Rediscovering Inequality: From Bush to Piketty

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The election of George W. Bush in 2000 was aimed at creating both a permanent Republican majority and a new Gilded Age. While the former was not achieved, the latter definitely emerged. In the last decade, scholars in political science and economics have conducted studies that show exactly how far we have come toward building a new age of inequality. The work of political scientists such as Larry Bartels and Martin Gilens has shown that inequality is not only the result of political decisions, but also that the policymaking process itself responds most to those who benefit from inequality. At the same time economists such as Anthony Atkinson and Thomas Piketty have documented the unprecedented levels of income and wealth inequality. Simultaneous with this academic work, political activists have raised important challenges to the system and the inequality on which it is based. In 2011, Occupy Wall Street brought the discourse of inequality into the daily news, and since then, striking fast food workers and others have pushed hard for a higher minimum wage. Such developments in the academy and the polity demand that we pay close attention to the causes and consequences of inequality. They require that we also think about alternatives to an economy and a polity that sustain and perpetuate inequality--alternatives that will yield a more egalitarian democratic society.

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Concern with issues of political and economic inequality is not new. In fact, it has a long history in Western thought. Aristotle wrestled with it as he philosophized about distributive justice in the *Politics*. Machiavelli similarly addressed the pervasive and troubling character of conflicts between the few rich and the many poor, both in the *Prince* and in the *Discourses*. Endeavoring to ensure a pure republican spirit, Rousseau's vision of a society governed by a social contract admitted of no extremes of wealth and poverty. Madison acknowledged in *The Federalist* that inequality—"the various and unequal distribution of property"—plays a significant role in fostering a spirit of faction in otherwise democratic societies. Last, but certainly not least, nineteenth-century socialists like Marx and Proudhon called attention to the endemic and redundant inequalities associated with capitalism.

Our focus here, though, will not be on the attention to inequality paid by theorists of the past. Our interests will be more contemporary in nature. For many outside the academy, issues of inequality have been brought to the forefront by a diverse set of activists. Tea Party-affiliated Republicans have vocalized their aversion to both big government and crony capitalism, to Obamacare and TARP bailouts. Similarly annoyed, Occupy Wall Street activists helped bring a new awareness of inequality into the daily news and into the 2012 election cycle. Since then, striking fast food workers, other labor activists, and a smattering of politicians have advocated for a higher minimum wage as the first step in redressing substantial economic inequality.

Interestingly, during the previous decade or so, economists and political scientists relatively quietly embarked on empirical research projects to examine the nature of inequality. In this paper, we wish to examine the ways in which these mainstream academics have rediscovered the significance of inequality to modern life in the United States and other advanced industrial countries. We will discuss some of what today's social scientists have learned about the causes and consequences of inequality. We will also examine some of the suggested measures for redressing inequality.

Economics

Throughout the history of the economics profession, inequality appears as a topic of concern. Implicit in Adam Smith's work, for example, is the notion that people are essentially the same in capabilities and only differ because they have chosen alternative paths to success. In reading Smith, one senses his optimism that inequality will diminish as economies progress. In the same vein, Utilitarians (Jeremy Bentham and John Stuart Mill) explicitly saw no justification for differing incomes and endorsed various measures to remedy social problems, largely because the elementary responses to pleasure and pain are similar across the population. Alfred Marshall, writing in 1888, also harked back to this optimism observing that the advance of markets would continue to raise the standard of living of the worst off in society.

In a presidential address to the American Economic Association, Simon Kuznets (1955) explored the causes of income inequality, placing particular emphasis on the relationship between income inequality and economic growth. He hypothesized (at least with regard to developed economies) that income inequality increased with industrialization and urbanization at earlier stages of development. The concentration of income, and thus savings, by successful capitalists allowed them to bequeath larger shares of income to their descendants, while population growth and urbanization led to more income inequality as rural (i.e., agricultural) populations tended to have lower degrees of income inequality than did urban populations. He also argued that this inequality would diminish over time as countries continued through the industrialization and urbanization phases of development.

Kuznets raised two important issues in his presidential address—the paucity of reliable data to look at income distribution issues and the importance of analyzing these issues in the context of economic growth. Kuznets acknowledged the importance of inequality when he observed that "any insight we may derive from observing changes in countrywide aggregates over time [economic growth] will be defective if these changes are not translated into movements of shares of the various income groups [income inequality]" (Kuznets 1955, 27). Although Kuznets raised the issue of income inequality, economists concentrated on the determinants of economic growth (not inequality) for the next thirty to thirty-five years (Solow 1956; Nelson and Phelps 1966; Romer 1986).

