

HOW WASHINGTON HAS MADE THE RICH RICHER – AND ABANDONED THE MIDDLE CLASS

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America's super rich have gotten a lot richer since the 1970s, while the middle class and less privileged citizens have seen their incomes sink or tread water. Growing income gaps have not happened just because of the free market or the dictates of new technologies. Government has fallen down on the job it used to do – reducing inequalities and expanding opportunity for the majority of Americans. American politics has been increasingly overwhelmed by moneyed interests who use the Republican Party and parts of the Democratic Party to protect their advantages, cut benefits for the majority, and weaken the middle class.

Income Trends Have Become Winner-Take-All

- From 1979 until the eve of the Great Recession in 2007, the top one percent received almost two-fifths of all gains in household income – even after taking into account the value of employer-sponsored health insurance, all federal taxes and government benefits.
- The richest of the rich have gained the most. The share of pre-tax income going to the top one-tenth of one percent *quadrupled* between 1970 and 2007. In 2007, such fabulously rich households received one of every eight dollars earned in America.
- Growing income gaps are not just about the well-educated pulling away from the rest. Most highly educated Americans have seen only modest gains compared to the super-rich.
- America's mind-boggling income differences are much greater than in other affluent democracies that have experienced just as much economic growth.

Government Has Helped the Rich Get Richer

- To see how government has turned its back on the middle class, we need to focus on government aid those at the very top. Consider taxes. The very rich (the top one-tenth of one percent) used to pay taxes at a sixty percent rate and now pay about half as much.
- Government also influences how the market hands out income, even before taxes and benefits are considered. Beginning in the late 1970s U.S. laws and rules were changed in ways that weakened labor unions, while at the same time deregulating financial markets – to allow hedge fund managers to reap vast new riches even as new fees and risks were imposed on the rest of Americans.
- What government does *not* do also matters a lot. Laws to rein in the privileged, enable unions, and deliver benefits to the middle class need to be regularly updated when circumstances change. But in recent times, powerful interests in Washington DC have

blocked action to update vital rules and benefits. Wealthy lobbies, partisan polarization in Congress, and deliberate use of delaying tactics such as the filibuster in the Senate all play a role in blocking updated rules and benefits to help most Americans.

U.S. Politics Now Tilts Dangerously Toward Organized Interests and the Rich

In a democracy, how can government policies so favor the rich at the expense of the majority? Pundits may try to blame things on the voters, but the main story has been **efforts by organized interests** to mobilize and reshape policy over the long term.

- Starting in the 1970s, corporate America organized on an unprecedented scale, investing more money and focus into politics. Most corporate spending is on lobbying, not elections. Officially reported lobbying expenditures rose from .4 billion in 1983 to 4 billion in 2007 (adjusted for inflation) – when an amazing 14,789 lobbyists plied Capitol Hill.
- Meanwhile, most Americans have no organizations lobbying for them. Broad-based groups once gave middle-class voters knowledge about their stakes in policy battles, plus clout to influence legislation. But labor unions and broad civic organizations have lost ground. Many new, professionally run advocacy groups – even those that are called “liberal” – pay little attention to bread and butter issues that matter to average families.
- The organizational shift toward the powerful has influenced both parties, empowering Republicans and cross-pressuring Democrats. It fueled the move of the Republican Party sharply to the right, and made it harder for Democrats to unify around clear stands on economic issues. Democratic as well as Republican representatives and party leaders are always trying to raise money for expensive campaigns, so they listen to the concerns of the very privileged. And the privileged have much more lobbying clout.

Can Americans Break the Grip of Winner-Take-All Politics?

Government by and for the rich is self-reinforcing, unless the majority of Americans realizes what is happening and takes decisive steps:

- 1) to reduce the capacity of entrenched elites to block needed reform through lobbying, regulatory inaction, and the continuous threat of Senate filibusters;
- 2) to facilitate broad participation among those whose voices are drowned out;
- 3) to develop member-supported organizations that can use new technologies and ways of bringing people together to provide clout to regular middle-class voters and monitor government and politics on their behalf.

We Americans have to fix our politics at the same time we push government to support the majority, not just subsidize the superrich. Elections matter, but just as important are organizations that ensure clout for the many rather than the privileged few. The United States must become, once again, a democracy by and for the majority, including the middle class and everyone working to join the middle class.

Read more in Jacob Hacker and Paul Pierson, *Winner-Take-All Politics: How Washington Made the Rich Richer – and Turned Its Back on the Middle Class* (Simon & Schuster, 2010).