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BACKGROUNDER

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Does Rising Income Inequality Threaten Democracy?

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Abstract

The popular contention that income inequality is turning our democracy into an oligarchy that serves only the rich is buttressed by several well-cited, but fundamentally flawed, academic studies. In fact, claims that rising income inequality threatens our democracy are unfounded. There is no evidence that the rich have greater political influence during times of greater economic inequality. By making poorly founded assumptions about the opinions of the top 1 percent, magnifying the narrow political divide that does exist between the classes, and exaggerating the influence of the affluent, certain political scientists have painted an unduly grim portrait of American democracy. While it is undeniably true that some have more access to power than others, income alone is a poor predictor of proximity to power. And while it is neither possible nor desirable to level the political playing field perfectly, it is possible to lower the stakes of the game by reducing the federal government's power to pick winners and losers in the marketplace.

Ever since the rise of the Occupy Wall Street movement in September 2011, intellectuals and politicians have sought to blame rising income inequality for a host of economic, social, and political problems. They have not, however, had great success in proving their case scientifically. Claims that the widening gap between the top earners and the rest of society stanches economic mobility, for example, have not proven to be true.[1] Other claims that rising income inequality is a harbinger of perilous macroeconomic instability have also not panned out.[2] But the claim that growing inequality threatens our democracy—arguably the most dangerous possible consequence of inequality—still looms large in the public square.

Key Points

- Claims that rising income inequality threatens our democracy are unfounded. There is no statistical evidence that the rich have accrued greater political power as their share of national earnings has increased.
- Contrary to those who claim that the classes have conflicting political views, public opinion data show a strong correlation between the policy preferences of the upper, middle, and lower classes.
- Even when they do disagree, studies show the influence of the upper and middle class is nearly identical. When high and middle-income earners prefer opposing policies, the policy preferences of high earners are enacted about half of the time on average.
- While income alone is not a good predictor of political influence, it is undeniably true that some have greater access to power. Reformers should address the undue influence of political insiders and root out cronyism instead of focusing on an unrelated phenomenon of income inequality.

This paper, in its entirety, can be found at **http://report.heritage.org/bg3227**

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The New York Times' Paul Krugman argues that we live in a "society in which money is increasingly concentrated in the hands of a few people, and in which that concentration of income and wealth threatens to make us a democracy in name only."[3] President Barack Obama, who called rising inequality "the defining challenge of our age," worries that it "distorts our democracy. It gives an outsized voice to the few who can afford high-priced lobbyists and unlimited campaign contributions, and it runs the risk of selling out our democracy to the highest bidder."[4]

Obama's and Krugman's assertions are supported by a growing body of academic research. In the past several years, top political scientists like Martin Gilens of Princeton University, Benjamin Page of Northwestern University, and Larry Bartels of Vanderbilt University have published books and journal articles documenting the purported effects of rising inequality on policies enacted by the national government.

On its face, this purported ill effect of rising economic inequality seems not only more pernicious than the other possible consequences, but more plausible as well. Unlike the free market, in which the achievements of one individual or group can stimulate the rest of the economy, politics involves competition over a scarce commodity of which there is a fixed amount: the attention of political elites. Thus, while the competition for goods and services is not a zero-sum game, the competition for access and influence is.

The argument that rising inequality threatens democracy hinges on three interlocking claims:

- The upper, middle, and lower classes have divergent policy priorities. While the rich seek to cut social welfare programs and lower taxes, the middle class and poor seek to buttress the social safety net while shifting more of the tax burden to the upper class.

- Those in the upper class (i.e., the rich) have outsized influence in Washington, primarily with Congress but also in the White House.

- As economic inequality has grown in recent decades, the political influence of the rich has grown along with it.

For the most part, as plausible as these claims may appear to be, they are not supported by the data. Political scientists who have looked into these claims have concluded that the empirical evidence supporting them suffers from four major shortcomings:

- There are very few data about what the richest 1 percent—the group whose soaring incomes have been principally responsible for rising inequality since the late 1970s—want from government. There are almost no data on the wealthiest 1 percent of Americans because polls typically ask respondents about their income and not their net worth. Most studies instead investigate the policy preferences of the affluent: the top 10 percent or 20 percent of income earners.

- Studies reveal that it is unusual for a policy to attract strong support among people from one income bracket only. More commonly, policies that are unpopular with the affluent are unpopular with both the middle and lower classes. This pattern has held over time: There is no evidence that the policy preferences of the affluent are becoming more disconnected from those of the average voter as income inequality grows.

1. Raj Chetty, Nathaniel Hendren, Patrick Kline, Emmanuel Saez, and Nicholas Turner, "Is the United States Still a Land of Opportunity? Recent Trends in Intergenerational Mobility," National Bureau of Economic Research *Working Paper* No. 19844, January 2014, http://www.nber.org/papers/w19844.pdf (accessed June 8, 2017).
2. Estate tax repeal, in particular, was surprisingly popular even among those who were unlikely to benefit from it; 62.9 percent of those with family incomes of less than $50,000 supported full repeal. See Larry M. Bartels, *Unequal Democracy: The Political Economy of the New Gilded Age* (Princeton, NJ: Princeton University Press, 2008), p. 201, and Michael D. Bordo and Christopher M. Meissner, "Does Inequality Lead to a Financial Crisis?" National Bureau of Economic Research *Working Paper* No. 17896, March 2012, http://www.nber.org/papers/w17896.pdf (accessed June 8, 2017).
3. Paul Krugman, "Oligarchy, American Style," *The New York Times*, November 3, 2011, http://www.nytimes.com/2011/11/04/opinion/oligarchy-american-style.html (accessed June 9, 2017).
4. Barack Obama, "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 (accessed June 8, 2017).

- Recent research shows that the top decile of income earners and the middle class have largely equivalent influence in Washington with respect to major pieces of legislation and prominent executive actions (the two policy outcomes studied in the literature).[5] The balance of the evidence strongly suggests that today, as in the past, the federal government is largely responsive to the general public, not just the richest 1 percent, when enacting policy.

- There is no evidence that the influence of the affluent on major policy outcomes has increased as income inequality has grown. Contrary to what one would expect from reading the studies on inequality and democracy, spending on welfare programs benefitting the poor has gone up dramatically and the tax burden on the wealthy has increased in recent decades.

Ultimately, the focus in the literature on income inequality and its impact on major federal policies like the income tax rate, welfare, and public education funding distracts attention from the real problems facing our democracy. While there is not much evidence that the affluent have more influence than the average citizen on the highly salient, broadly consequential policy matters upon which survey questions are based, this does not mean that every voice is heard equally in the halls of power.

Not everyone is equally connected to power. Some people know their Member of Congress on a first-name basis; some do not know their Congressman's name at all. Some businesses hire platoons of lobbyists; others try to hold Washington at a distance. But a person or business's proximity to power is not as closely related to income inequality as Progressives claim. Elites, or "the ruling class" as Boston University Professor Angelo Codevilla refers to them, are most clearly identified not by how much they earn, but by where they went to college, where they live, how they look at America and the world, and the social networks they traverse.[6] Money, status, and power are often fellow travelers, but knowing how and when they diverge is important for diagnosing the real cause of our democratic deficit.

What the Truly Rich Want

In order to determine whether rising inequality has amplified the influence of the rich, one must first determine what the rich want government to do. This is harder than it might seem.

