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How Institutional Gridlock in U.S. Politics Benefits the Rich

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In 1976, as President Jimmy Carter was inaugurated, the share of all income in the United States going to the richest one percent reached an historic low. Back in 1929 just before the Great Depression, the richest one percent of Americans claimed of 24% of income – close to one of every four dollars – but the top one percent's share dropped to just under 9% by the mid-1970s. But this was an unprecedented and momentary level of egalitarianism in the U.S. economy. Since then, America has been on a path toward ever greater income inequality. The latest data for 2012 show that the richest one percent of Americans now takes home 22.5% of all income. That's a staggering statistic – 22.5% of the economic pie in the hands of the most privileged one percent of the people. The country has come almost full circle to where things stood in 1929.

Many factors contribute to changes in what is called "income concentration" over time, including major economic and demographic shifts. College-educated people now make more than they used to, compared to those with just high school degrees; and an aging population means there are fewer people in the workforce. The long-term decline of U.S. unions has shifted the balance of bargaining power away from workers and toward corporations; and a more globalized economy puts downward pressure on middle class wages. The rise of the finance sector has produced eye-popping incomes for executives, compared to what used to be made by stodgy bankers. But factors such as these are only part of the story, as I have discovered in research done with several colleagues. The U.S. political system also encourages concentration of income at the very top – specifically the aspect of the system that produce blockages to policy changes.

"Status Quo Bias" in American Policymaking

Status quo bias refers to the idea that U.S. political arrangements make policy change ponderous and difficult – indeed, that they block some changes altogether. Partly, this is true because of the intentional Constitutional design of the Founding Fathers; yet recent rule innovations have also exacerbated delay and obstruction.

- The Constitution includes two key provisions that make policy change challenging – a two-house legislature and separation of powers. Because proposed laws must be approved by both the House and the Senate and then accepted by the president, considerable consensus is required – and of course different parties or factions often control one part of this institutional triumvirate.

- Beyond Constitutional design, the contemporary evolution of filibuster rules in the Senate also matters. In recent times, party maneuvers have led to a situation where little legislation passes unless 60 out of 100 Senators agree. This means a very diverse coalition of support must be rallied to enact policy, more than a mere majority. Although not a constitutional requirement, this Senate rule creates powerful obstacles to change from the status quo.

Obviously, policy changes can still happen, even very quickly, when there is a high degree of consensus among elected leaders at any given point – for instance, if most members of the House and Senate plus the president are in basic agreement over a policy question. But as consensus diminishes, so too does the ability to enact anything new into law.

Do Institutional Obstacles Encourage Income Concentration?

Building on earlier work by political scientists Jacob Hacker and Paul Pierson, my colleagues and I reasoned that as consensus among U.S. policymakers diminishes, obstacles to action will become more relevant – making it more difficult to fashion new policies or revise old ones to counter rising income inequality. Our basic argument takes for granted that a variety of factors are pushing in the direction of rising economic inequality, but governments have the ability to devise policies to limit income concentration. That is true in all advanced industrial democracies, but due to the status quo bias inherent in the U.S. political system, such policies are difficult.

Institutional stasis also tends to feed on itself, we argue. That is, hurdles to policymaking exacerbate inequality to a greater extent as the gap between the rich and the poor grows. If incomes were becoming more equal, then doing nothing new would matter only to actors who want greater inequality. But when inequality is increasing, stasis allows the process to accelerate.

Findings and Implications

We gathered data and developed measures to test our ideas about U.S. governance and trends in income concentration from 1940 to 2006. The key results show that rules and institutional obstacles explain more than 50% of variation in the top income share over this period.

- To test the effect of the Senate filibuster, we measured the ideological disagreement between the last Senator whose vote is needed to reach a majority and the Senator whose vote is needed to exceed a 60-vote margin. When disagreement increases by an amount equivalent to the distance between John McCain and Richard Lugar in a recent Congress, the income share going to the top one percent rises by nearly four percentage points.

- The fewer important laws Congress enacts, the more income flows to those at the very top. The difference between a Congress that enacts relatively few laws and a Congress with average output is associated with a six point increase in income going to the top.

- As the top share of the economic pie grows, the filibuster and Congressional foot-dragging do even more to boost income flows to the top one percent.

The findings discussed here show that U.S. institutions and rules do indeed make it difficult to limit or reverse sharply rising economic inequalities in the present era. The upshot is clear. If Americans want democracy to promote a more equal division of the national economic pie – closer to 1976 rather than 1929 – then we must consider reforms to make it easier for new policies to be enacted. Only the very rich benefit from today's anti-majoritarian, gridlocked government.

Read more in Nathan J. Kelly, Peter Enns, Jana Morgan, Thomas Volscho, and Christopher Witko, "Conditional Status Quo Bias and Top Income Shares: How U.S. Political Institutions Benefit the Rich." *Journal of Politics* (2014).