

# Political Elites

Bovens and Wille (2017): Diploma Democracy: The Rise of Political Meritocracy (Chapter 7   Political Elites as Educational Elites)	2
Erikson (2015): Income Inequality and Policy Responsiveness	4
Fisman et al. (2015): The distributional preferences of an elite	5
Dreiling and Darves (2015): Corporate Unity in American Trade Policy: A Network Analysis of Corporate-Dyad Political Action	6
Guinote (2017): How Power Affects People: Activating, Wanting, and Goal Seeking	7
Jayachandran (2006): The Jeffords Effect	8
Culpepper (2011): Quiet Politics and Business Power: Corporate Control in Europe and Japan (Chapter 1: Corporate Control and Political Salience)	9
Culpepper (2011): Quiet Politics and Business Power: Corporate Control in Europe and Japan (Chapter 7: Business Power and Democratic Politics)	10
Fukuyama (2014): Political Order and Political Decay (Chapter 7: Italy and the Low-Trust Equilibrium)	12
Mondak and Canache (2014): Personality and Political Culture in the American States	14
Stecker and Tausendpfund (2016): Multidimensional government-citizen congruence and satisfaction with democracy	16
Young, Banerjee, Schwartz (2018) Capital Strikes as a Corporate Political Strategy: The Structural Power of Business in the Obama Era	17
Scheve and Stasavage (2017) Wealth Inequality and Democracy	19
Schakel (2020) Real but Unequal Representation in Welfare State Reform	21
Volscho and Kelly (2012) The Rise of the Super-Rich: Power Resources, Taxes, Financial Markets, and the Dynamics of the Top 1 Percent, 1949 to 2008	23
Robert (1916) Political Parties: a Sociological Study of the Oligarchical Tendencies of Modern Democracy	25

# **Bovens and Wille (2017): Diploma Democracy: The Rise of Political Meritocracy (Chapter 7 | Political Elites as Educational Elites)**

<b>Link</b>	<a href="https://oxford.universitypressscholarship.com/view/10.1093/oso/9780198790631.001.0001/oso-9780198790631">https://oxford.universitypressscholarship.com/view/10.1093/oso/9780198790631.001.0001/oso-9780198790631</a>
<b>Citation</b>	Bovens, M., & Wille, A. (2017-06-29). Diploma Democracy: The Rise of Political Meritocracy. : Oxford University Press.

## **Summary**

- Bovens and Wille illustrate how educational elites have recently risen to dominance in politics. They find a weakened connection between class and political career. They also describe how various supply and demand factors in the selection process have led to extraordinarily large numbers of highly educated citizens among the political elites.

## **Theoretical Argument**

- Transition from Aristocracy to Plutocracy to Meritocracy in information society; those in power are those who can process information well
- Parliamentary U-Curve: proportion of university graduates among MPs very high during the second half of the 19th century when education was dependent on social status. The proportion fell at the beginning of the 20th century due to the extension of suffrage and the rise of socialist and communist parties. The number of highly educated MPs rose after WWI, especially for social democratic parties
- Educational Inflation: as people become more educated an ever increasing amount of education is required to arrive at the same relative position in the networks that, in turn, act to facilitate political engagement (Nie et al. 1996)
- Network Centrality: (1) High education leads to managerial jobs that pull people to the centre of social networks; (2) Educational attainment raised family income and reinforces centrality of graduate and economic networks; (3) University graduates more likely to engage in volunteer work, which reinforces their centrality in networks important to political recruitment (Nie et al. 1996)

## **Data & Methodology**

- Analysed educational profiles of MPs and cabinet ministers for Belgium, Denmark, France, Germany, the Netherlands and the UK

## **Findings**

- U-Curve holds for nearly all 6 countries; Also reported by Gaxie and Godmer (2007)
- MPs became less of an educational elite due to greater access to tertiary education enlarged the pool of university-educated candidates available for political careers; In 1979, 36% of the MPs from the 3 main parties had attended Oxbridge (McGuinness 2010), but in 2015, only 26% of all MPs had done so (Sutton Trust 2015)

- Professionalisation of the political career due to the transformation to catch-all parties that loosened ties with trade unions; i.e. more competition to become a politician
  - Transition from outsider to insider recruitment system; candidates have to spend a long time in politics rather than in feeder jobs e.g. journalism
- University graduates, especially lawyers and social scientists, are dominant among West European political executives (Blondel & Thiebault 1991; Dowding & Dumont 2009) because they possess the relevant 'political skills' of communication

## **Strengths & Weaknesses**

- Strength: Analysed many European countries; high external validity for the region
- Weakness: 1979 and 2015 not comparable; share of 3 main parties decreased significantly in 2015 (<https://commonslibrary.parliament.uk/research-briefings/cbp-7529/>)

# Erikson (2015): Income Inequality and Policy Responsiveness

<b>Link</b>	<a href="https://ezproxy-prd.bodleian.ox.ac.uk:2102/10.1146/annurev-polisci-020614-094706">https://ezproxy-prd.bodleian.ox.ac.uk:2102/10.1146/annurev-polisci-020614-094706</a>
<b>Citation</b>	Erikson, Robert S. 2015. "Income Inequality and Policy Responsiveness." Annual Review of Political Science 18(1): 11–29.