First, there is no precise definition of *who* is rich, and the most widely used definitions study only the affluent rather than the truly rich who have been driving the rise in income inequality. Some political scientists focus on citizens with salaries in the top 10 percent, while others scoop up the top 20 percent and even the top 25 percent for analysis. This is useful insofar as the income of the top quintile accounts in part for growing income inequality,[7] but those in the top 10 percent to 20 percent of income earners do not generally have the means to make outsized political contributions, hire lobbyists, or bankroll special-interest groups. The cutoff for the top 10 percent is $113,000 of household income. While this is a comfortable wage, a couple, each of whom makes less than $60,000, is hardly what most Occupy Wall Street protesters had in mind when they denounced the rule of the 1 percent.

5. The foremost study of the influence of the rich, conducted by Martin Gilens of Princeton University and Benjamin Page of Northwestern University, relies on polling data collected by other pollsters, journalists, and researchers since the early 1980s in order to determine the opinions of the top 10 percent, the median, and the lower 10 percent of income earners on approximately 1,800 policy questions. See Martin Gilens and Benjamin I. Page, "Testing Theories of American Politics: Elites, Interest Groups, and Average Citizens," *Perspectives on Politics*, Vol. 12, No. 3 (September 2014), pp. 564–581, https://scholar.princeton.edu/sites/default/files/mgilens/files/gilens_and_page_2014_-testing_theories_of_american_politics.doc.pdf (accessed June 8, 2017). While getting a sense of what the rich, middle class, and lower class actually want is an obvious prerequisite to determining which class *gets* what it wants, it limits Gilens and Page to analyzing only the sort of broadly salient policy questions about which pollsters survey the general public. This is a limitation of Bartels's *Unequal Democracy* as well as Gilens's book *Affluence and Influence: Economic Inequality and Political Power in America* (Princeton, NJ: Princeton University Press, 2012). For reasons discussed later in this paper, it is more likely that the rich are interested in and capable of wielding influence over much narrower policy questions.

6. Angelo M. Codevilla, "America's Ruling Class—And the Perils of Revolution." *The American Spectator*, July 16, 2010, https://spectator.org/39326_americas-ruling-class-and-perils-revolution/ (accessed June 11, 2017).

7. While the salaries of the lower four-fifths of the American income distribution have remained relatively stagnant, growing by 18 percent from 1979 to 2013 according to the Congressional Budget Office, the top quintile has gained significant ground. Over the same period, the top fifth of earners saw their incomes grow by nearly 72 percent. See Congressional Budget Office, *The Distribution of Household Income and Federal Taxes, 2013*, June 2016, https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/51361-householdincomefedtaxesonecol.pdf (accessed June 23, 2017).

What is more, the rise in income inequality over the past few decades has been driven primarily by growth in income of the top 1 percent of earners. The incomes of those in the top decile—excluding the very highest top percentile—grew by 63 percent from 1979 to 2013, but the incomes of the top 1 percent grew by 187 percent.[8] Today, the average income of a household in the top 1 percent is approximately $1.5 million, over 10 times the amount of the average member of the top decile.

Even analyzing the top 1 percent, however, might be a misidentification of the supposed oligarchs that concern so many on the Left. While a salary of $1.5 million surely allows for a maximum campaign contribution of $2,700, it is considerably shy of the amount needed to keep pace with billionaire donors like George Soros, Sheldon Adelson, and Tom Steyer, each of whom poured tens of millions into super PACs over the course of the 2016 election cycle alone. The hedge fund managers and CEOs who have the capacity to fund political advertising campaigns and can schedule private meetings with presidential candidates are found among the top 0.1 percent and top 0.01 percent, who bring home average incomes of $6.9 million and $30.9 million, respectively.[9]

Second, using annual income as opposed to overall wealth to identify and measure the policy preferences of the burgeoning oligarchic class is problematic in and of itself, regardless of what income stratum is selected as the cutoff point. Retirees, those who have changed professions after a lucrative career in another field, and people with inherited wealth may not have large incomes; indeed, they may have small salaries but still have plenty of money. There is good reason to think that those who are wealthy but no longer earn a large salary and those who are still in the workforce view subjects like taxation, Social Security, and Medicare very differently.

These are problems about which political scientists who study economic inequality and democracy are well aware. According to Martin Gilens of Princeton University and Benjamin Page of Northwestern University, whose landmark article on the subject has been cited over 500 times in academic journals, "people at the 90th income percentile are neither very rich nor very elite."[10]

Gilens, Page, and others still feel confident that the opinions of the affluent are a passable proxy for those of the rich. If anything, Gilens and Page argue, the opinions of the truly rich are likely to be even further removed from the preferences of the average person.[11] Although one study did find that the very rich are further to the right on economic issues and further to the left on social issues than the top 10 percent of income earners—who in turn are more fiscally conservative and socially liberal than the average citizen—these results are based on a pilot survey of a mere 83 residents of a single metropolitan area (Chicago).[12] The very small number and geographic concentration of the participants make it difficult to draw sound conclusions about the nation's upper class.

Given the inherent difficulty of polling a large number of a very small sliver of the population, we are not likely to have a high-quality survey of the top 1 percent for a long time, if ever. For now and for the foreseeable future, studies of the effects of income inequality on public policy will be hampered by a hazy vision of what the highest earners really want. The top 10 percent–20 percent of income earners may not have enough money to buy the undivided atten-

8. The top 0.1 percent has grown even more precipitously (284 percent), and the top 0.01 percent has grown greater still (392 percent). Thus, if income inequality and the massive collections of private wealth that it helps to create are the problem, studying the views and influence of the top 10 percent–20 percent of earners is of limited utility.

9. Emmanuel Saez and Gabriel Zucman, "Wealth Inequality in the United States Since 1913: Evidence from Capitalized Income Tax Data," National Bureau of Economic Research *Working Paper* No. 20625, October 2014, http://www.nber.org/papers/w20625 (accessed June 8, 2017).

10. In fairness, the most frequently cited pilot study of the opinions of the very rich—the pilot study of Chicago area one percenters—does suggest some commonality between the top decile and the top percentile of income earners. On average, the 83 survey respondents reported political attitudes more closely aligned with the top 10 percent than with the median income earner. In fact, wealthy study participants were actually further to the right on economic issues than the merely affluent top 10 percent, who are themselves further to the right than the average citizen. Nevertheless, the very small number and geographic concentration of the participants in the Chicago pilot study make it difficult to draw sound conclusions about the nation's upper class. See Benjamin I. Page, Larry M. Bartels, and Jason Seawright, "Democracy and the Policy Preferences of Wealthy Americans," *Perspectives on Politics*, Vol. 11, No. 1 (March 2013), pp. 51–73, http://faculty.wcas.northwestern.edu/~jnd260/cab/CAB2012%20-%20Page1.pdf (accessed June 8, 2017).

11. Gilens and Page, "Testing Theories of American Politics."

12. Page, Bartels, and Seawright, "Democracy and the Policy Preferences of Wealthy Americans."

tion of their representatives in Congress, and their opinions may or may not be an accurate proxy for the opinions of truly rich, but of necessity, this is the group on whom most researchers focus. As a result, at the foundation of the academic research on income inequality and American government lies the shaky assumption that the merely affluent top 10 percent of income earners share the political preferences of the truly rich top 1 percent and can be used as a proxy.

What the Affluent Want

If we assume, as Gilens, Page, and others do, that the policy preferences of the very rich top 1 percent are more closely aligned with those of the merely affluent top 10 percent, polling evidence suggests that on most issues, one's income and one's opinion are not as closely linked as are other characteristics.

