama's effort "to shrink the growing gap between the wealthiest Americans and everyone else." Goldfarb argued that Obama had "reduced inequality," while Noah responded that inequality had "gotten worse" under Obama. In fact, both were right.[46]

In part, the apparent disagreement was a matter of focus. Goldfarb concentrated mostly on the impact of Obama's tax policies, while Noah argued that "taxes and transfers don't do all that much" to affect inequality and looked instead at "market" incomes (before taxes and transfers are taken into account). However, the more important source of disagreement between Goldfarb and Noah was a matter of perspective. For Goldfarb, "reduced" was a relative term, implying that Obama's policies reduced the level of inequality relative to what it would otherwise have been. Noah conceded that point: "Relative to an imaginary Republican president, Obama has reduced income inequality. That's something to be grateful for." But in absolute terms, inequality still increased.

Disparities in real income between affluent, middle-class, and working-poor families grew from 2009 through 2014 (the most recent year for which data are currently available). According to Census Bureau tabulations, the real incomes of affluent families (at the 95th percentile of the income distribution) grew by 4.2% over this period, while the real incomes of working-poor families (at the 20th percentile) *fell* by 2.1%; middle-class families' incomes remained unchanged or grew slightly. At the pinnacle of the income distribution, Emmanuel Saez calculated that the real incomes of the top 1% of income-earners grew by 27.1% over this period, while the real incomes of the bottom 99% grew by just 4.3%. The Gini index, a broader measure of inequality, was also higher in 2014 than it had been when Obama was inaugurated.[47]

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[46] Zachary A. Goldfarb, "Don't Think Obama Has Reduced Inequality? These Numbers Prove That He Has," *Washington Post Wonkblog*, July 23, 2014. Timothy Noah, "Has Income Inequality Lessened Under Obama?" *MSNBC*, July 24, 2014 (http://www.msnbc.com/msnbc/how-inequality-has-changed-under-obama). Larry Bartels, "Obama's Uphill Struggle Against Economic Inequality," *The Monkey Cage*, July 24, 2014.

[47] Census Bureau Historical Income Tables. Emmanuel Saez, "Striking it Richer: The Evolution of Top Incomes in the United States (Updated with 2014 preliminary estimates)," table 1 (http://eml.berkeley.edu//~saez/saez-UStopincomes-2014.pdf).

By these absolute standards, Obama clearly failed to reduce income inequality (at least through 2014). Of course, short-term assessments of this sort can be quite misleading, especially in turbulent times. More broadly, Noah argued that the increase in income inequality was "not really Obama's fault" because "economic forces at work since 1979, hugely exacerbated by decades of conservative government policies" have made inequality "extremely difficult to reverse." Historical patterns of income growth provide considerable support for that contention.

In the same spirit, *New York Times* columnist Josh Barro observed that the economic fortunes of the poor were "affected greatly" by Obama administration policies during and after the Great Recession, sometimes in ways that did not show up in standard income tabulations:

> Between 2007 and 2012, the share of Americans who would have been poor based on their income before taxes and transfers rose by five percentage points. But after adjusting for taxes and transfers, poverty rose by just a point. Programs like Medicaid and unemployment insurance were highly effective in stopping the sharp rise in unemployment from turning into a sharp rise in poverty. Most of that policy effect was automatic, but a considerable portion was due to specific policy initiatives of the president, such as extending unemployment insurance benefits.[48]

In the longer term, as Goldfarb argued, Obama's impact on income inequality may depend as much or more on reshaping taxes and redistribution as on changing patterns of "market" incomes. Most of the "specific policy initiatives" adopted in response to the Great Recession, such as extended unemployment benefits and a reduced payroll tax, turned out to be temporary measures. However, Obama's reelection probably guaranteed that the substantial subsidies for health insurance provided under the Affordable Care Act would survive and expand, substantially boosting the future well-being of poor and middle-class households. Meanwhile, the increased taxes imposed on affluent households to pay for those subsidies would also survive, putting a significant dent in top incomes. As a result, the Affordable Care Act was not only "the most sweeping piece of federal legislation since Medicare was passed in

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[48] Josh Barro, "What Is 'Middle-Class Economics'?" *New York Times*, February 26, 2015.

1965," but also "the federal government's biggest attack on economic inequality" in "more than three decades."[49]

When the Internal Revenue Service released its tabulations of effective federal income tax rates for 2013, they showed that the average income tax rate for taxpayers in the top 1% of the income distribution had risen by four percentage points in a single year, while the average rate for taxpayers in the top .01% had risen by more than six percentage points. According to Paul Krugman,

> what these tables show[ed] is that elections really do have consequences. … [I]f you were expecting Mr. Obama to preside over a complete transformation of America's political and economic scene, what he's actually achieved can seem like a big letdown. … [But] while the 2013 tax hike wasn't gigantic, it was significant. Those higher rates on the 1 percent correspond to about $70 billion a year in revenue. This happens to be in the same ballpark as both food stamps and budget office estimates of this year's net outlays on Obamacare. So we're not talking about something trivial. … [T]he 2012 election had major consequences. America would look very different today if it had gone the other way.[50]

Of course, these consequences do not imply that "inequality will shrink" in absolute terms anytime soon. As Noah concluded, inequality is "extremely difficult to reverse, even for a president who's made reversing it a top priority." The Sisyphean nature of that challenge was aptly, though perhaps unintentionally, captured in a 2014 remark by Jason Furman, chairman of Obama's Council of Economic Advisers. "Just the tax changes we made in this administration undid about half a decade of the increase in inequality," Furman said. "If you add in the Affordable Care Act, it's more than a decade of inequality that was undone."[51] But if a once-in-four-decades policy shift undoes a decade of increasing inequality, it is going to take a very long time to make significant progress in rolling back our New Gilded Age.

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[49] David Leonhardt, "In Health Bill, Obama Attacks Wealth Inequality," *New York Times*, March 24, 2010.

[50] Paul Krugman, "Soaking the Rich, Slightly," *New York Times*, December 31, 2015. Krugman, "Elections Have Consequences," *New York Times*, January 4, 2016.

[51] Quoted by Goldfarb, op cit.