## Summary

- Erikson (2015) reconciles the contradiction within existing literature on increased political inequality and research suggesting that public policy reflects political opinion for the US. He finds that there is an upper-income bias to public opinion since low-income individuals are less likely to vote. However, major legislation usually moves policy in the direction favoured by low-income voters (e.g. redistributive programmes).

## Theoretical Argument

- The poor suffer from political information deficit: "low-income respondents have less than a 10% chance of being in the highest information category" according to Zaller (2004)'s index of political knowledge
- Policies that are already law e.g. War on Poverty are favoured by public opinion and are passed when shown plurality support; Status quo bias makes major policy change hard

## Data & Methodology

- Extract % of respondents in each of the five income categories from NYT and CBS News surveys for 2006 and 2008 elections; mapped the number to actual turnout from National Exit Poll (NEP) to find actual turnout ratio between richest and poorest groups

## Findings

- The rich enjoy more political influence than the poor: "the median voter in terms of income is at the 66th percentile of citizen income" and "A member of the richest 1% is 2.5 times more likely to vote than someone in a homeless shelter"; even when restricted to White voters, the rich are still more likely to vote than the poor
- "the more informed one is, the more one votes in accord with the presumed interests of one's income level" >> An OLS regression of Democratic presidential voting on income percentile results in a coefficient (for whites) of  $-0.18$  for voters above the mean in knowledge compared to  $-0.05$  for those below the mean.

## Strengths & Weaknesses

- Strength: Able to overcome the problem of over-reported voting due to social desirability that Current Population Survey (CPS) data cannot capture by calculating figures or reported voting according to income bracket and comparing them with NEP
- Weakness: Lack of detail in explaining why most major policies are liberal

## Fisman et al. (2015): The distributional preferences of an elite

<b>Link</b>	<a href="http://dx.doi.org/10.1126/science.aab0096">http://dx.doi.org/10.1126/science.aab0096</a>
<b>Citation</b>	Fisman, Raymond, Pamela Jakiela, Shachar Kariv, and Daniel Markovits. 2015. "The Distributional Preferences of an Elite." <i>Science</i> 349

### Summary

- Fisman et al. (2015) use a modified dictator game experiments that varied the price of redistribution to uncover trade-off preference on two dimensions – fair-mindedness vs self-interest and equality vs efficiency – for Yale Law School (YLS) students (elites), a sample from the American Life Panel (ALP) (the average American) and UC Berkeley staff and students (intermediate elites).

### Methodology

- The subject divides an endowment between “self” (s) and an anonymous “other” (o). Self is asked to allocate a unit endowment to pay-offs  $\pi_s$  and  $\pi_o$  at fixed price levels  $p_s$  and  $p_o$  so that  $p_s\pi_s + p_o\pi_o = 1$ ;  $p = p_o/p_s$  is the relative price of redistribution.
- Constant Elasticity of Substitution utility func.:  $u_s(\pi_s, \pi_o) = [\alpha(\pi_s)^\rho + (1 - \alpha)(\pi_o)^\rho]^{\frac{1}{\rho}}$
- $\alpha = 0.5$  implies fair-mindedness;  $\alpha = 1$  means the agent is perfectly selfish;  $\rho < 0$  means more equality-oriented (reduces difference in pay-offs);  $\rho > 0$  means preferences are weighted towards maximising efficiency (maximising payoffs)

### Findings

- Elites tend to prioritise efficiency: “79.8% of YLS subjects were efficiency focused, versus only 49.8% of the ALP sample.”; YLS subjects more ‘rational’
- Elites tend to be more selfish but YLS subjects are less selfish than intermediate elites
- “The equality-efficiency tradeoffs of the policy making elite are such that they are far less inclined than is the general population to sacrifice efficiency to promote equality”

### Strengths & Weaknesses

- Strength: High external validity: experimenters tracked down 137 subjects from the YLS group; YLS graduates who choose non-profit careers tend to value equality whereas those who pursued a corporate job tend to value efficiency; this demonstrates that there is a tradeoff between equality and efficiency in real life and the results are able to predict the subjects’ preferences; “A Wilcoxon rank-sum test rejects the hypothesis that the nonprofit and corporate sub-samples have equal  $\hat{\rho}_n$  (distribution preference) distributions (P = 0.057).”
- Weakness: Intermediate elites introduced to control for ‘law school effects’ but criteria used to define elites within the ALP (employed, has an annual household income of over \$100,000, and holds a graduate degree) is weak; median starting salary for law school grads about \$160,000 per year

# Dreiling and Darves (2015): Corporate Unity in American Trade Policy: A Network Analysis of Corporate-Dyad Political Action

<b>Link</b>	<a href="https://ezproxy-prd.bodleian.ox.ac.uk:2102/10.1086/657524">https://ezproxy-prd.bodleian.ox.ac.uk:2102/10.1086/657524</a>
<b>Citation</b>	Dreiling, Michael, and Derek Darves. 2011. "Corporate Unity in American Trade Policy: A Network Analysis of Corporate-Dyad Political Action." <i>American Journal of Sociology</i> 116(5): 1514–63

## Summary

- Dreiling and Darves (2015) examine factors that produce political unity among large US corporations advocating free trade. The political unity of pairs (dyads) of firms in trade policy activism is analysed with quadratic assignment procedure regression. They find that higher levels of firm embeddedness within intercorporate networks facilitate collective corporate political action.