The factors that predict policy preferences are as diverse as the American public itself. As Chart 1 illustrates, factors like religious devotion, gender, race, whether someone is married, whether someone has children, and whether someone lived in a city or in the country correlate more closely to political opinion across a range of economic and social issues. Averaging together the views of affluent whites and blacks, men and women, religious and secular papers over real cleavages and magnifies the appearance of distinct and identifiable class interests.

To their credit, some of the academics who claim that the wealthy have coopted our democratic institutions admit that the purported American oligarchy does not seem to share a unified sense of class interest when it comes to political questions. As Martin Gilens writes, despite the fact that, on average, the political opinions of the affluent diverge from the rest, "the affluent are no more (or less) likely to be of one mind on the proposed policy changes in my dataset than are Americans within low and middle incomes."[13] This is not to say that there are no areas where affluent and poor differ, but the fiercest class conflicts are often not over the policies on which political scientists typically focus. While many on the Left focus on income inequality and the different interests of rich and poor as a way to explain why America does not have a more progressive tax code or more generous welfare policies, these issues are not the ones that tend to divide the classes.

Generally speaking, tax cuts—even those that the Left claims disproportionately benefit the wealthy like President George W. Bush's tax cuts and the estate tax—attract high levels of support among affluent and poor alike.[14] Granted that most people, if given the option, would prefer tax reform that hit people making more than they do with higher rates while lowering the rate for themselves,[15] but when presented the option between broad-based tax relief and no tax relief at all, every income stratum prefers the latter by substantial margins.[16]

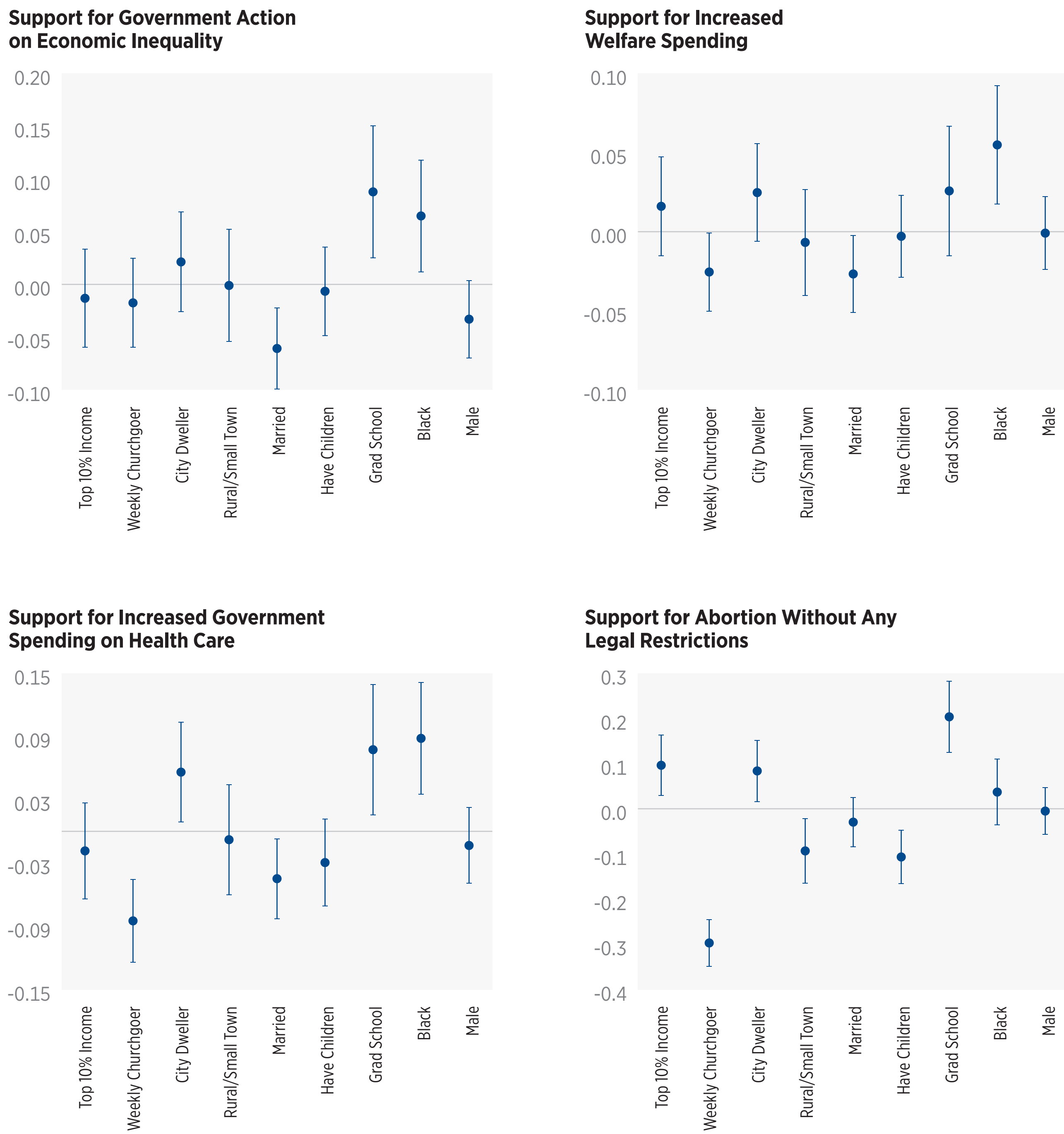
Part of the reason the affluent and poor do not differ as much as expected on issues like taxation may be that the middle class and poor are not considering their economic self-interest solely, but are also considering what is just. The fact that 63 percent of survey respondents with family incomes under $50,000 favored repealing the estate tax, from which few of them would likely ever benefit, puzzled researchers.[17] When asked, survey respondents said that taxing income twice seemed unfair. "You pay taxes all your life on the money you earn," one study participant said, "and then when you pass away and you leave some money to your relatives, you gotta take more money out of it. It seems like a tax on top of tax."[18]

13. Gilens, *Affluence and Influence*, Chapter 3.
14. Bartels, *Unequal Democracy*, Chapter 5 and Chapter 6.
15. Jacob S. Hacker and Paul Pierson, "Abandoning the Middle: The Bush Tax Cuts and the Limits of Democratic Control," *Perspectives on Politics*, Vol. 3, No. 1 (March 2005), pp. 33–53, abstract at https://www.cambridge.org/core/journals/perspectives-on-politics/article/abandoning-the-middle-the-bush-tax-cuts-and-the-limits-of-democratic-control/CFA53805AC13DD09E9A28932794FE365 (accessed June 8, 2017).
16. Bartels ascribes high levels of class agreement to misinformation and the fact that in many instances, low-income and middle-income earners concerned about income inequality have "failed to bring relevant values to bear in formulating their policy preferences." Bartels, *Unequal Democracy*, p. 15. Paul Krugman has similarly observed that "if American families knew what was good for them, then most of them—all but a small, affluent, minority—would cheerfully give up their tax cuts in return for a guarantee that health care would be there when needed." Paul Krugman, "Roads Not Taken," *The New York Times*, April 25, 2003, http://www.nytimes.com/2003/04/25/opinion/roads-not-taken.html (accessed June 8, 2017).
17. Bartels, *Unequal Democracy*, p. 201. Based Bartels's analysis of 2012 American National Election Studies data.
18. Bartels, *Unequal Democracy*, p. 216.

