Authors say political system has been hijacked by rich

In their new book "Winner-Take-All Politics: How Washington Made the Rich Richer and Turned Its Back on the Middle Class," political scientists Jacob Hacker and Paul Pierson demonstrate that America's runaway inequality wasn't caused by impersonal economic forces, but by a political system that has been hijacked by the super-rich.

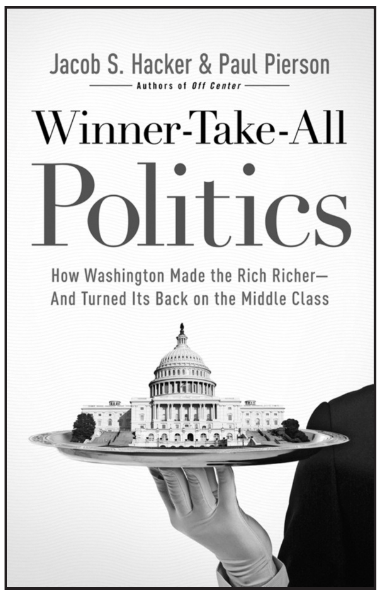
Pierson, a professor of political science at the University of California Berkeley, spoke in Portland Nov. 30. The Labor Press spoke with him by phone.

Every year the statistics get more shocking on how rich the truly rich are becoming in America.

If you look at the top tenth of 1 percent — one household out of a thousand — their share of the national income has almost quintupled over the last 30 years, to the point where one of every 12 dollars of national income goes to the top one in a thousand households.

Who are these people, and are they like the rest of us?

Well, their average incomes are $7 million a year. People who want to defend this trend will say these are Hollywood stars or athletes or big media personalities. But it turns out that only



about 3 percent of them fall into the broad entertainment category. Most [59.2 percent] are either executives and people involved in the financial industries — basically Wall Street and CEOs.

You frame your book as a crime drama, calling the growing inequality of incomes "one of the greatest economic crimes of our time."

We wanted to get people to think of this as a puzzle. Because — to the extent that people have paid attention to economic inequality at all in the mainstream press — they mostly have talked about it as if it were this inevitable thing, the result of globalization or changes in technology. But other very rich democracies use all the same technology that we do, and are at least as exposed to international trade as we are, and don't see the same explosion of top-end inequality.

America used to be much more equal.

What we call "Broadland" early on in the book [basically America from 1945 to 1975] was not an egalitarian society, just one where opportunity was pretty widespread, and where, as the economy improved, everybody shared to some extent in that economic growth. That world died in the United States. But it didn't just die of old age. Actions were taken [by the government] that helped produce this result.

What kind of actions?

The tax system became much, much more favorable for people at the very top. In the 1960s people at the very top of income distribution, the total tax they actually pay to the federal government was something like 60 percent. Now they pay about 30. And this has happened at the same time that their incomes are exploding.

But government also helps to set the rules that dictate what that initial distribution of rewards looks like. There are no "natural" markets that exist before you start having laws and regulations.

And sometimes the government is involved just by not doing anything while the economy changes, something we call "drift" in the book. The economy changes in ways that make the rules increasingly out of date.

Can you give an example?

Take financial regulation. When the original model of financial regulation was drawn together, nobody had ever heard of derivatives. So the question was, "Is Washington going to do anything about the development of this new formidable financial technology?" And the answer was, "no." There were key people in Washington who identified [derivatives] as a substantial development in finance, who tried to do something about it. And they were pushed back. Financial interests mobilized aggressively to make sure they didn't do anything about it.

In your book, you date the political change not to the election of Ronald Reagan, as most people would assume, but to the Jimmy Carter presidency. What happened to American politics in the late '70s?

In the book, we stress that politics is not just about elections. It's really about what we call "organized combat." When it comes to public policy, being organized is tremendously important: to be able to bring resources to bear on policymakers, to monitor what's going on, to know what's at stake and be able to reward or punish politicians if they don't respond favorably.

So it's not just who's voting but who's watching?

Exactly. And for voters it's very hard to monitor and know who to hold accountable for policies, or even to know what the policies are. In the 1970s, there was a huge shift in the balance of organized power in Washington. Business mobilized intensively, partially in reaction to some of the victories of liberals in the late '60s and early '70s, like expanded regulation on the environment, consumer protection, occupational safety.

One of the things we note that makes you think elections are not the whole story is that Washington becomes more liberal in the early 1970s even with a Republican [Nixon] in the

(Turn to Page 13)