Although concerns over inequality were subjugated to concerns over economic growth for many years, trends that began in the late 1970s and 1980s led to a renewed interest in inequality from the economics profession. In addition to observing increasing inequality in income distribution data, economists saw changes in policy (e.g., reductions in marginal tax rates, efforts to reduce the power of unions) and changes in the structure of the economy (e.g., globalization, rapid technological change) that brought the issue of inequality back as a viable area of research interest. A series of papers, beginning in the early 1990s, looked at both trends in inequality and possible causes of those observed trends. As economists renewed their study of inequality, it became clear that the results were often dependent on both the source of data and the definition of income used in the various studies.

Assessing inequality

Before exploring the possible causes (or correlates) of inequality, we first need to address the disagreements over the existing level of inequality and the changes in inequality over time. While some disagreements may be ideological in nature, many disagreements result from differences in the choices of data and definitions of income. First, multiple data sources have been employed in the studies of inequality, but the findings are not always robust to the choice of data. The typical data sources used for studies of the United States are tax return data and the Current Population Survey (CPS). While tax return data can be used to look at the concentration of income at the top of the income distribution, it is not able to capture inequality across the distribution since many low-income individuals do not pay income taxes. The CPS does a better job of capturing inequality across the distribution of income, but it does not capture the concentration of income at the top, particularly the top 0.1 percent, due to top-coding to protect the identities of individual taxpayers. Second, researchers use a variety of measures of inequality, including inequality associated with wages, income, wealth, and consumption. In particular, a variety of definitions of income have been used that range from “market” income (pre-tax, pre-transfer income) to broader measures of income that include taxes and transfer payments. While all of these measures tend to be positively correlated, the extent of inequality varies substantially depending on the measure.

Although these disagreements over methods and concepts remain, economists generally agree that the data indicate growing income inequality between the top 1% and the remaining 99% of the income distribution in the United States, in addition to growing inequality among the remaining 99% of the distribution. Although agreement exists concerning the fact of inequality, major disagreements exist as to the extent of inequality, its causes, the consequences produced by increasing inequality, and the possible remedies (if any) needed to reduce inequality or ameliorate the problems it causes. Economists have long believed that some level of income inequality is a necessary by-product of allocation within a market system. Higher income is simply a reward for accumulating skills and foregoing current consumption, and thus acts as an incentive to encourage people to work, save, and invest. While these incentives may be reduced if we attempt to reduce these rewards in order to compress the income distribution (e.g., impose “excessively” high marginal tax rates), many economists recognize that the distribution of income may become so unequal that the costs of inequality might begin to outweigh its benefits. Recent research (Wilkinson and Pickett 2009) even purports to show that societies with a more equal distribution of income (or wealth) exhibit higher levels of economic growth and social welfare than societies with less equal distributions.

Explaining inequality

Although economists have since the 1980s been increasingly interested in issues of income inequality, the recent "firestorm" created by the release of Thomas Piketty's *Capitalism in the Twenty-First Century* (2014) has focused the attention of many in the profession on efforts to sort through possible explanations of the trends we see in the data. Economists have come up with three general categories of explanations for the increasing levels of inequality: (1) supply and demand framework explanations (e.g., skill-biased technological change and educational attainment), (2) governance and rent-seeking explanations (e.g., changing social norms concerning CEO pay), and (3) institutional explanations (e.g., changes in the minimum wage and levels of unionization).

Many researchers attribute the increasing levels of income inequality to the impact of skill-biased technological change (SBTC). Technological change, such as the introduction of computers, can act as a complement to skilled labor and as a substitute for unskilled labor. For example, the creation of software for computers requires workers with a relatively high level of education and skills. As a result, the introduction of computers increased the demand for more skilled workers. On the other hand, many functions that required a lower level of skills (e.g., typewriting) could be replaced by more skill-intensive substitutes (e.g., word processing). As a result, the introduction of computers increased the demand for more skilled workers, thus increasing their wages, while decreasing the wages of unskilled workers as the demand for their services decreased. The increase in wages for the skilled workers and decrease in wages for unskilled workers increased the skill premium and resulted in higher levels of income inequality.

For example, the interrelationship between education, technology, and inequality was explored in *The Race Between Education and Technology*, by Claudia Goldin and Lawrence Katz (2008). Using a wide variety of data on education, wages, and technology, they analyzed the patterns of wage inequality in the twentieth century through an exploration of skill-biased technological change and educational attainment patterns. They concluded that, with a few exceptions, inequality generally fell during the last century, but then increased substantially in the last thirty years. If technological change and the increased demand for skilled workers was the primary explanation of this pattern, one would have to argue that skill-biased technological change occurred at the end of the century but did not occur earlier. Goldin and Katz demonstrated that skill-biased technological change was relatively constant over the century, even beginning as early as the 1890s. From a supply and demand framework, the missing part of the story was supply, particularly the relative supply of educated workers. They concluded that the "skill bias of technology did not change much across the century, nor did its rate of change. Rather, the sharp rise in inequality was largely due to an educational slowdown" (Goldin and Katz 2008, 7-8). Although the SBTC-education nexus seemed to explain long-term patterns of inequality in the United States, it also ignored the more complex relationship between skilled and unskilled workers (Autor and Dorn 2013).