CHART 1

Support for Various Policies, by Demographic Group

Brackets represent 95 percent confidence interval.



NOTE: Marginal effects estimation is based on logistic regression.
SOURCE: Author's tabulations based on data from 2014 General Social Survey, http://gss.norc.org/ (accessed June 14. 2017).

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Nevertheless, there are important cleavages between affluent and poor on some important economic issues, one of which—trade—was highlighted in the most recent presidential election. According to an April 2016 Pew Research Center poll, 55 percent of those making less than $20,000 agreed that on balance, the United States' involvement in the global economy was negative because it "lowers wages and costs jobs," while only 31 percent of those making $150,000 or more answered similarly.[19]

Some of the biggest policy disagreements between affluent and poor are about social issues that do not invoke economic self-interest to the degree that tax, trade, or welfare policy do. For instance, 63 percent of those making over $150,000 a year believe that a woman should be legally permitted to get an abortion for any reason, but only 35% of those making under $20,000 share this view.[20]

In general, even according to the research Progressives use to bolster their claims, income and policy preferences are not closely related. According to Gilens and Page, the preferences of median-income, low-income, and high-income earners are "positively and fairly highly correlated."[21] *Fairly* highly correlated is actually a significant understatement. The correlation between the policy preferences of the affluent and the policy positions of the median-income earner is 0.94 (a correlation coefficient of 1 signals a perfectly linear relationship between two variables).[22] By way of comparison, the correlation between the number of cigarettes smoked and death by lung cancer is 0.69.[23] In fact, 89.6 percent of the time, the top 10 percent of earners and the middle class agree on how government should address a policy question. This means that of the 1,779 policy questions upon which poll questions were posed between 1981 and 2002—that is, the totality of the cases Gilens and Page analyzed in their expansive study—there were only 185 upon which high-income and medium-income earners disagreed.

Given the remarkably high level of agreement between the classes, Gilens and Page adopt a counterintuitive method of identifying class conflict that tends to overestimate differences between the classes significantly.[24] Instead of focusing on instances in which a majority of two classes have opposing preferences, Gilens and Page focus on differing levels of support among classes. That is, instead of reserving the definition of the term *disagreement* to policies where a majority of one class wants a policy that a majority of another class opposes, Gilens and Page widen the definition to encompass instances where a majority of every class prefers the same policy so long as there is a 10 percentage point gap in the level of support.[25] Chart 2 illustrates why analyses like Gilens and Page's that focus on preference gaps exaggerate the amount of policy disagreement between the classes. The trend lines in each of the four graphs represent the proportion of respondents favoring change in four policy areas among the top 4 percent of earners and bottom third over the past 20 years. As the chart shows, a majority of one class favors a policy change on only one issue, while the majority of one or more of the others favors the status quo: increased spending on crime prevention.

However, in each of these policy areas, there is an average preference gap of at least 10 percentage points—the cutoff that Gilens employs in a frequently cited

19. Author's tabulations using data from Pew Research Center, "April 2016 Politics and Foreign Policy Survey," April 19, 2016, http://www.people-press.org/2016/04/19/april-2016-politics-and-foreign-policy-survey/ (accessed June 9, 2017).

20. Author's tabulations based on University of Chicago, National Opinion Research Center, General Social Survey, 2014, http://gss.norc.org/search?u=http%3A%2F%2Fgss%2Enorc%2Eorg&k=2014 (accessed June 9, 2017).

21. Gilens and Page, "Testing Theories of American Politics."

22. J. Alexander Branham, Stuart N. Soroka, and Christopher Wlezien, "When Do the Rich Win?" *Political Science Quarterly*, Vol. 132, Issue 1 (Spring 2017), pp. 43–62, http://onlinelibrary.wiley.com/doi/10.1002/polq.12577/full (accessed June 8, 2017).

23. For a description of how correlation coefficients are derived using data on smoking and lung cancer as an example, see Centers for Disease Control and Prevention, "State-Specific Trends in Lung Cancer Incidence and Smoking—United States, 1999–2008," *Morbidity and Mortality Weekly Report*, Vol. 60, No. 36 (September 16, 2011), pp. 1243–1247, https://www.cdc.gov/mmwr/preview/mmwrhtml/mm6036a3.htm (accessed June 23, 2017).

24. Anthony Gilens collected polling data regarding 1,779 policy questions and identified 322 issues (18.1 percent) upon which the preferences of those at the 10th and 50th income percentiles diverged by 10 points or more. He identified even higher rates of disagreement between the upper-income decile and the lowest-income decile: Members of these classes held distinct preferences regarding 723 issues (40.6 percent). It is upon these data that Gilens and Page's later article "Testing Theories of American Politics" was based.

25. For a further discussion of this point, see Branham, Soroka, and Wlezien, "When Do the Rich Win?"

2012 book to identify class conflict.[26] Each of these policy areas would therefore count as an instance of policy disagreement according to Gilens's methodology, though only one actually constitutes such an instance.

Using their more intuitive method of identifying class conflict, Alexander Branham and Christopher Wlezien of the University of Texas and Stuart Soroka of the University of Michigan demonstrate that the top 10 percent of earners and median earners actually favor the same policies 90 percent of the time. In fact, 80 percent of the time, all three classes favored the same outcome, albeit with different degrees of enthusiasm.[27]

Peter Enns of Cornell University points out that even when there is a significant disagreement regarding the preferred funding level of a program, high-income, middle-income, and low-income voters usually rank policies in the same order of priority. For instance, while fewer high-income earners than low-income earners favor increased spending on law enforcement, a larger proportion of all classes—including the affluent top 10 percent—prefer spending more on crime prevention than on welfare.

Enns suggests that *relative* policy support is a better way to understand how the public's preferences are likely to translate into government action: "Political decisions take place in a complex and resource constrained environment. Thus, even if politicians wanted to follow the public's preferences…fiscal constraints might limit the government's ability to do so."[28] Like Branham, Wlezien, and Soroka, Enns finds a high degree of correlation between the opinions of the affluent and the opinions of median-income citizens: "Even if policy only responds to the wealthy, we should expect that policy ends up about where those in the middle would expect if they received the same representation as affluent individuals."[29]

Another noteworthy feature of public opinion illustrated by Chart 2 is the degree to which policy preferences among the upper, middle, and lower classes parallel each other across time. A policy's popularity seems to wax and wane among those at all income levels in relative synchrony. Political scientists using nationally representative polls across a wide range of policy issues have demonstrated this trend consistently.[30] Most recently, Joseph Ura of Texas A&M and Christopher Ellis of Bucknell University analyzed a range of policy questions contained in the nationally representative General Social Survey between the years 1973 and 2004 and discovered that opinions among the various income groups were "very strongly related to one another" across the period of their study.[31] In their estimation, this suggests that "citizens in each income quartile react in broadly similar ways to political and economic stimuli."[32]

