How Inequality Works

Political Barriers to Social Mobility

by Josh Anderson

The United States has long faced the uneasy contradiction between its exceptionally high levels of inequality and its deep belief in equal opportunity. Given the American devotion to a fair shot for all, why hasn't the political will materialized to level the playing field for low-income children and children of color?

The answer lies in three core features of the American political economy. First, U.S. political institutions are more decentralized than those of any other advanced democracy, creating opportunities for well-resourced political actors to pursue and achieve their ends. Second, the interest group landscape in American politics has become heavily weighted in favor of corporations and wealthy individuals. Third, racial segregation and racial resentment undermine the development of strong, enduring working-class coalitions that could engender more economic opportunity.

A Decentralized Governance System

The American system of governmental checks and balances, embodied at the federal level in three coequal governing branches—executive, legislative, and judicial—has many strengths. But it also creates barriers to racial and economic equity in the nation, research has found. In 2011, political scientists Alfred Stepan and Juan Linz compared the U.S. federal system to those of 22 other long-standing democracies looking for "veto points," defined as bodies or branches of government that can effectively stop policy from becoming law. Among the studied countries, 13 have a single veto point, seven have two veto points, and two have three veto points. The U.S. alone has four: the House of Representatives, the Senate, the president, and the Supreme Court.

Stepan and Linz note that in the Senate, 41 senators, representing a mere 10 percent of the national populace, can use the filibuster to thwart new policy development. They found a strong correlation between veto points and inequality. Veto points create complexity, an advantage for sophisticated, extensively resourced political actors who have the means to fight what amount to campaigns of attrition on many policy and political fronts simultaneously.[1]

The U.S. also devolves more decision-making authority to state and local governments than most other advanced democracies. And it does so in the absence of robust mechanisms to coordinate revenue and spending across states. As the political scientists Jacob Hacker, Alex Hertel-Fernandez, Paul Pierson, and Kathleen Thelen observe, "the United States is the only rich federal system that has neither general revenue sharing nor explicit [revenue] equalization policies to reduce inequalities in spending across subnational governments."[2]

This lack of a reliable and equitable federal funding stream for states leads to a dynamic of "interjurisdictional competition"—an ever-present battle among cities, counties, and states for affluent taxpayers and businesses waged by undercutting each other on tax rates and outdoing each other on subsidies. The competition is endless, for in an era of highly mobile capital, affluent residents and large employers can simply move (or threaten to move) when they don't like the deal they are getting.

As a result, states and local governments become severely constrained in their ability to raise revenue for the purposes of public goods and redistribution. This "fiscal straitjacket" is "the great disciplining force" of American federalism when it comes to state and local government efforts to fight inequality.[3] The combination of more veto points and greater interjurisdictional competition creates enormous advantage for businesses and wealthy individuals in domain of politics.

The Shifting Interest Group Landscape

Interest groups play an essential role in democracies by consolidating and converting the interests of a mass populace into coherent sets of priorities and decisions. Yet due to America's long and therefore expensive election campaigns, a failure to pass meaningful campaign finance reform laws, a diminished labor movement, and a decentralized system of governance, the interest group landscape is dramatically skewed in favor of rich individuals and businesses.

This imbalance developed rapidly in the 1980s and has only increased since then. After a series of stinging defeats at the hands of consumer advocacy groups in the 1960s and early 1970s, business leaders decided to organize. In 1971, Lewis Powell, then a corporate lawyer and future Nixon appointee to the U.S. Supreme Court, wrote a famous memo for the U.S. Chamber of Commerce in which he called on business groups to invest in lobbying, elections, and advocacy. And that is exactly what they did. Throughout the 1970s, contributions to lobbying groups like the Chamber of Commerce and the Business Roundtable expanded. New PACs formed and corporate political contributions started on a pattern of long, steady growth.

The American Enterprise Institute, an influential think tank founded in 1943 to promote limited government, private enterprise, and democratic capitalism, expanded, while a new crop of conservative think tanks emerged including the Heritage Foundation, the Cato Institute, and the Manhattan Institute, all designed to promote a pro-business policy agenda. Prior to this mobilization, political contributions from business and labor were roughly equivalent. By the mid-1980s, business spending had outstripped labor five to one. By the 2010s, the imbalance reached a staggering 55 to one. As the political scientists Jacob Hacker and Paul Pierson note, business came to dominate the "zone of organized combat" in politics.[4]

The implications of business dominance in politics are far-reaching: producing a political agenda intensively focused on lowering taxes, paring back worker protections, weakening anti-trust enforcement across industries, and decreasing regulation of businesses more generally. For workers, the consequences are lower wages, less job security, and diminishing public investment in the safety net and other public goods.

The Politics of Race

Racial division is at the core of American politics. Segregation by race and class has left Black and white Americans living in largely separate worlds, leading them to see "community" through the narrow lens of their own neighborhoods and networks and weakening any shared sense of responsibility for communities beyond or unlike their own. Further, racial resentments, with their long history of use as a political weapon, have blocked the development of American class-based solidarity.