Daron Acemoglu and David Autor, among others, identified more complex patterns in wage inequality that could not be explained by the Goldin-Katz model. For example, inequality increased in the upper half of the male wage distribution over most of the period since the 1980s, while inequality in the lower half of the distribution increased during the 1980s but decreased since the 1990s. A possible explanation for this pattern rests on "a richer version of the skill-biased technical change (SBTC) hypothesis in which information technology complements highly educated workers engaged in abstract tasks, substitutes for moderately educated workers performing routine tasks, and has less impact on low-skilled workers performing manual tasks" (Autor et al. 2008, 301). This could possibly explain the observed pattern of the hollowing out of the middle of the wage distribution as moderately skilled workers performing routine tasks are replaced by capital (e.g., TurboTax replacing accounting services), while low-skilled workers performing non-routine tasks (e.g., janitorial services) are not affected by technological change, and thus experience an increase in relative income as the wages of middle-income workers fall.

Regardless of the version of the SBTC model employed, it is clear that the return to skill accumulation has increased and that this must be part of any explanation of changes in income inequality, at least at the top of the income distribution. Sherwin Rosen (Rosen 1981) provided a possible explanation for this divergence at the top, particularly between the top 1% and other income earners, when he proposed the existence of a “superstar effect.” Rosen argued that the increase in market size associated with improvements in communication and transportation technology increased the potential rewards for the most highly skilled workers (i.e., the “superstars”). For example, a “bankable” actor who previously earned a million dollars per picture can now earn multiple times that amount as the market for movies expands from a national to global level.

Another example of the “superstar effect” can be found in the increase in compensation for corporate executives. The median pay, including realized stock options, for CEOs of Standard and Poor’s 500 companies rose from approximately $2.5 million (in 2010 dollars) in 1993 to approximately $8 million in 2011 (Kaplan and Rauh 2013). The internationalization of large corporations increases the potential return to managerial skill and the competition for “superstar” CEOs, so the trends in corporate pay reflect this perception. Alternatively, this increase in CEO pay could result from rent seeking behavior associated with larger markets and incentives provided by lower marginal tax rates, where top marginal rates fell from over 70 percent to 28 percent between 1970 and 1986 (Bivens and Mishel 2013).

As the rewards to perceived managerial skill increase, the ability of the CEOs to extract rents beyond their contribution to the firm increases. If Piketty and Saez (2003) are correct in their assertion that the social norms against “excessive” CEO pay have diminished, it is much easier for the board of directors to grant generous pay packages to company CEOs, particularly if those CEOs can influence the selection of members of the board. While executive salaries have increased over time, much of the compensation takes the form of performance pay and stock options. In this context, Thomas Lemieux, W. Bentley MacLeod, and Daniel Parent (2009) have found that inequality would have increased much more slowly at the top of the income distribution in the absence of performance pay. Although increases in compensation have occurred across the spectrum of CEOs, concern has been raised that the "financialization" of the economy is one of the driving forces behind increasing managerial compensation. Combining Post Keynesian Institutionalism and the "financialization" literature, Zalewski and Whalen (2010) find that income inequality (measured by the Gini coefficient) is higher in countries that have undergone more extensive movements toward deregulation of and innovation in the financial sectors of the respective economies. They argue that these changes have increased the power of large investors to demand higher returns, increased the compensation of managers of financial institutions, and increased demand or more favorable tax treatment for investor's earnings.

Although acknowledging that the perceived returns to managerial skill, coupled with changes in social norms and stronger rent-seeking incentives on behalf of executives, may have led to increases in income inequality at the top of the income distribution, Kaplan and Rauh (2013) argue that this is not evidence of poor corporate governance. They showed that the same trends in executive pay exist in privately-owned (i.e., closely-held) businesses where the same principal-agent problems do not exist. They argue that this provides support for the SBTC and "superstar effect" hypotheses to explain the increasing inequality at the top of the income distribution, at least in comparison to the poor governance hypothesis.

While support for the SBTC explanation can generally be found in the United States, lower levels of income inequality in other developed countries (ones that have experienced similar technological changes) call into question the validity or generalizability of the empirical findings supporting it. Given that institutions vary across countries, a number of economists have instead focused on institutional changes in the economy that may have contributed to growing levels of income inequality in the United States. Institutional changes include reductions in the real value of the minimum wage, declines in union membership, deregulation of industries, increased globalization, and government policies, such as the reduction in marginal tax rates that allow higher levels of wealth accumulation. Except for the change in marginal tax rates and globalization, most of these other changes affect the middle and lower (not upper) levels of the income distribution.