26. Gilens and Page use different cut points for income groups.

27. Like Branham, Soroka, and Wlezien, Peter Enns of Cornell University also concludes that Gilens and Page's focus on policy gaps inflates the degree of class conflict. He argues that even when the affluent, the middle class, and the poor differ significantly in how positively they rate a policy in absolute terms, they almost always appraise the relative value similarly. In other words, though more wealthy people might like the space program, more middle-class voters might like Social Security, and more poor people might like food stamps, if asked to prioritize these three policies, all three classes would place them in the same rank order. Further, when Stuart Soroka of the University of Michigan and Christopher Wlezein of the University of Texas found that when survey respondents are asked whether they prefer increased spending, decreased spending, or the status quo, rather than being asked whether they simply favor or disfavor a policy, class preferences are nearly indistinguishable. See Branham, Soroka, and Wlezien, "When Do the Rich Win?"; Stuart N. Soroka and Christopher Wlezien, "On the Limits to Inequality in Representation," *Political Science and Politics*, Vol. 41, No. 2 (April 2008), pp. 319–327, http://degreesofdemocracy.net/SorokaWlezien(PS).pdf (accessed June 23, 2017); Christopher Wlezien and Stuart N. Soroka, "Inequality in Policy Responsiveness?" Chapter 10 in *Who Gets Represented?* ed. Peter K. Enns and Christopher Wlezien (New York: Russell Sage Foundation, 2011); Peter K. Enns, "Relative Policy Support and Coincidental Representation," *Perspectives on Politics*, Vol. 13, No. 4 (December 2015), pp. 1053–1064, http://peterenns.org/sites/peterenns.org/files/pdf/Enns.2015.RelativePolicySupport.pdf (accessed June 23, 2017).

28. Enns, "Relative Policy Support and Coincidental Representation."

29. Ibid.

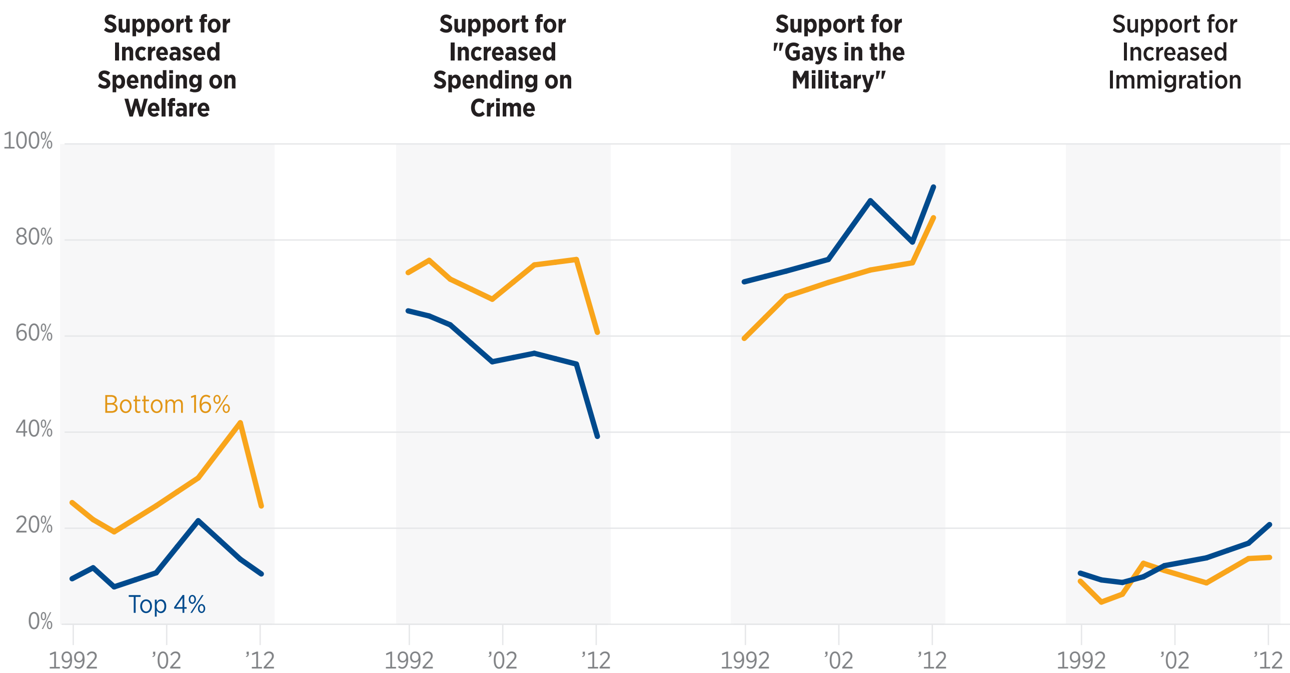
30. Joseph Daniel Ura and Christopher R. Ellis, "Income, Preferences, and the Dynamics of Policy Responsiveness," *Political Science and Politics*, Vol. 41, No. 4 (October 2008), pp 785–794, https://pdfs.semanticscholar.org/c188/37877498a708928efa3f57177bf1a658b49a.pdf (accessed June 23, 2017); Nathan J. Kelly and Peter K. Enns, "Inequality and the Dynamics of Public Opinion: The Self-Reinforcing Link Between Economic Inequality and Mass Preferences," *American Journal of Political Science*, Vol. 54, No. 4 (October 2010), pp. 855–870, http://web.utk.edu/~nkelly/papers/inequality/KellyEnns_preprint.pdf (accessed June 23, 2017).

31. Ura and Ellis, "Income, Preferences, and the Dynamics of Policy Responsiveness," p. 791.

32. Ibid., p. 789.

CHART 2

High- and Low-Income Earners Often Agree on Politics



NOTE: Some figures have been interpolated.
SOURCE: American National Election Studies Time Series Cumulative Data File, 1948–2012, http://www.icpsr.umich.edu/icpsrweb/ICPSR/studies/8475 (accessed October 4, 2016).

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Donald Kinder of Yale University and D. Roderick Kiewiet of Cal Tech provide a possible explanation of why this might be the case. In two articles, they demonstrate that Americans' appraisal of the performances of Congress and the President is tied not to their own material fortunes, but to the economy's performance as a whole.[33] In general, people seem to understand that when the economy is doing well in general, the odds of their getting back to work, finding a better job, or earning a raise also increase. Therefore, politicians have a strong incentive to foster broad-based financial growth instead of responding to each and every policy demand of either the affluent or the poor.

Although the political opinions of the affluent may not be as disconnected from the rest of the public as academics and leftwing pundits claim, as discussed, there are real differences on such important issues as, for example, immigration and abortion, but the opinion gap between the classes on those issues and others has not grown over time. As Chart 2 shows, affluent Americans are no more at odds with the rest of the public today than they were in 1992 when the income gap was much narrower.

Income and Influence on Policy Outcomes

Despite the fact that the policy preferences of the classes are highly correlated, they do not align perfectly. If the policies favored by the well-off but not by the rest of the country were consistently enacted into law, that would be cause for concern. Even

33. Donald R. Kinder and D. Roderick Kiewiet, "Economic Discontent and Political Behavior: The Role of Personal Grievances and Collective Economic Judgments in Congressional Voting," *American Journal of Political Science*, Vol. 23, No. 3 (August 1979), pp. 495–527.

according to Branham, Soroka, and Wlezien, however, 20 percent of the time, the interests of one class diverge significantly from the rest.