## Theoretical Argument

- Transaction cost theory: firms with extensive interests or productive facilities overseas will benefit economically from lower tariffs on intrafirm transactions that span national borders and, as such, will be more likely to participate in some aspect of trade politics
- Corporate Unity Hypotheses: Dyads will have greater political unity if they (1) have subsidiary operations in the same region, (2) are in the same industry, (3) have a similar level of capital intensity, (4) are larger firms, (5) make larger political donations, (6) are headquartered in the same region, [organisational characteristics] (7) are connected by a direct or indirect board interlock, (8) have common membership in the Business Roundtable (BR) and (9) have more shared ties to the policy network [network characteristics]

## Data & Methodology

- Models all possible dyadic pairs (N = 232,807) across multiple corporate networks
- Examines the role of these networks among America's largest corporations across three domains of trade policy influence: (1) congressional testimony at U.S. trade policy hearings, 1993–2004, (2) participation in temporary trade policy alliances, and (3) common participation in government trade policy advisory committees.
- Dependent Variables: (1) dyadic involvement in a Trade Advisory Committee (TAC) – proxy for trade political activism; (2) unity of corporate testimony at congressional trade policy hearings – proxy for direct corporate lobbying of the legislature; (3) trade policy alliance participation

## Findings

- Even when controlling for important organisational interests, the class context of corporate policy activity shapes political unity and participation across multiple institutional sites of the state.
- Statistically significant influence of hypotheses (1), (4) and (8)

# Guinote (2017): How Power Affects People: Activating, Wanting, and Goal Seeking

<b>Link</b>	<a href="https://www.annualreviews.org/doi/abs/10.1146/annurev-psych-010416-044153">https://www.annualreviews.org/doi/abs/10.1146/annurev-psych-010416-044153</a>
<b>Citation</b>	Guinote, Ana. 2017. "How Power Affects People: Activating, Wanting, and Goal Seeking." Annual Review of Psychology 68(1): 353–81.

## Summary

- Guinote reviews literature from social psychology, neuroscience, management, and animal research. She finds that power affects cognitive strategies, increasing prioritisation, selective attention to goal relevant information, flexibility, and creativity.

## Theoretical Argument

- Conceptions of Power
  - Asymmetric interdependence: actual or potential ability to influence another e.g. Dahl (2007): "A has power over B to the extent that he can get B to do something that B would not otherwise do."
  - Control over outcomes: Emerson (1962): the power holder has a resource that is valued by another person, who is therefore dependent on the power holder; unlike the first conception of power in terms of influence, this conception does not conflate psychological and tangible aspects
  - Socio-functional relations in groups: Haslam et al. (2010): power arises from group processes and the effectiveness of leaders depends on their ability to stimulate a shared group identity; Pratto (2015): being powerless conflicts with the basic human need for control and autonomy; subordinates generally attempt upward mobility
- "Power holders have a readiness to move forward toward desired ends, even when the direction of behaviour is unspecified"; Maner et al. (2010) power-primed participants responded to auditory signals by pressing keys that implied approach or avoidance movements. High levels of power facilitated approach movements; Lammers et al. (2010): enhanced approach motivation among the powerful through employee survey
- "Power is most frequently gained through implicit social influence and the creation of a shared reality"; Anderson and Kilduff (2009): The assertiveness of dominant people creates the impression of competence, even when they are not necessarily more competent than others. This, in turn, affords power to the dominant person.; Judge et al. (2004): intelligence is a weak predictor of power (corr. = 0.27) but appearing intelligent is a good predictor of power (corr. = 0.60)
- "Power holders prioritise their effort toward salient desires and aims while neglecting secondary ones"; Weick & Guinote (2010): people in power make decisions that demonstrate planning fallacy compared to control groups
- "Power holders allocate their attentional resources selectively according to their motivations and active goals"; McGregor et al. (2010): "selective tunnel vision"
- **Strength:** Reviewed literature from a wide range of disciplines; high validity

# Jayachandran (2006): The Jeffords Effect

<b>Link</b>	<a href="https://ezproxy-prd.bodleian.ox.ac.uk:2102/10.1086/501091">https://ezproxy-prd.bodleian.ox.ac.uk:2102/10.1086/501091</a>
<b>Citation</b>	Jayachandran, Seema. 2006. "The Jeffords Effect." <i>Journal of Law and Economics</i> 49(2): 397–425.

## Summary

- Jayachandran (2006) investigated how changes in the political landscape can have large effects on the market value of firm. He calls this the "Jeffords Effect" after the repercussions that ensued after Senator James Jeffords left the Republican Party in 2001, tipping control of the U.S. Senate to the Democrats.