The real value of the minimum wage fell (or at least stagnated) since the 1960s, with a real value of $8.25 per hour (in 2011 prices) in 1967 and a real value of $7.25 in 2011 (Mishel 2013). This stagnation would lead to a fall in the income of minimum wage workers relative to workers making above the minimum wage, thus increasing income inequality at the lower end of the distribution. David Card and John DiNardo (2002) find that much of the growing inequality observed in the 1980s could be explained by a decline in the real value of the minimum wage, while David Autor, Alan Manning, and Christopher Smith (2014), after controlling for some estimation problems, would find that only a small part of the changes in inequality can be explained by the minimum wage.

The level of unionization has declined substantially since the late 1970s, declining from 24 percent to 17 percent from 1979 to 1988. The fall in the rate of unionization among men was even more dramatic, falling by ten percent during the same period. The decreases would have even more substantial without the expansion in the membership of public sector unions. Since unions generally compress wages among union members, higher levels of unionization could reduce wage disparity. At the same time, union workers generally earn higher wages than do workers in nonunion jobs and therefore increase wage inequality. Since these effects are offsetting, the impact on unionization on income inequality is largely an empirical question. Most studies indicate that higher rates of unionization are associated with overall lower levels of wage disparity. Therefore, a fall in unionization would reduce this wage-equalizing effect (Fortin and Lemieux 1997). In an influential paper on the role of unionization, David Card (2001) found that the decline in unionization could account for 15-20% of the increase in male wage dispersion between 1973 and 1993, but could explain almost none of the females wage dispersion.

In summary, most economists would agree that income inequality or wage dispersion has increased over the last thirty years, particularly accelerating throughout the 1980s. Many economists also agree that the primary source of this increase is the technological innovation (and its interaction with changes in educational attainment) experienced throughout most of this period. An increasing number of economists believe that the "hollowing out of the middle class" requires a more nuanced explanation centering on the distinction between routine and non-routine tasks instead of the traditional distinction between skilled and unskilled labor. Given the difficulty in reconciling differences in inequality across countries facing similar technological changes, a number of economists now emphasize institutional factors, such as the real value of the minimum wage and the rate of unionization, that differ across countries as potentially more important factors in determining trends in inequality.

Enter Piketty

While a continuing body of research on inequality accumulated in the 1990s and early 2000s, a series of papers by Emmauel Saez, Thomas Piketty, and others (e.g., Anthony Atkinson) intensified the debate in the profession concerning the extent and causes of inequality. In particular, Piketty, Saez, and others constructed large time-series data sets, primarily from tax data, that allowed researchers to look at trends over long periods of time and across a wide set of countries (Piketty and Saez 2003). They found high levels of inequality at the beginning of the 20th century in the United States, but diminishing levels of inequality during the period between the two world wars. Inequality began to increase in the 1970s and reached "historical" levels by the late 2000s. These researchers also found that the high levels of inequality experienced in the United States and the United Kingdom were not observed in many

European countries, particularly those with a less free-market inclination. Given these differences across countries, their explanations often emphasized institutional factors and promoted policies (high marginal tax rates on the wealthy) that featured an active role for government. Although these papers stimulated discussion in the economics profession, they were largely ignored by the public until the publication of *Capital in the Twenty-First Century* by Thomas Piketty.

In this work, Piketty argued that the share of wealth going to the top 1% (0.1% and 0.01%) are at historically high levels and this trend is likely to continue or accelerate over time. His argument is that wealth grows at the rate of the return to capital (since most wealth is generated from capital, not labor) and that the return to capital grows at a faster rate (r) than the growth in output or income (g). If r grows at faster rate than g, then the economy will generate higher wealth to income ratios and wealth will become concentrated over time. As a result, the top 1% will control increasing shares of the wealth (i.e., assets) in the country. He views this trend in income concentration as the normal state of affairs and the shrinking income inequality over most of the twentieth century as an anomaly. Piketty argued that the two world wars and the economic hardships of the 1930s reduced the return to capital, and thus temporarily reduced income inequality. He argued that policy intervention, such as an international tax on wealth, will be necessary for either slowing down or reversing this "inevitable" result when the rate of return to capital is higher that output (income) growth.

Capital in the Twenty-First Century has set off a firestorm of controversy in the discipline of economics. Although generally regarded as a ground-breaking work in the field, particularly regarding the historical analysis of inequality, many economists question both the economic theory and the policy prescriptions put forth by Piketty. In a review of the book, Lawrence Summers (2014, 92) states that there can "be no doubt that the phenomenon of inequality is not dominantly about the inadequacy of skills of lagging workers [a reference to the SBTC hypothesis] …. Even if none of Piketty's theories stands up, the establishment of this fact has transformed political discourse and is a Nobel Prize-worthy contribution."

