**Jacob S. Hacker and Paul Pierson; Winner-Take-All Politics: How Washington Made the Rich Richer – and Turned its Back on the Middle Class. Simon and Schuster, 2010.**

The authors seek to describe and explain how and why “America’s public officials have rewritten the rules of American politics and the American economy in ways that have benefited the few at the expense of the many.” (p. 6)

The story is written in three parts:

* The first is a discussion and analysis of trends in the distribution of income among individuals over the past thirty years, a period in which the share of household income going to the very top earners – the top 1 per cent and .1 per cent of households – increased dramatically.
* Second, the authors explore the changes in the political landscape and resulting policies that resulted in the emergence of the ‘winner take all’ society. They argue that the critical changes occurred in the late 1970’s.
* Third, they describe how the two major political parties have responded to the large shift in the distribution of income that has produced much greater income inequality in the U.S. over the last three decades.

In summary, the argument is as follows:

1. Trends in income distribution across households: There has been a sharp increase in the share of National Income going to the top 1 per cent of households since the mid 1970’s. This is characteristic of most industrial countries but to a greater extent in some than in others. For example, the shift is negative in the Netherlands and small in Sweden and Japan and most pronounced in the anglo countries – Canada, Australia, the U.K. and, especially, the U.S.[[1]](#footnote-1)
2. This trend, the authors argue, is not a function of increased demand for highly skilled/educated workers: the increased income share of the top end of earners is independent of education. And it’s true on both a before and after tax basis.
3. The authors argue that government policy is responsible, to a large extent, for the shift in income distribution, partly due to changes in income taxation but, more broadly, to changes in other policies: treatment of labour unions, regulation of executive pay (e.g. favourable tax treatment of stock options) and financial market deregulation.
4. Union membership declined precipitously for a number of reasons: the movement of manufacturing industry to states with limited labour rights, the ineffectiveness of federal legislation in protecting union rights exacerbated by an anti-union federal administration in the 1980’s (Remember the air controllers?).
5. The story of financial deregulation and its consequences is well known. It led to huge expansion of the industry, largely as a result of the development of exotic and risky new financial instruments, that, for a time led to enormous profits and executive compensation.
6. The authors note three periods during which governments acted to restrain the power of major economic interest groups: the Progressive era between the late 19th century and WWI, the New Deal period, and the post WWII period until the mid 1970’s.
7. It is argued that the shift away from this mode of governance occurred in the administration of Carter when a host of proposals – health care reform, consumer protection, overhaul of labour relations laws and others – were defeated in Congress. Why?
8. Success in having policies approved and laws passed depends importantly on organization. And, during the periods when social and economic reforms were passed there were powerful organizations representing the ‘working class’, the American Legion in the period following WWII and, until their demise in the late ‘70’s, labour unions (UMW and AFL-CIO). These organizations no longer command the support they once did so that the interests of the ‘middle’ are no longer effectively represented in the halls of governments.
9. But – anomalously – there has been huge growth in middle class conservatism among the evangelical Christians.
10. Notwithstanding these changes most ‘middle’ voters still support the Democratic Party. The authors state: “But the ideological polarization of the electorate as a whole – the degree of disagreement on left-right issues overall – is modest and has changed little over time. Polarization primarily reflects not the growing polarization of voters, but the declining responsiveness of American politicians to the electoral middle.”(p. 159, emphasis added). This is a key point and the rest of the book seeks to explain how and why this occurred.
11. Most of the rest of the book outlines the changes in organization and support of the two main parties – the shift of southern Democrats to the GOP, the increasing GOP support from the evangelical right, the increase in lobbying and concomitant increase in spending in support of special interest legislation, the growth of right wing think tanks, and the increasing tendency of institutions and organizations on the ‘left’ to be single issue groups concerned with, e.g. environmental issues.
12. Needless to say, all of these trends had consequences for the nature of successful legislation: it pandered to the moneyed interests!
13. As a consequence the Democrats lost support among working class voters “not in spite of economic issues, but because of them”. The authors quote George Packer of the New Yorker: the shift “was based on a judgment that – during the years in which industrial jobs went overseas, unions practically vanished, and working-class incomes stagnated – the Democratic Party was no longer much help to [the working class].” They go on: “The shifts… didn’t just decrease the momentum for economic activism. They also diminished the capacity of the party to reach out to voters on economic grounds. Internal conflicts have made it more difficult to take a clear, coherent posture toward fundamental economic issues, including ones that would signal concretely what the party could do for the middle class. Repeatedly, stalemate on high-profile issues soured voters on government and fueled cynicism about politics. Repeatedly, Democrats faced demands to tone down their populist appeals and shift to economic messages that might resonate with upscale voters and business interests. Deficit reduction embraced initially by Mondale and then again by Clinton, represented just such an accommodation. This ambivalent posture, of course, is in stark contrast to the clear, consistent stance of the GOP regarding markets, low taxes, and deregulation. However limited the effectiveness of the Republicans’ economic strategies have been, their straightforward anti-Washington message has resonated – especially since the message has jibed with the polarized gridlock that voters have seen play out before them.” (p. 235)
14. So, how can the ‘system’ be fixed? It won’t be easy! “Truly reversing the stark trend toward economic hyperconcentration at the top will take more than concerted and sustained government action to improve the economic standing of the middle class. Political reform geared at diminishing the advantages of the privileged will also be essential. The aims should be threefold: to reduce the capacity of entrenched elites to block needed reform; to facilitate broader participation among those whose voices are currently drowned out; and to encourage the development of groups that can provide a continuing, organized capacity to mobilize middle-class voters and monitor government and politics on their behalf.

Of these three pillars, the last is the most important – and the most difficult to construct.” (p.303)

1. On the last point – mobilizing middle class voters – the authors see some hope in the power of the internet in disseminating information and raising money, as exemplified by the Obama campaign of 2008.

All in all this is an impressive, if somewhat depressing, analysis and description of political developments during the last three decades, developments that have been broadly mirrored in Canada. That said, the alleged link between changes in government policy beginning in the late ‘70’s and the concomitant sharp rise in inequality is just that – alleged. The authors simply assert it but do not adduce any evidence or analysis in support of their hypothesis.

Yet one can’t help but suspect that there are deeper forces at work, forces that are endemic in a world of sustained prosperity. It seems to me that the longer economies operate in a sustained way at high levels of production and income, the more we are conditioned to expect their continuance and that policies will be constructed on this premise. I think that – the energy shocks of the ‘70’s and ‘80’s notwithstanding – the rise of inflation in those years can be explained to a considerable degree by this as economic decisions were based on the expectation that wage and price increases could be passed on with impunity. Then economic policies – mainly monetary – operated to reduce inflation by increasing unemployment and this was followed by the rapid growth of cheap manufacturing in Asia and the cost reductions emanating from the diffusion of innovations in information technology that allowed growth to resume at a rapid rate with minimal inflationary consequences. In turn this led to a false belief in the self-equilibrating power of unfettered markets, especially financial, with the consequences of which we are now all too familiar!!

17/3/11.

1. After examining the data, one analyst has suggested the larger shift in the US is attributable to a change in the reporting of corporate earnings in the mid-1980’s. See <http://www.scottwinship.com/1/post/2011/03/what-would-it-mean-for-theories-of-us-income-inequality-growth-if-the-us-experience-has-been-similar-to-that-everywhere-else.html>. Winship suggests that this may invalidate or at least weaken the Hacker/Pierson thesis. I’m not so sure that their discussion hangs critically on the uniqueness of US data. What’s important is the large increase in inequality. [↑](#footnote-ref-1)