Recent research shows that the affluent do not always get their way when their preferences diverge from those of their fellow Americans. Omar Bashir of Princeton University uncovered several unusual features in the research design undergirding Gilens and Page's finding that when the affluent, middle-class, and poor differ, policy consistently reflects the preferences of the affluent. He determined that the cumulative effect of these choices was a statistical model "prone to underestimating the impact of citizens at the 50th income percentile [i.e., the middle-class] by a wide margin." After correcting for a few counterintuitive choices made by the original authors, Bashir conducted Gilens and Page's analyses for himself. He found that change favored by 80 percent or more of median-income Americans—but not by 80 percent of higher-income Americans—was enacted at roughly the same proportion as change favored by 80 percent or more of high-income Americans but not 80 percent or more of median-income Americans (47 percent vs. 52 percent).[34]

Branham, Soroka, and Wlezien found that even the poorest 20 percent of the public are able to succeed in the face of opposition from the affluent and middle-class surprisingly often. When their policy objectives are opposed by both the affluent and middle-income citizens, the lower class still achieves its policy objectives about one in five times.[35]

Others have shown that Gilens and Page's analysis misdiagnoses many instances in which all three classes get their preferred policy as instances of class domination. For instance, according to Gilens and Page's methodology, a federal policy enacted with the support of 80 percent of the wealthy and 70 percent of the middle and lower class would count as evidence of the upper class's greater political clout. Focusing solely on those instances in which a majority of one class and the majority of another favor rival policies, which occurs in approximately one in five cases, Branham, Soroka, and Wlezien find that the upper and middle class have nearly equal influence: The policy preference of the affluent was enacted in 53 percent of these cases, and the middle class's policy preference was enacted 47 percent of the time.[36]

Gilens and Page have disputed these findings. They argue that the affluent might not always see their policies enacted into law, but they do when it really matters most to them, as on economic policy.[37] But the evidence for this is very thin. Branham, Soroka, and Wlezien do find that the affluent have slightly more influence regarding economic policy, but the difference is so small as to be statistically insignificant.[38]

Even if the affluent do not win more often in any one policy domain, they may win the most consequential battles regardless of the policy domain. Systematically assessing the relative importance of each of the 1,779 issues that Gilens and Page include in their analysis is very difficult, but there is an indirect way to estimate the relative importance of each policy question. The polling data Gilens and Page use as the basis of their study indicate not only how many people favor or oppose a policy, but also how many people had not formed an opinion or were not familiar enough with the policy issue to proffer an answer. Because people are more likely to have opinions about policies that get a lot of sustained news coverage, the proportion of survey respondents who

34. Rising inequality does not therefore mean that the rich are getting richer and the poor are getting poorer. It means that in any given year, the gap separating those in the highest income bracket (the top 0.01 percent) from everyone else has grown substantially over time.

35. Branham, Soroka, and Wlezien, "When Do the Rich Win?" Again, it is not the case that the wealthy are enacting their policy preferences in all but 18.6 percent of cases over the preferences of the poor. Instead, according to Branham, Soroka, and Wlezien, "what inequality we do observe appears to come mostly from negative power, where the middle and rich effectively block many of the policies favored by the poor." Ibid., p. 46.

36. This should not be interpreted to mean that more than half of the policies favored by the wealthy are put into practice. This number conflates both policy proposals achieved and policy proposals blocked. According to Branham, Soroka, and Wlezien, it is easier to block a policy proposal than it is to achieve a new policy. If a majority of the wealthy support a policy that a majority of the middle opposes, the policy is adopted 37 percent of the time; by contrast, when the middle favor a policy and the rich are opposed, the policy is adopted 26 percent of the time.

37. Dylan Matthews, "Remember That Study Saying America Is an Oligarchy? 3 Rebuttals Say It's Wrong," Vox Media, May 9, 2016, http://www.vox.com/2016/5/9/11502464/gilens-page-oligarchy-study (accessed June 9, 2017).

38. Branham, Soroka, and Wlezien, "When Do the Rich Win?"

report not having a firm opinion is an indication of an issue's salience and, arguably, its importance. According to Gilens and Page's data, which they have made freely available to the public, the proportion of survey respondents who do not report a preference is nearly identical regardless of whether an issue is finally resolved in favor of the affluent or the middle class. Thus, it does not appear that the rich win more when it matters most.

Rising Inequality and the Influence of the Affluent

Progressives do not just argue that the rich have more power. Their claims go beyond that. According to those on the Left, the political influence of the rich has grown in rough proportion to their share of earnings. They hold that today's investment bankers, lawyers, and CEOs have more influence than economic elites in the mid-20th century when top incomes were closer to the median than they are today. There are, however, very few dynamic studies that analyze how *rising* inequality over time effects policy outcomes.

In a book that is nearly as well cited as his article with Benjamin Page, Martin Gilens attempts to demonstrate that during the 1960s and 1970s, when the income gap was not as pronounced, politicians were focused less myopically on the concerns of average Americans.[39] In another study, Nolan McCarty of Princeton University, Keith Poole of the University of Georgia, and Howard Rosenthal of New York University claim to have found evidence that political polarization rises and falls with income inequality. They base their assertion on the fact that between 1913 and 1957, low levels of income inequality were accompanied by low levels of political polarization. Since then, increasing income inequality has been accompanied by increasing polarization. These two trends, they argue, are causally linked by the fact that richer voters typically have more ideologically consistent policy preferences.[40] As their incomes have grown, the polarizing force that the affluent exert on the parties has become more powerful.

These and other studies that examine the link between inequality and representation across time are subject to the same critiques as the above-discussed static analyses of this relationship at a single moment. Each conflates true policy conflict, wherein a majority of one class opposes the preferred policy of another class, with policy areas wherein a majority of each class prefers the same outcome but by somewhat different margins. Further, dynamic analyses do not focus on the preferences and influence of the *truly* rich, focusing instead on the top decile of income earners.[41] If politicians are listening to the top 10 percent of income earners more today than they did in the 1960s, it is not because those in the top 10 percent have significantly more money to spend on political causes: They don't.

Aside from these methodological concerns, the conclusion that the upper class's political power has increased with its economic fortunes does not align with the broad trajectory of federal policy. To look at the size and scope of the welfare state and the distribution of the tax burden, the federal government has done much of what Progressives argue should be done on behalf of the least well-off.

As Chart 3 indicates, the share of income held by the top 1 percent has increased precipitously since the late 1970s. However, the highest-earning 1 percent's share of the tax burden has climbed even more steeply.

Today, the top quintile of income earners pay a much higher percentage of the tax burden than ever before: about 68 percent of the overall federal tax burden. Moving higher up the income distribution, the top 0.1 percent alone pay more in taxes than the bottom 80 percent of income earners.

Meanwhile, the welfare system is growing in size and scope with federal, state, and local expenditures on means-tested programs now totaling over $1 tril-

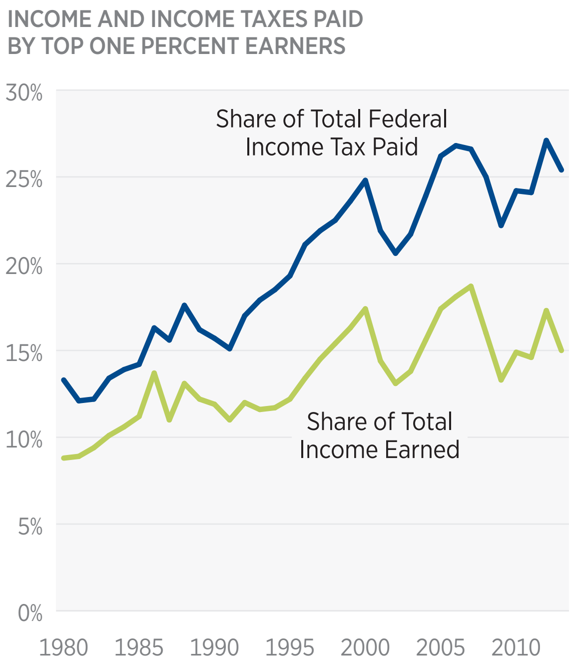
39. Gilens, *Affluence and Influence*, Chapter 7.