Summers goes on to level two criticisms voiced by many other economists. First, he argues that Piketty's analysis is based on the idea that the return to capital diminishes slowly (so that it remains above the growth rate in output) and that the returns to capital are reinvested (or bequeathed to future generations). Summers points out, as do many other economists, that neither of these assumptions are consistent with the empirical evidence. For example, the changing composition of the Forbes 400 list over time provides evidence against the accumulation of wealth through bequests. Summers also suggests that Piketty fails to account for the impact of depreciation, so that although gross capital returns may diminish slowly, there is no evidence that the return to capital after depreciation follows the same pattern. In addition to his theoretical concerns, Summers also argues that Piketty's policy prescription of an international tax on wealth is unrealistic—a point acknowledged by Piketty himself.

To be sure, Piketty's work has not been without its critics, whose particular responses have been shaped by their own ideological perspectives. As Mike Konczal (2014) has observed: "If critics to Piketty's right are concerned that he doesn't ground his theory deeply enough in economic models, economists and others to Piketty's left are concerned that he concedes too much to mainstream economics and lacks sufficient regard for politics." Naturally, then, it is time for us to give due regard to politics—or, at least, political science.

Political Science

In American political science, inequality in general has not been a central concern. This is not to say that the issue was absent, but it generally took a back seat to other matters. Before political science became obsessed with methodology in the 1960s, and with trying to establish itself as a science per se, the question of power arose. Amid the postwar consensus that the US was the good society in operation, such as Floyd Hunter and C. Wright Mills had taken contrary positions. Their works highlighted the highly stratified nature of American politics in which an economic and social elite made the big decisions and essentially dominated political life. Empirically minded political scientists such as Robert Dahl and David Easton countered that the elitist conception of power was overblown. In *Who Governs?*, for example, Dahl found that no one concentrated elite prevailed across a range of issues. Instead, he argued that there was but a circulation of elites, small groups of decision makers whose identity varied depending upon the policy domain. Thus was born pluralism—the prevailing model of American politics for the decades to come.

Yet, there were dissenting voices in the discipline that challenged the pluralist orthodoxy. Among its early critics was E. E. Schattschneider (1960, 35), whose studies of participation and policymaking led him to conclude that there was a serious flaw in "the pluralist heaven"—namely, that its heavenly chorus routinely sang "with a strong upper-class accent." With the onset of the Sixties, as the realities of racial discrimination and pressure group influence struck a chord, other political scientists further attacked the "bias of pluralism" in the course of their researches on political participation, agenda setting, decision making, and power. Inequalities in economic and political life nevertheless were a primary focus only for those on the "radical" wing of the discipline. Even when a mainstream star such as Charles Lindblom (1977) demonstrated that pluralism in advanced industrial countries always led to a "privileged position for business," few others took up the invitation to investigate how a capitalist economy warps the polity and undermines democracy.

<u>Enter Bush</u>

The election of George W. Bush in 2000 was aimed, so his campaign manager and political adviser Karl Rove envisioned, at creating a permanent Republican majority and a new Gilded Age. The former would eventually dissipate, but the latter clearly had begun to develop. Real wages for average workers had declined since the 1970s; compensation for the CEOs of major businesses had reached new heights; and, it seemed, the two major parties had become beholden to the same corporate and financial sector. Academic political science soon turned its attention to inequality in a significant way. In 2001, the American Political Science Association (APSA) established a Task Force on Inequality and American Democracy. Its aims were "to gather what political scientists and other scholars know about the ways in which recent trends in inequalities impact democratic participation and governance in the United States, and to consider how changing patterns of participation and policy influence inequality along various dimensions." (American Political Science Association n.d.). The Task Force eventually produced a report three years later (APSA Task Force on Inequality and American Democracy 2004), a report that was published in other formats as well.

The Task Force report highlighted the fact that, a time when significant progress had been made with respect to racial and gender equality, the level of inequality in income and wealth was growing. This made the contrast between the extent to which the US vigorously promotes democratic ideals abroad and the existence of some challenges to democracy present at home—low levels of citizen participation, limited responsiveness by government, and patterns of policymaking that favor the few over the many—all the more poignant. Growing inequalities of income and wealth not only threaten the gains made in the contexts of race and gender, they also exacerbate the extent to which public affairs and policy reflect unequal participation, voice, and influence in politics. As the report noted, "ordinary Americans speak in a whisper while the most advantaged roar" (APSA Task Force on Inequality and American Democracy 2004, 11).