## Theoretical Argument

- Soft money = money donated to the nonfederal accounts of a political party; Given the four-fold increase of soft money between 1992 and 2000, the use of soft money instead of hard money as the measure of political contributions is another benefit of this paper's methodology compared with previous research

## Data & Methodology

- Data: 498 of the 500 largest firms based on the 2001 Forbes 500 list (firms with data); use soft money donated in 1999 and 2000 as the measure of political contributions; Stock price data are from the Center for Research on Security Prices (CRSP)
- Event window: May 18 - May 25; robustness tests conducted for both shorter and longer windows
- $Rtn_i^e = \alpha + \beta_D Dem_i + \beta_R Rep_i + \epsilon_i$  [basic model]
- $Abn_i^e = \alpha + \beta_D Dem_i + \beta_R Rep_i + \epsilon_i + (\hat{\alpha}_i + \hat{\beta}_i MktRtn^e)$  [abnormal returns]

## Findings

- "a firm lost .8 percent of market capitalisation the week of Jeffords' switch for every \$250,000 it gave to the Republicans in the previous election cycle"
- "On the basis of the point estimates, the stock price gain associated with Democratic donations is smaller than the loss associated with Republican donations" despite coefficient on Democratic giving suggesting symmetry
  - The leave may have created a gridlock such that neither party can do much

## Strengths & Weaknesses

- Strength: Used firms' abnormal return (the difference between its actual and expected return); this addresses the concern that the stock prices of some firms might covary and that therefore each observation is not independent
- Weakness: Event study so low external validity; low  $R^2$  so low explanatory power

# Culpepper (2011): Quiet Politics and Business Power: Corporate Control in Europe and Japan (Chapter 1: Corporate Control and Political Salience)

<b>Link</b>	<a href="https://ebookcentral.proquest.com/lib/oxford/detail.action?docID=615774">https://ebookcentral.proquest.com/lib/oxford/detail.action?docID=615774</a>
<b>Citation</b>	Culpepper, Pepper D. 2011. Quiet Politics and Business Power: Corporate Control in Europe and Japan. Cambridge University Press. HD2741.CUL 2011

## Summary

- Hostile takeovers are acquisitions after which the companies taken over “become bundles of assets like any other, with some parts disposed of to pay off debts and others sloughed off in the name of strategic reorientation.” They are frequent in the US and UK but less so in continental Europe and Japan where political and business leaders colluded to prevent such activities (passive corporate control).
- However, deregulation of capital markets around the world have challenged the institutional arrangements that previously impeded hostile takeovers in Europe and Japan. Yet, some markets such as Germany and the Netherlands has resisted the pressure to become more active markets for corporate control.
- Through making qualitative comparisons, Culpepper (2011) argues that “the outcomes observed in ... [France, Germany, the Netherlands and Japan] result not from variations in government partisanship or from different interest group coalitions, but from differences in the political preferences of managerial organisations.”

## Theoretical Argument

- Kolman (1998): The political salience of an issue refers to its importance to the average voter, relative to other political issues
- Managerial organisations tend to win political conflicts over corporate control when an issue is of low political salience because they can exercise “quiet politics” (lobbying)
  - Corporate control has low saliency because it is complex so both politicians and the media are dissuaded from investing their limited capital in convincing voters to care
- Smith (2000): Battles over issues of high salience force managers to seek interest group allies and persuade public opinion (and so cannot fully utilise their weapon of lobbying); Baron (1994): on issues of high salience, political parties start paying attention to the opinion of the median voter and stop paying attention to powerful interest groups
- Managers’ Weapons:
  - Lobbying: Corporate control is a complex matter so politicians do not really spend the time to study it; they trust managers because they are experts
  - Working Groups: Experts in the field have to be recruited to make legislations; often a disproportionate number of managers are part of the working group so legislation enacted tend to favour them
  - Press Framing: Corporates can lobby the press to frame them in a positive way when the merge is of public interest (e.g. big merges) and therefore highly salient

# Culpepper (2011): Quiet Politics and Business Power: Corporate Control in Europe and Japan (Chapter 7: Business Power and Democratic Politics)

<b>Link</b>	<a href="https://ebookcentral.proquest.com/lib/oxford/detail.action?docID=615774">https://ebookcentral.proquest.com/lib/oxford/detail.action?docID=615774</a>
<b>Citation</b>	Culpepper, Pepper D. 2011. Quiet Politics and Business Power: Corporate Control in Europe and Japan. Cambridge University Press. HD2741.CUL 2011

## Summary

- Business power decreases as political saliency increases. “The more the public cares about an issue, the less managerial organisations will be able to exercise disproportionate influence over the rules governing that issue.”

## Theoretical Argument

- Two faulty assumptions about politics:
  - (1) Politics in democracies takes place through the action of political parties that represent their voters
  - (2) All the important decisions about institutional rules are made in legislative arenas
  - Examples of when this is not the case
    - In France and Germany during the late 1990s, the real institutional decision makers about regimes of corporate control were actually private block-holders (large shareholders in companies) whose opinions showed little evidence of influence by public policy makers
    - In Japan in 2004–2005, new rules of corporate control were drawn up in para-public forums in which managerial interests were well-represented, and in which the opponents to managerial preferences were unrepresented.
- “The tools of quiet politics do not work in the arenas of institutional choice dictated by high salience and formal institutions.”; businesses can bargain through unions or interest groups but this dilutes their power
- The US may be comparatively very friendly to business interests because disputes are often resolved in courts and courts where expertise and interpretation are what matters, not public opinion; monetary advantages likely to benefit businesses in court procedures as it can sometimes require thousands of hours of work
- Managerial expertise
  - Journalists often give managerial organisations the spotlight because they have the information ready so they can make stories at a lower cost
  - “The systematic failures of risk assessment that contributed to the global economic crisis of 2008 highlighted shortcomings in managerial expertise.”; lower trust in managerial competencies could decrease lobbying power
    - “For issues of risk regulation of the finance sector, public outrage may have a much shorter half-life” as hedge-funds become more regulated.