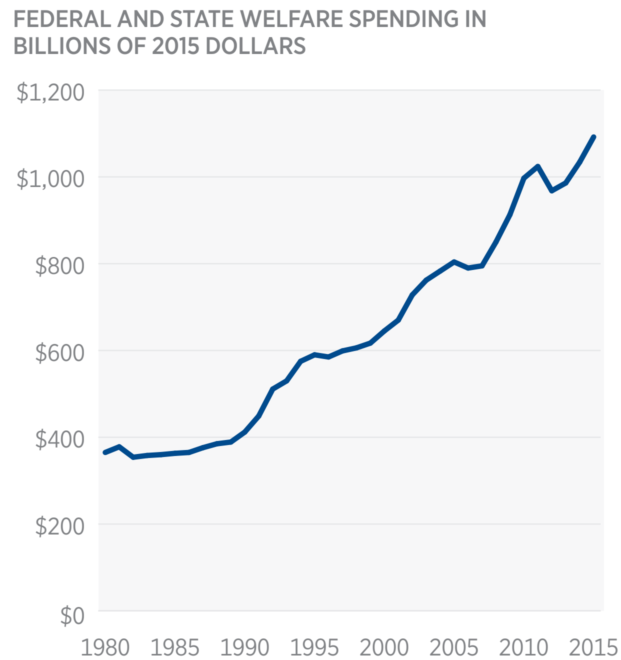
40. Nolan McCarty, Keith T. Poole, and Howard Rosenthal, *Polarized America: The Dance of Ideology and Unequal Riches* (Cambridge, MA: MIT Press, 2006). See also Elizabeth Rigby and Gerald C. Wright, "Political Parties and Representation of the Poor in the American States," *American Journal of Political Science*, Vol. 57, No. 3 (July 2013), pp. 552–565, http://onlinelibrary.wiley.com/wol1/doi/10.1111/ajps.12007/full (accessed June 9, 2017).

41. Ura and Ellis reexamined Gilens's data looking at actual policy conflict and determined that there was "no evidence that government [was] disproportionally responsive to wealthier citizens" at any time from 1974 to 1996. Ura and Ellis, "Income, Preferences, and the Dynamics of Policy Responsiveness," p. 791.

CHART 3

Increased Taxes on Rich, Welfare Spending Follow Similar Tracks





NOTE: Total means-tested welfare spending includes over 80 government programs providing cash, food, housing, medical care, and targeted social services for poor and low-income Americans. Social Security, Medicare, Unemployment Insurance, and Veterans benefits are not included.
SOURCES: Congressional Budget Office, "The Distribution of Household Income and Federal Taxes, 2013," June 8, 2016, https://www.cbo.gov/publication/51361 (accessed June 14, 2017), and Heritage Foundation research and data from the Office of Management and Budget.

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lion annually.[42] As the dashed line in Chart 3 indicates, federal, state, and local expenditures on means-tested welfare programs have risen dramatically over the same period during which America's oligarchs purportedly rose to power. Social Security and Medicare spending, which benefits people at every income level, has become a larger and larger share of the federal budget; today, these two programs alone represent half of the government's annual expenditures. In other words, poor and middle-class Americans are getting far more entitlement spending than ever before despite rising income inequality.

In the minds of Progressives, the purported policy preferences of the rich—avoiding taxes and transferring down as little wealth as possible—spring from the upper class's desire to perpetuate its own financial status. By weakening social welfare programs, the rich deny those who are not born into wealth the extra assistance they need to rise. By avoiding "paying their fair share" of the tax burden, Progressives claim, the wealthy are able to stockpile inexhaustible fortunes.

However, evidence shows that despite rising income inequality, the rich have failed to cement their position at the top of the financial pyramid. As in the past, fortunes are still gained and lost in America. Life at the top may be more comfortable than ever before, but it is no more permanent. Today, approximately 56 percent of those who make it into the top income

42. Jay Wesley Richards, "The Welfare System's Perverse Incentives Undermine Self-Sufficiency," in *2016 Index of Culture & Opportunity*, ed. Jennifer A. Marshall and Rachel Sheffield (Washington: The Heritage Foundation, 2016), pp. 58–59, https://medium.com/2016-index-of-culture-and-opportunity/the-welfare-systems-perverse-incentives-undermine-self-sufficiency-c999b43bd329#.tulbbhmlq (accessed June 9, 2017).

quintile remain there less than 20 years.[43] The very top rungs on the economic ladder are even shakier. Of those who have appeared on the annual *Forbes* 400 list of the wealthiest Americans, only about 27 percent have made the list more than once. Slightly more than 15 percent appear more than twice. Unsurprisingly, given these intrageneration trends, multigenerational fortunes are very rare; Typically, heirs halve their inherited fortunes every 20 years.[44]

Just as the rich have not managed to secure their own place at the top of the financial ladder, they have not kicked out the rungs between themselves and the rest. It is still possible and common for people to start at the bottom and climb to the top. Despite frequent claims to the contrary, the most sophisticated and well-regarded study of intergenerational mobility to date—conducted by economists at Stanford; Harvard; the University of California, Berkeley; and the U.S. Department of the Treasury—found that "measures of intergenerational mobility have remained extremely stable for the 1971–1993 birth cohorts."[45] If the rich truly intend to keep the downtrodden under their heel, they have failed.

The Real Sources of Our Democratic Deficit

Gilens, Page, Bartels, and others claim that rich donors and the economic conditions that have left them with so much excess cash are the reason America has not moved further toward the centrally planned, tax-heavy, thoroughly redistributive economic model that Progressives favor. They portray the wealthy as self-interested fiscal conservatives whose chief objectives are lower taxes and less welfare. To the extent that this is an accurate portrayal of the preferences of the rich (and there is much evidence that it is not), the rich have missed their objective.

Although there is not sufficient evidence that the rich single-handedly dictate the federal government's major policy enactments, this does not mean that John Q. Public and Sheldon G. Adelson have precisely equal access and influence in Washington. Wealthy mega donors' money does not go entirely to waste. It just does not buy what Progressives say it buys.

According to one estimate, Congressmen are four times as likely to schedule meetings with constituents whom they know contributed to their campaigns. Political scientists have found that campaign contributions buy more than just access; they also buy effort and time, both of which are finite resources on Capitol Hill.[46] Two political scientists at the University of Michigan found that Members of Congress are much more likely to devote themselves to drafting legislation and attending hearings regarding issues of particular interest to donors. Other issues, even though they might have a broader impact and more general appeal, may fall by the wayside.

If major policy enactments do not track with the opinions of the rich, what are the fruits of all this time and effort? Some evidence suggests that the influence of the politically connected is largely hidden from view. While many academics reference the small pilot study of top earners living in Chicago conducted by Page, Bartels, and Seawright, they ignore one of the most interesting findings therein: Just under half (44 percent) of their survey respondents reported that they used their leverage and connections to advance particular measures that benefit them, not to advocate for broad policy objectives like tax cuts or reductions in welfare spending. Wealthy survey respondents contacted politicians "to try to get the Treasury to honor their commitment to extend TARP funds to a particular bank in Chicago," to inquire about "fish and wildlife permitting...on development land," or "seeking regulatory approvals" on behalf of clients.