To some, however, these supposed threats to American democracy were exaggerated and overstated. In 2006, *PS: Political Science and Politics* published a symposium around the Task Force and its report. Robert Weissberg (2006) sounded just such a critique. Real threats to democracy, he noted, would be ones such as fraud, corruption, or judicial overreach—and we could add all the usual indicators of tyranny or dictatorship. Instead, per the report, "the real culprits" undermining democracy “are greater political activism among wealthier citizens than among the disadvantaged, the targeting of the affluent by political parties, unexpected disproportionate Internet use by ‘the privileged,’ blue collar unionism’s decline, the failure of ‘public interest’ organizations to counter business groups, and, most central, soaring U.S. economic disparities” (Weissberg 2006, 33). Moving from a research agenda focused on voting behavior or the Electoral College, say, to a focus on “democratic inequality studies” would serve no purpose but to give political science a liberal, if not radical egalitarian cast. Even if that effort succeeded, there is no evidence to suggest that that resolving the problems of economic inequality would actually bring greater freedom and democracy. One of the Task Force’s key members, issued a rejoinder to Weissberg in the same symposium. Previewing some of the arguments he would later make, Larry Bartels (2006) argues that responsiveness, a key criterion of representative government, is severely limited in the United States. US Senators, for example, are more likely to heed the wishes of the wealthy than of the poor. Further, empirical evidence shows that partisan control of the government will have differential effects on people’s economic fortunes. In short, inequality and politics both matter.

In reviewing the empirical work that has emerged from the research project on inequality, two main discussions have occurred. One concerns the central political causes of inequality. The focus here is on how the two major political parties have contributed to the exacerbation of economic disparities over the last few decades. Their respective constituencies and policies have been shown to have had a differential impact on the degree of economic inequality in the United States. The second discussion concerns the political consequences that result from inequality. The focus of this discussion is on how less affluent people have little to no input or influence on government policies. From the general equality of condition found by Alexis de Tocqueville to the pervasive inequality of this new gilded age, the unequal political voice that belied the doctrine of pluralism has only worsened.

Parties and policies

Taking these discussions in turn, let us first explore one of the key publications to emerge out of this political scientific research—*Unequal Democracy* (Bartels 2008). Bartels acknowledges that, in examining the causes and consequences of inequality, one has to be mindful of a basic truism—economics affects politics and politics affects economics. Keeping that truism in mind will help one stay focused on the big picture and help one avoid adopting too narrow a perspective. To start from the beginning, Bartels observes that it is evident that income and other forms of inequality in the United States have been escalating. The work of Colin Gordon, a historian of public policy, provides ample and continuing evidence of growing inequality on a variety of fronts, using a variety of measures. As he states in the introduction: "Americans today live in a starkly unequal society. Inequality is greater now than it has been at any time in the last century, and the gaps in wages, income, and wealth are wider here than they are in any other democratic and developed economy" (Gordon 2014).

Neither naturally inevitable nor necessary for growth, this inequality has important political causes and consequences that are worth examining. Bartels chooses to do so by exploring patterns of policy making generally and in the context of case studies (the Bush-era tax cuts, the repeal of the federal estate tax, and the debates over the minimum wage). The central conclusion is this: "Under Democratic presidents, poor families did slightly better than richer families (at least in proportional terms), producing a modest net decrease in income inequality; under Republican presidents, rich families did vastly better than poorer families, producing a considerable net increase in income inequality" (Bartels 2008, 34).

The partisan political economy that Bartels discovers is matched by a partisan economic polity, as well. In his study of political representation and inequality, he presents convincing evidence that US Senators respond more often and better to their affluent constituents than they do to their low-income constituents. This is true whether the issues are economic ones, such as the minimum wage, or social ones, such as abortion. Moreover, Bartels finds that Republican senators are more likely to exhibit this pattern of responsiveness than are Democratic ones. It is not simply a matter of the poor being ignorant and passive citizens, though, because the disparities in representation persist even when controlling for such variables (Bartels 2008, 278). In the end, the studies that Bartels has conducted reveals that there is a significant feedback loop at work in American politics and economics. As he (Bartels 2008, 286) observes: "increasing economic inequality may produce increasing inequality in political responsiveness, which in turn produces public policies that are increasingly detrimental to the interests of poor citizens, which in turn produces even greater economic inequality, and so on."

Gordon, like Bartels, has focused on policy choices as the primary source of growing inequality. The New Deal order engendered by the Great Depression produced a set of policies—acknowledged rights for organized labor, establishment of a minimum wage and social insurance programs, government regulation of economic activity, and the advent of Keynesian macroeconomic policy—that substantially reduced inequality for about forty years. By the end of the 1970s, though, a more conservative policy regime had taken hold. Spending on social programs was cut; labor's bargaining position and its membership numbers both declined; deregulation for its own sake became *de rigueur*. Indeed, given the consistency of the effort and the success of the policies, one might concur with Gordon (2014) in concluding that: "Rising inequality was not a lamentable side effect of America's new policy framework; it was its intent." Even if one does not attribute intent to anyone in particular, the result of the policy choices made by our political system has been steadily growing rewards for the well-to-do accompanied by an increasingly limited ability of the least advantaged to rectify the situation.