<b>Link</b>	<a href="https://www.jstor.org/stable/41683191">https://www.jstor.org/stable/41683191</a>
<b>Citation</b>	Schwadel, P, and M Stout. 2012. "Age, Period and Cohort Effects On Social Capital." <i>Social Forces</i> 91(1): 233–252.

## Summary

- Schwadel and Stout (2015) investigate the potential age, period and cohort effects on social capital in the US. While they did not find conclusive evidence of both formal and informal associations declining, the level of trust reflected in the General Social Survey, where they obtained their data from, decreased considerably.

## Data & Methodology

- Data: 1972-2010 General Social Survey
- Methodology: age-period-cohort (APC) intrinsic estimator models

## Findings

- "Informal association with neighbours declined across periods while informal association with friends outside of the neighbourhood increased across birth cohorts"
  - No overall declines in informal association
- "Formal association was comparatively stable with the exception of relatively high levels of formal association among the early 1920s and early 1930s birth cohorts"
  - "Respondents born in the inter-war years, particularly the 1922 and 1932 cohorts, have relatively high numbers of voluntary organisation memberships, and the 1892, 1907 and 1957 cohorts have relatively few"
  - Only moderate changes; does not suggest decline of social capital
- "Trust declined considerably across both periods and cohorts, though the oldest cohorts are less trusting than those born in the 1920s through the 1940s"
  - "controlling for age and period effects, there are large across-cohort declines in all three measures of individual trust"
  - Members of Generation X and the millennial generation report the lowest levels of trust; their probability of agreeing that people are helpful, fair and can be trusted is between .05 and .10 below the mean

## Strengths & Weaknesses

- Strength: large sample size accumulated over many years
- Weakness: limited data on millennials

# Fukuyama (2014): Political Order and Political Decay (Chapter 7: Italy and the Low-Trust Equilibrium)

<b>Link</b>	<a href="https://ezproxy-prd.bodleian.ox.ac.uk:2102/10.1146/annurev-polisci-020614-094706">https://ezproxy-prd.bodleian.ox.ac.uk:2102/10.1146/annurev-polisci-020614-094706</a>
<b>Citation</b>	Fukuyama, Francis. 2014. Political Order and Political Decay. Profile Books. Chapter 7.

## Summary

- In this chapter, Fukuyama explains how the quality of government varies across Italy, weaknesses of the Italian state in the South, the origins of Mafia, Italy's struggle with clientelism and corruption, and the importance of trust for good government.

## Theoretical Argument

- Robert Putnam's argument: the huge variance that exists in the quality of local governments across the different regions of Italy is due to the difference in the level of social capital; poor government performance in the South is due to historical strong authoritarian government and clientelism
- Note: Clientelism is the exchange of goods and services for political support, often involving an implicit or explicit quid-pro-quo.

## Findings

- "Putnam argues that the Normans established strong centralised government in southern Italy and that this vertical power undermined the ability of citizens to form horizontal linkages of trust or association." Fukuyama thinks this idea is problematic:
  - (1) The Norman kingdom of Sicily formally ended in 1194 (too long ago); "there was also a powerful, centralised Norman kingdom ruling England, and a Viking kingdom in Denmark, yet neither England nor Denmark developed a pattern of clientelistic government"
  - (2) During the Middle Ages, "no European government was able to set up a truly dictatorial centralised state capable of penetrating and controlling the whole of society in the manner of the Chinese or, later, the Russians"; Italy was more of a local tyranny with national weakness
- Instead, Fukuyama posits that Italy's clientelism is a modern phenomena, originating in 1861 when Italy was unified under the northern Piedmontese monarchy; the Northern middle-class were interested in creating a modern state; Piedmont was not a strong leader, and, faced with peasant revolts, "the northern bourgeoisie controlling the new national government made a pact with the local oligarchy in the South"
- The Weak State and the Rise of Mafia according to Diego Gambetta
  - Mafiosi are private entrepreneurs whose function is to provide protection of individual property rights in a society in which the state fails to perform this basic service; i.e. state cannot monopolise the threat of violence (or violence) to do things e.g. to enforce property rights

- “The Mafia ... thrives in a low-trust society like that of Sicily because it can provide credible protection services in the short run. But it perpetuates a climate of violence and fear, which lowers levels of trust for the society as a whole”
- Clientelism
  - Clientelism in the South was reinforced by the government’s economic policies, which led to developments in the North but not the South (wide development gap)
  - The growth of government-directed investments in the South endorsed political clientelism because the local deputy or secretary gets the credit for appropriating the budget; Mafias play a key role in securing the electoral base for these politicians and are rewarded through control over public contracting
- Trust
  - Trust can be good or bad depending on the context the agent is in (e.g. would be bad to have trust in thieves-ridden neighbourhood; trust allow for cooperation without having to rely on rigorous formal contracts)
  - The quality of government thus depends critically on trust or social capital; “The vast majority of law-abiding behaviour is based rather on the fact that people see other people around them obeying the law and act in conformity to the perceived norm.”
  - “Since the mafiosi were not themselves trustworthy individuals, distrust of government metastasised into distrust of everyone” leading to overall low trust

# Mondak and Canache (2014): Personality and Political Culture in the American States

<b>Link</b>	<a href="https://doi.org/10.1177/1065912913495112">https://doi.org/10.1177/1065912913495112</a>
<b>Citation</b>	Mondak, J J, and D Canache. 2014. "Personality and Political Culture in the American States." Political Research Quarterly 67(1): 26–41.