Metropolitan areas across the U.S. are a patchwork of central city neighborhoods and suburban communities, each with their specific race-class character—low-income and Black, for example, or middle-income and white—resulting from decades of discriminatory local and federal policies. In the highly decentralized American governance system, the jurisdictional boundaries of suburban towns allow them to raise revenue for public goods and services—schools, libraries, parks and recreation, community centers, public safety—that meet their narrowly defined community needs while remaining insulated from the effects of under-investment in public goods in other communities and in aggregate.

In this way, suburbanites can opt out of the hard work of ensuring a thriving broader community supported by sufficient investment in public goods. Obviously, this has negative consequences for Black and Hispanic low- and moderate-income communities, but those consequences extend to low- and moderate-income white areas too, as they also lose out when public resources are under-funded. The racial organization of urban areas turns local communities inward and creates a zero-sum logic between and across them.[5]

The obvious antidote would be the mobilization of a low- and moderate-income coalition to deliver consistent and decisive electoral wins that promote their shared economic interests. Certainly there have been such successes in other democracies, including Sweden's solidaristic wage policy, Germany's co-determination laws, and Japan's institutionalization of collective bargaining across sectors—all of which has led to a better standard of living for working people in those countries. But class-based coalition-building in the U.S. is hampered by the relative weakness of the nation's labor movement, and, relatedly, by the splintering of its working class by race.[6]

Anti-labor politicians have long stoked racial resentments among white low- and moderate-income voters to undermine organized labor and they continue to do so today. They tend to use more coded language, such as Ronald Raegan's "welfare queens." But the message is clear: Welfare enables Black entitlement. Tough-on-crime policies are needed to control Black and Hispanic criminality. White Americans must safeguard the traditional values of work, self-reliance, and family.[7] Demeaning Black Americans and thereby elevating the status of poor whites—paying them "a public and psychological wage" in lieu of higher tangible wages or improved working conditions—constitutes what W.E.B Du Bois famously termed "the racial bribe."[8]

The strategy of leaning into racial division to undermine working-class solidarity and political influence works. One of the most consistent findings in public opinion research is that white voters see policies designed to promote social mobility through a racial lens and associate government aid and intervention with negative Black stereotypes—to the extent that even social policies that directly benefit white workers become suspect, with the exception of Social Security and Medicare for seniors. Time after time, lower- and middle-income white voters opt for the social and psychological rewards of white solidarity over the pursuit of a working-class agenda that could improve their lives substantially.[9]

ENDNOTES

1 Alfred Stepan and Juan J. Linz (December 2011) "Comparative Perspectives on Inequality and the Quality of Democracy in the United States," *Perspectives on Politics* 9, no. 4 (December 2011): 841–56.

2 Jacob S. Hacker, Alexander Hertel-Fernandez, Paul Pierson, and Kathleen Thelen, eds. (2022) *The American Political Economy: Politics, Markets, and Power.* Cambridge: Cambridge University Press.

3 Peter Dreier, John Mollenkopf, and Todd Swanstrom (2014) *Place Matters: Metropolitics for the Twenty-First Century*, rev. ed., Studies in Government and Public Policy. Lawrence, KS: University Press of Kansas.

4 Jacob S. Hacker and Paul Pierson (2010) *Winner-Take-All Politics: How Washington Made the Rich Richer—and Turned Its Back on the Middle Class*, New York: Simon & Schuster.

5 Matthew D. Lassiter (2006) *The Silent Majority: Suburban Politics in the Sunbelt South*. Princeton, NJ: Princeton University Press.

6 Alberto F. Alesina, Edward L. Glaeser, and Bruce I. Sacerdote (Fall 2001) "Why Doesn't the United States Have a European-Style Welfare State?" *Brookings Papers on Economic Activity*, no. 2 (Fall 2001): 187–278.

7 Matthew D. Lassiter (2006) *The Silent Majority: Suburban Politics in the Sunbelt South*. Princeton, NJ: Princeton University Press; Kevin M. Kruse (2005) *White Flight: Atlanta and the Making of Modern Conservatism*, Princeton, NJ: Princeton University Press.

8 W.E.B. Du Bois (1935) *Black Reconstruction in America*, New York, NY: Harcourt, Brace & Co.

9 Martin Gilens (1999) *Why Americans Hate Welfare: Race, Media, and the Politics of Antipoverty Policy*, Chicago: University of Chicago Press; Ian Haney-López (2014) *Dog Whistle Politics: How Coded Racial Appeals Have Reinvented Racism and Wrecked the Middle Class*, New York: Oxford University Press; Jonathan M. Metzl (2019) *Dying of Whiteness: How the Politics of Racial Resentment Is Killing America's Heartland*. New York: Basic Books.