43. Gerald Auten, Geoffrey Gee, and Nicholas Turner, "New Perspectives on Income Mobility and Inequality," *National Tax Journal*, Vol. 66, No. 4 (December 2013), pp. 893–912, https://pdfs.semanticscholar.org/9e34/1b188b5684945ee2ddaec51c11b07f4c641e.pdf (accessed June 9, 2017).

44. Robert Arnott, Willian Bernstein, and Lillian Wu, "The Myth of Dynastic Wealth: The Rich Get Poorer," *Cato Journal*, Vol. 35, No. 3 (Fall 2015), pp. 447–485, https://object.cato.org/sites/cato.org/files/serials/files/cato-journal/2015/9/cj-v35n3-1_0.pdf (accessed June 9, 2017).

45. Matthews, "Remember That Study Saying America Is an Oligarchy? 3 Rebuttals Say It's Wrong."

46. Richard L. Hall and Frank W. Wayman, "Buying Time: Moneyed Interests and the Mobilization of Bias in Congressional Committees," *American Political Science Review*, Vol. 84, No. 3 (September 1990), pp. 797–820, abstract at https://www.jstor.org/stable/1962767?seq=1#page_scan_tab_contents (accessed June 9, 2017); Joshua L. Kalla and David E. Broockman, "Campaign Contributions Facilitate Access to Congressional Officials: A Randomized Field Experiment," *American Journal of Political Science*, Vol. 60, Issue 3 (July 2016), pp. 545–558, abstract at http://onlinelibrary.wiley.com/doi/10.1111/ajps.12180/abstract (accessed June 9, 2017).

When a policy question captures the public's attention, as with the sort of highly salient policy questions around which national surveys are designed and upon which the above-cited studies are focused, politicians often heed popular opinion. When the public is tuned in, being tone deaf is electorally risky, but when the public has little idea that a policy fight is even occurring—as when narrow kickbacks and regulatory carveouts are on the table—selling out to big money risks little.

Given the amount of money that those close to government stand to make from government contracts, it is no surprise that those with the means are willing to invest in politics. If these carrots were not enough to attract hefty donations, politicians have plenty of sticks at their disposal and are not shy about using them. Fred McChesney of the University of Miami Law School writes that politicians often "extract rents" from the well-heeled by "mounting…a credible threat of loss, then selling back to those otherwise victimized reprieve from that loss."[47]

There are plenty of high-profile examples of this. For instance, at one time, Bill Gates and Microsoft were almost completely absent from the beltway. The company's political action committee made paltry and infrequent campaign contributions; a skeleton crew of lobbyists worked out of a sales office in Chevy Chase, Maryland; and Bill Gates rarely ventured inside the Beltway. D.C. lobbyists were incredulous that Gates "genuinely believed that because he was creating jobs or whatever, that would be enough." Ultimately, Gates's attempt to stay above the fray failed. After Senator Orrin Hatch, who once advised entrepreneurs that "if you want to get involved in business, you should get involved in politics," held a hearing regarding Microsoft's alleged antitrust violations, Mr. Gates went to Washington. The very next election cycle, Microsoft quintupled its political contributions and gave the maximum allowable donation of $10,000 to Hatch. Other large corporations like Walmart and Apple have been looped into the Beltway by similar means.[48]

As long as the federal government uses its power to pick winners and losers in the marketplace, traffics in personal favors, buries kickbacks deep in the pages of omnibus bills, or (worse) extorts money from job-creating companies, money will be drawn inside the Beltway. The rewards are simply too large and the risks too great to ignore. Ultimately, focusing on income inequality explains only where the unprecedented supply of campaign and lobbying cash is coming from while obscuring the corrupt practices of the modern administrative state that drive demand in the political marketplace.

Academics and pundits might not only be looking in the wrong places, such as roll-call votes on major legislation, for the influence of the upper class; they might be looking at the wrong group altogether. The research reviewed in this paper uses income alone to predict whose voice will be heard in Washington, but this may not be the most determinative factor vis-à-vis political influence.

It would seem that the most pronounced divide in the country is between the elites and the American people, and the great commonality shared by the former—Professor Angelo Codevilla's "ruling class"—is not money. A millionaire contractor from Schaumburg, Illinois, may make several times more than a Beltway attorney, lifelong career civil servant, or Georgetown professor, but he or she likely has far less influence. Where people live, what schools they attend, and how comfortable they are with the norms and values cultivated in America's elite institutions, centered on the coasts and in big cities, do not factor into the account of economically based political influence proffered by the Left.

How to Address Washington's Real Ailments

Academics and left-leaning pundits who see income inequality as a corrosive influence on our democratic institutions draw a connection among three phenomena: economic inequality, the amount of money spent on lobbyists and campaign contributions, and tax and social welfare policy that is not progressive enough for their taste. According to the academic scholarship reviewed in this paper, economic inequality allows high-income earners the capacity to funnel huge amounts of money into

47. Fred S. McChesney, *Money for Nothing: Politicians, Rent Extraction, and Political Extortion* (Cambridge, MA: Harvard University Press, 1997), p. 3.
48. Timothy P. Carney, "Carney: How Hatch Forced Microsoft to Play K Street's Game," *Washington Examiner*, June 24, 2012, http://www.washingtonexaminer.com/carney-how-hatch-forced-microsoft-to-play-k-streets-game/article/2500453 (accessed June 9, 2017).

Washington, and this leads policymakers to act in their own interest rather in than the public interest.

While it is true that the income gap is widening and campaign contributions are increasing, the influence of these factors on macrolevel policies like income tax rates is not clearly supported by academic research. First, it is not clear what the richest 1 percent want. Second, to the extent that we assume in the absence of strong polling data that the richest 1 percent and the top 10 percent of income earners have equivalent policy preferences, it does not appear either that the class divide is particularly stark or that policymakers respond more strongly to the affluent than does the population at large.

Nevertheless, it is undeniably true that some have more access to power than others. Although evidence suggests that those who make campaign contributions are assured of access (though not necessarily influence), wealth alone is not the best predictor of proximity to power. By dint of policy expertise and personal connections, some will be listened to more than others. No matter the level of income inequality, some will have the ear of policymakers, and others will not, if only because policymakers do not have the time to grant equal access to all. Thus, addressing income inequality or, alternatively, forbidding the rich to spend their money on political campaigns would do little to change this reality. Moreover, in spite of significant restrictions enacted in campaign finance reform legislation, the First Amendment still protects the right of Americans to spend money to defend their political views in the public square.

While it is not possible to level the political playing field perfectly, it is possible to lower the stakes of the game. The federal government's overweening power allows it to pick winners and losers in the marketplace and intervene in the private affairs and lawful life decisions of ordinary Americans. If the federal government were kept within its constitutional limits, Washington insider status would not count for nearly as much as it does now.

Constraining government would also have the advantage of reducing the amount of money in politics. Just as equalizing everyone's access to elected officials is not possible, equalizing everyone's ability to make large campaign contributions is not desirable. Instead, lawmakers should focus on what attracts outsized contributions and high-priced lobbyists to the Beltway in the first place. Getting rid of regulations that distort the free market and rig the game for the politically connected, cutting wasteful government contracts and kickbacks for cronies, and calling out politicians who engage in these practices would stanch the river of cash flowing to D.C. at its source.

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