## Summary

- Mondak and Canache (2014) build on from research in personality psychology and cross-cultural psychology, to investigate whether aggregate personality measures compiled in the American states correspond with patterns in political culture.

## Data & Methodology

- Data: Measures for Big Five (openness, conscientiousness, extraversion, agreeableness, neuroticism) obtained from voluntary, self-administered Internet survey; N = 619,397
- Methodology: OLS regression, complemented with multinomial logistic regression

## Findings

- "Coefficient estimates reveal substantial overlap between personality and the other variables, and especially between personality and white ethnic diversity"
  - Statistically significant coefficients for all Big Five: openness (1%), conscientiousness (5%), extraversion (1%), agreeableness (10%) and neuroticism (1%) when white ethnic diversity controlled for
- Strong relationships between Big Five personality traits and politically relevant variables, including state-level ideology and political culture, and also civic culture and its component indicators
- Relationships are complex; e.g. they found a strong positive link was observed between state-level conscientiousness and crime
  - Interpretation 1: personality does not exert a direct causal force because high conscientiousness (people are hard-working, punctual and responsible)
  - Interpretation 2: living where crime is prevalent prompts people to be conscientious
  - Interpretation 3: where conscientiousness is high, preferences will be against social liberalism and a large, active government; lower funding for education so high crime

## Strengths & Weaknesses

- Strength: (1) large sample size; (2) avoids reference group effects that burden cross-national analyses by conducting state-level analysis (people might be comparing their personality with those around them but people differ across the world so metric might change, but less likely to be a problem within a country with shared language); BUT US

is a big place and different ethnic mix in different areas so potentially different language used (controlling for ethnic minority diversity does not suffice)

- Weakness: data not representative as survey is voluntary and distributed through the internet => median age of respondents is 24

# Stecker and Tausendpfund (2016): Multidimensional government-citizen congruence and satisfaction with democracy

<b>Link</b>	<a href="https://doi.org/10.1111/1475-6765.12147">https://doi.org/10.1111/1475-6765.12147</a>
<b>Citation</b>	Stecker, C. and Tausendpfund, M. (2016) 'Multidimensional government-citizen congruence and satisfaction with democracy', <i>European Journal of Political Research</i> , 55(3), pp. 492–511.

## Summary

- Stecker and Tausendpfund (2016) find that citizens are less satisfied with democracy when their views differ from that of the government on policy dimensions beyond the general left-right axis into areas such as redistribution, European immigration, social lifestyle, immigration and environmental protection. The extent of which depends on their level of political interest.

## Theoretical Argument

- Citizens' satisfaction with democracy (SWD)

## Data & Methodology

- Data: 2010 Chapel Hill Expert Survey (CHES) and the 2008 and 2012 waves of the European Social Survey (ESS) covering 15 countries containing the responses of some 45,000 citizens and the policy positions of 31 cabinets
- Methodology: OLS regressions with fixed country effects

## Findings

- "On average, citizens' SWD decreases when the government of the day deviates from the citizens' preferences. Most importantly, this reductive effect extends beyond incongruence on the left-right axis and is almost equally strong for European integration and clearly present on matters of redistribution"
  - A perfectly anti-EU citizen will have their satisfaction with democracy suppressed by around nine points on the 0–100 satisfaction-scale when she or he is facing a perfectly pro-integrationist government and vice versa for a pro-EU citizen

## Strengths & Weaknesses

- Strength: first comparative study of multidimensional government-citizen policy congruence
- Weakness: Combined ESS and CHES surveys; Adams et al (2011): citizens are sensitive to their perceived ideological distance to parties which are not in line with measures considered objective by political scientists; therefore, Stecker and Tausendpfund (2016) had to rely on expert positions on left-right alignment; also low adjusted-R<sup>2</sup> at around 0.2 although as more controls were introduced the value increased to 0.389

# Young, Banerjee, Schwartz (2018) Capital Strikes as a Corporate Political Strategy: The Structural Power of Business in the Obama Era

*Business disinvestment, or threats of jobs or “business confidence” constitutes a “capital strike” with potential to shape appointments, legislation and policy*

## Capital Strikes, Structural Power and Policy Influence

- Mechanisms to overcome centrifugal forces within the business community to make collective investment decisions: interlocking directorates, social clubs...
- *Obama’s Troubled Asset Relief Programme*: generous terms granted to financial institutions as fear Wall Street retaliation by continuing to boycott Main Street, Treasury Sec Geithner if “too punitively, we would have risked undermining the effectiveness of the emergency response”

## Business Confidence Imperative

- Sensitivity of politicians and regulators to even hints of disinvestment quasi-institutionalised as ongoing commitment to maintain “business confidence”
- TARP loans justified by: restore financial health to banks, restore banks and investors’ confidence, renew flow of capital into Main Street... but strategy broke down after reviving the major Wall Street firms, no demonstrable effects on lending
- Large lenders sought to extract further concessions from government before relaxing their capital strike against Main Street, Federal Reserve reports rescued banks actually slowed down lending at a rate more than double that of other banks
- Executives in meeting with the Feds further remarked on uncertainty on healthcare, financial reform, tax policy, new environmental regulations as a “general lack of confidence”