<u>Voice and responsiveness</u>

According to Martin Gilens (2012b), there have been two constant patterns in American politics. "First, the poor never have as much influence as the middle class, and the middle class never has as much influence as the affluent. Second, over the last four decades, responsiveness to the affluent has steadily increased while responsiveness to the middle class and the poor has depended entirely on the existence of the congenial circumstances just described." Gilens traces this pattern to the ways in which affluent Americans participate in the political system. The affluent are simply "more likely than are less well off citizens to vote, volunteer in campaigns, and make large political donations" (Gilens 2012b).

One needs to note, though, that the pervasive inequalities that academics have described cannot be traced to electoral politics alone. Kay Schlozman (2012) reminded Gilens and others that interest groups play just as big a role. As we noted above, the system of influence in which interest groups operate is by no means a level playing field. Very, very few lobbies advocate for the poor; most represent businesses and institutions. "Of the billions of dollars devoted annually to lobbying in Washington, 72 percent is spent by organizations representing business interests; in contrast, 2 percent is spent by public interest groups (a category that includes both liberal and conservative advocates), 1 percent is spent by unions, and less than 1 percent is spent by organizations advocating on behalf of social welfare programs or the poor" (Schlozman 2012). What the pressure group system reflects is a persistent inequality of participation and influence in politics. The unequal political voice that Kay Schlozman, Sidney Verba, and Henry Brady (Schlozman et al. 2012) document not only ensures that economic inequality will continue to exist, but more importantly, it also threatens to undermine the democratic promise.

In their studies of political participation, Schlozman, Verba, and Brady find that participation in both electoral and non-electoral arenas is highly stratified by class (social and economic status). Further, the stratification and political inequality they observe is durable and pervasive. What bearing does this have on inequalities of income and wealth? The researchers do find that "American participatory inequalities yield greater pressure for conservative positions on economic policy matters such as income redistribution," but they yield more liberal outcomes when it comes to social issues

(Schlozman et al. 2012, 233). Overall, whether the focus is on political participation or on the activities of organized interests, the heavenly chorus of American politics largely retains its upper-class accent. As Schlozman, Verba, and Brady (2012, 440) observe, "in the aggregate, business interests are very well represented—and the interests of broad publics and the less privileged, whether defined in terms of economic well-being or identity, are much less well represented—in organized interest politics."

Time and again, the empirical evidence regarding the making of public policy points to a prevailing status quo bias. Whether the issue is taxes, trade, or government regulation, the story is always the same. If interest groups and affluent Americans support a particular policy change, that change will likely occur. Our system can best be characterized as one of biased pluralism, where—despite our democratic wishes to the contrary—the majority simply does not rule (Gilens and Page 2014, 576).

Finding Our Way

From the late 1970s to the mid-1990s, government officials did little to promote policies aimed at redistribution or even evaluating existing policies in terms of their equity considerations. A pro-market, neoliberal orthodoxy began to take root with the advent of Reaganism in the US and Thatcherism in the UK. Work in economics tended to focus on theoretical measures of inequality, the efficiency losses of welfare programs, and inequality among countries. Political science continued its primary concern with explaining election outcomes, but even when it turned to policy matters, the focus largely was on noting and accounting for failures of government policy. All the while, the growth in real wages flattened and failed to keep up with gains in productivity, CEO salaries and shareholder dividends rose with the emergence of a growing financial sector, and political pressure to limit government spending grew. During the Clinton administration, a growing economy, passage of the Earned Income

Tax Credit, and even welfare reform, all appeared to some observers as a time when we turned a corner. Inequality and poverty alike both seemed in decline. Yet, once the "dot com" bubble burst in 2000 and unemployment rates rose to typical levels, inequality continued its trend upward and only worsened with the impact of the Great Recession and the austerity measures that followed. The issue crept out of academe, and mainstream pundits and policymakers, economists and political scientists, began to warn of the dangers of letting inequality rise unchecked.

The search for remedies for inequality, if not ultimate solutions to it, appears to be the only task that remains. Given the roots of inequality in policy and politics, it makes sense for our search to begin there. For example, Piketty has traced the decrease in income inequality during the twentieth century to shocks to the economic system generated by two world wars and a Great Depression. His solution to the resurgent Gilded Age we confront is, fortunately, not to reproduce the level destruction that the last century yielded. Instead, he proposes an international wealth tax that would essentially redress the imbalance.

One approach to finding remedies for inequality might be to examine the differential effects of public policy. For instance, a taxonomy of economic inequality might lead us to array various policies along two dimensions. In one direction, policies are identified as to which income group they affect—low, middle, or high. The other direction hinges on what stage in the generation of inequality they affect. For example, some policies (such as inheritance taxes or spending on public education) are efforts to affect the distribution of endowments (e.g., property, education, and financial wealth). Other policies (such as minimum wage, promotion or opposition to unions, and unemployment compensation) have an impact on people's earnings from their endowments, and thereby, have an impact on their gross incomes. Finally, still other policies (such as social welfare programs and taxes on incomes or capital gains) alter gross income and generate net income (purchasing power).