## A Political Bargaining Chip

- Whether or not the trillions amassed in cash reserves is part of a conscious political strategy, it gave them a political bargaining chip
- In face of 12’ election Obama amended tax, continued deregulation and promoted US exports to answer demands of major corporations; 12’ renewed tax cuts for the wealthy passed under Bush and appointed former JPMorgan executive Daley as chief of staff
- Dodd-Frank act ruled out progressive proposals as industry representatives constantly warned that “regulatory initiatives would hurt lending”
- Attorney General Eric Holder explained “difficult for us to prosecute (Wall Street executives) when we are hit with indications that if we do it will have a negative impact on the national economy”

## Conclusion

- As electoral fortunes of politicians rest largely on employment levels, growth and prices, business leaders' investment decisions have a huge influence to policymaking; serve to explain administration's lacklustre reform record

# Scheve and Stasavage (2017) Wealth Inequality and Democracy

*Democracy and wealth inequality not correlated clearly due to other cleavages, fairness beliefs and captured democracy*

## Democracy does not Explain Patterns of Wealth Inequality

- Latin America v US: Engerman & Sokoloff (1997, 2000) show Latin America persistent inequality without democracy due to possibility of sugar cultivation and mining minerals by slaves, thus maintain restricted suffrage
- Johnson & Frank (2006) 1850s Buenos Aires 10% of pop. Hold 68% of private wealth; Rio 78%, while US data in Philadelphia, Boston and New York 80%+...; Frankema (2008) point out lower levels of landholding inequality in US than in South America
- Land inequality: Albertus (2015) show democratic governments (0.38%/yr) engaged in less land redistribution than authoritarian counterparts (1%/yr); land reform depend more on whether split emerge between ruling elite and landowner elite and not democracy
- While 1950-1969 period negative and significant correlation between land Gini and democracy, 90-09 data positive and significant...
- France: first 2 decades of 3<sup>rd</sup> republic (democratic) not saw decrease in wealth inequality, and then increased to 60% in 1910; inconsistent with idea of necessary relationship between democracy and equality

## Seeking Explanations

- Society divided across other cleavages: inhibit adoption of wealth equalising policies as voting intentions depend on another cleavage, Bendix & Rokkan (1962): if conflict of the role of religion sorted out more quickly, states move earlier to adopt universal compulsory education
- Fairness beliefs in redistribution: Piketty (1995) individuals draw from personal and family experience to infer whether income is acquired from luck or effort, Scheve & Stasavage (2016) demonstrate fairness perception affect "compensatory arguments" for taxing the rich more
- Captured democracy:
  - In a democracy power is proportional to wealth: Winters & Page (2009)
  - Wealth inequality in context of market economy generates capture, Przeworski & Wallerstein (1988) argue state structurally dependent on owners for economy to flourish, but Scheve & Stasavage (2016) find countries with capital controls (lower mobility) not maintain higher top rates of inheritance/personal income tax
  - Legislators behave highly correlated with high-income constituents – Gilens (2012), limited to US as legislators vote independently and against their party more often?
  - Use wealth to capture policy-making: Bonica et al. (2013) find lobbying and private contributions influence US policy



# Schakel (2020) Real but Unequal Representation in Welfare State Reform

*By linking multi-country and multi-wave survey data on attitudes towards welfare state, reveal policies respond to popular attitudes, but stronger for richer than poorer citizens*

## Unequal Representation in Welfare State Policymaking?

- Electoral turnover (and anticipation of it) as indirect pathway for citizen preferences to flow into policy; organised interests as channels for public attitudes as give life to pluralism in policymaking
- However, popular positions may be blocked by organised special-interest, lobbies and elites; wealthiest citizens' attitudes more reflected in policy shifts (Gilens and Bartels) due to money in electoral politics, breakdown of organised public interests (e.g. unions)

## Data and Methods

- Most empirical research focused on spending measures in absence of conceptualisation of change within welfare states (e.g. may increase spending due to more unemployment not improving level of protection)
- IV: Citizen support for welfare state provisions, DV: changes in per capita government spending on healthcare, pension and unemployment, measures of substantive policy generosity (benefit duration, eligibility, coverage...)

## Findings: Real and Unequal Representation

- Overall preference (median and full-sample mean) have substantial and significant positive effects in changes in welfare state generosity
- Unequal representation as each low-income measurement (5<sup>th</sup> percentile, 10<sup>th</sup> percentile, lowest quintile and lowest tercile) negative and insignificant association with changes in generosity; high-income measures (reverse) positive and significant effect; increase in spending preference of 90<sup>th</sup> percentile by 1 s.d. increase generosity by 40% of 1 s.d.
- Disaggregating suggest effect of overall preferences are stronger for pensions and unemployment, in healthcare poor preference show significant negative relations

## Historical Examples Drawn from Baseline Statistics

- *Britain*: 80s major retrenchment of unemployment insurance (phased out earnings-related supplement, lower replacement rate, extend disqualification periods...) under 85' survey on agreeing with the service out of -100~100; 10<sup>th</sup> percentile +36.7, 50<sup>th</sup> percentile +13.9, 90<sup>th</sup> percentile -5.2 --> marked by unequal representation
- *Sweden*: 90s 7.4% fall in pension generosity despite universal support for expansion, replaced flat benefit with earnings-related supplement and defined-benefit PAYG system as pension costs rose to 12.2% of GDP in 92'

- *Korea*: 00s unemployment insurance extension growth of 11.1% in generosity score in 07'-10' incl. allowing self-employed to join programme, increase premiums, 06' survey 10<sup>th</sup> percentile +29.0, 50<sup>th</sup> percentile +25.9, 90<sup>th</sup> percentile +16.5; employer associations recognised workers' vulnerability and tolerated it as price of labour market deregulation

# Volscho and Kelly (2012) The Rise of the Super-Rich: Power Resources, Taxes, Financial Markets, and the Dynamics of the Top 1 Percent, 1949 to 2008

*Rise of super-rich is result of rightward-shift in Congress, decline of unions, lower tax rates on higher incomes, increased trade openness and asset bubbles*

## Explaining the Rise of the Super-rich: Power Resources and Public Policy

- Power Resource Theory: assume working and middle class different distributional preferences than owners of capital, strong unions and left parties organising the prior alter bargaining power and create more advanced welfare state
- Focus on market distribution where unions affect distributional outcomes in PRT, political power resources also conduct market conditioning by state policies, regulations and implementation (through administrator appointments) to affect market decisions

## Data and Methods

- IV: share of pre-tax income accruing to top 1% of tax units, DV: presidential and congressional partisan power (political power resources), measure of union density (% of private sector workers in unions), policies (income tax, capital gains tax, interest rate), real S&P 500 index, import/export as share of GDP, unemployment rate in time series per year 1949-2008 for the USA
- Error-correction model as deviations from long-run relationship eliminated over time by correction, test both short- and long-run effects with:

$$\Delta Y_t = a_0 + a_1 Y_{t-1} (\text{error correction}) + \beta_1 \Delta X_{t-i} (\text{short}) + \beta_2 X_{t-1} + \epsilon_t$$

## Results

- Democratic strength in Congress and union strength decrease share of income held by top 1%, but presidents little to no effect; and after controlling for tax rates and treasury bill rate, effect of Congressional Democrat decreases
- Increase of 1% Dem seat share decrease income of top 1% by \$6.6bn, show that campaign contributions are a useful investment
- Top marginal tax rate decrease inequality even when income shares measured prior to tax and transfer as deter income accumulation and provide funding for programmes to broaden economic opportunities; same for capital gains tax rate (deterrent)
- Nearly all the effects come via error correction indicating presence of long-run equilibrium relationship, error correction rate of .65 when include economic effects, correction faster for economic variables than politics/policy variables

## Conclusion

- Inequality is in part outcome of political contestation and not simply natural market forces, affirm state impact in market conditioning

- Kenworthy (2010) argue impact of partisanship in president's policy outcomes has waned since the 80s and no produce fairly similar outcome; focus on Congress' central role
- Financialisation also play significant role to rise of top 1% as receive substantial income from dividend pay-outs and stock trading

# **Robert (1916) Political Parties: a Sociological Study of the Oligarchical Tendencies of Modern Democracy**

## **Democratic Aristocracy and Aristocratic Democracy**

- Conservatives now transformed into a popular party as recognise only the masses can help to reintroduce the ancient aristocracy in its pristine purity and end democratic regime by popular will
- Apply the same democratic and demagogic methods as employed by the lower social classes for the instincts of self-preservation, seek to convince that economic and social interests of the people are identical with that of the aristocrat
- Liberals appeal for support of the cultured and possessing classes, believe in the aristocrats' vigilance armed with the right of veto to constitute a moderating element
- In modern party life aristocracy gladly presents itself in democratic guise, whilst the substance of democracy is permeated with aristocratic elements; the principal aim of the socialist and democratic parties is struggle against oligarchies in all forms

## **The Ethical Embellishment of Social Struggles**

- Aristocracy introduces itself automatically in states: the US created the aristocracy by capitalist concentration and progressive reconciliation of old and rigid republican spirit and ideas and ambitions of ancient Europe (aristocracy); old families which are Dutch by name and origin constitute in New York State a stratum of aristocratic pre-eminence
- French bourgeoisie emerging in latter half of 17<sup>th</sup> Century adapted itself by aping usages, mode of life, tastes and mentality of feudal mobility, assimilated spirit and principles of the dominant class while some entering state service took new names; absorption of young industrial bourgeoisie to old aristocracy by birth
- Ethics in the violent struggle between emerging classes and the old stratum, constitutes a weapon which everyone can deploy as democracy adopts a more diplomatic and prudent course, all to declare their actions in fulfilling the will of the nation
- Yesterday the French bourgeoisie in declaring the rights of men, today the wage-earners announcing the class struggle for social progress and denying any egoistic motive --> same opportunist tendency in formulating socialist theory

## **Democracy and the Iron Law of Oligarchy**

- The elite class cannot be replaced in a democracy but essential for a highly developed social order, can only undergo continuous intermixture for the old elements to attract, absorb and assimilate the new
- French nobility represented disproportionately in cavalry regiments and republican diplomatic service, in Germany no less than 61 out of 584 deputies belong to the old aristocracy

- The socialist revolution would not affect any real modification of the internal structure of the mass, even the purest of idealists who attain for power is unable to escape the corruption of the exercise of power, creating a new elite class