Pursuing this reasoning further leads us to the idea that various policies do not have similar effects on inequality. Among the lower and middle income brackets, the elderly have a high level of gross income inequality of any age group. Social Security has helped reduce this inequality by providing relatively greater resources to poor earners than to high earners. Similarly, increased spending on public education would be likely to improve the condition of the both the less well-off and the moderately well-off. When choosing policies available to remedy the marked inequality, it is first necessary to establish whether it is lower or middle incomes who are suffering. Once that is done, then whatever policies aiming to redress inequality are chosen will be more targeted to the burdens imposed by the actual incidence of inequality.

Rather than this narrow approach to remedying inequality, Gordon (2014) outlines a larger, more comprehensive set of goals. Naturally, one of the most significant aims would be to expand the pie, that is, to achieve some measure of real and sustainable economic growth. Next, Gordon proposes that we renew a policy of invoking stronger labor standards and reviving the labor movement in both private and public sectors; a strong labor movement would provide a source of countervailing power necessary to combat the overwhelming clout of industry. Returning to an authentically social system of social insurance would help, too; Gordon advocates disentangling health care and pension from a job-based system for eligibility and participation. Finally, economic inequality cannot be redressed unless we restore significant progressivity to the tax code; in other words, we need to again limit the concentration of wealth controlled by the one percent. Ultimately, all these suggested reforms hinge on unskewing the political system. As Gordon (2014) puts it, “any real progress on the economic side of the equation is likely to be tenuous unless we can sever the ties (exacerbated, but hardly invented, by the one-two punch of *Citizens United* and *McCutcheon*) between economic affluence and political influence.”

After examining the shape of contemporary politics and policy, Gilens tries to hold out some hope that a more egalitarian polity is possible. Gilens, as well as Archon Fung (2012), encourage advocates to push for campaign finance reform as a way of limiting the impact of the monied interests. Of course, given recent Supreme Court decisions, and the current impotence of the Federal Election Commission, this approach seems more problematic than it did a few years ago. Nonpartisan districting and voter mobilization might help, but they are also much less likely in the current polarized environment. Given Republican commitments to economic austerity and deregulation, the prospects for the other remedies for inequality that Gilens suggests—increases in the minimum wage along with greater spending for education and social welfare programs—seem rather dim indeed.

Given the importance of politics to the whole reform agenda, though, the prevailing patterns of participation make reform difficult. How, then, could the necessary policy changes be made? One possibility is to simply engage the battle. Rather than hoping that people of good will may somehow manage to coalesce around popular ideas, we have to recognize that the "transition from festivals of protest to political impact requires leadership focused on long-term goals, sympathetic media, resistance to premature disappointment, and, above all, conversion of protesters into active partisans" (Rosenblum 2012). Recognizing that fact, Nancy Rosenblum suggests, requires that we work to develop both more and better partisans.

Another route is to alter the dynamics of political participation itself. Schlozman, Verba, and Brady (2012, 540-573)—while loath to endorse any particular set of reforms—nevertheless opt for outlining various strategies for promoting equality of political voice. The strategies they suggest, for example, in order to mandate a participatory ceiling—limit the power of the well-to-do—we could indeed fully institute public funding of elections. In order to encourage more participatory activity, we could make Election Day a national holiday and even invoke a regime of compulsory voting. To develop the capacity of citizens to engage in political activity, the authors endorse educational programs that build civic education and service learning. Schlozman, Verba, and Brady conclude that, all too often, the perfect is the enemy of the good. Rather than trying to bring about an egalitarian utopia, advocates for equal political voice should simply act—work on any number of limited reforms, without seeking massive, immediate change.

Essentially, the consensus is that citizens' groups have to band together in order to provide enough political pressure on the parties and government officials to get the kinds of policy changes that are clearly needed to redress inequality. As Gilens (2012a) puts it: "If enough Americans come to see that current arrangements favor the privileged few, change is possible." Getting enough folks to see things this way is, of course, the hard part. A pervasive neoliberal ideology, heavily and continually promoted by well-funded interest groups and candidates, makes it hard for people to embrace a change in perspective—even if such phenomena as partisan polarization, confirmation bias, and epistemic closure did not exist. Further, the various organizations and movements that emerge from time to time to push for equality often find it hard work past their own quarrels about the requisites for social change—namely, which particular combinations of ideology, strategy, and tactics will prove most effective. Such movements even then seem to offer little more than tentative steps forward in a world that either marginalizes or represses them. At this point, the only conclusion that can safely be advanced is this: The struggle continues—whether within the academy or within the polity.

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