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The Political Power of Economic Elites in Contemporary Western Democracies

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Overcoming Inequalities in a Fractured World: Between Elite Power and Social Mobilization

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Acronyms

ISSP	International Social Survey Program
MP	Member of Parliament
OECD	Organisation for Economic Co-operation and Development
PAC	Political action committee
SESA	Survey of Economically Successful Americans
TINA	There Is No Alternative
USD	United States dollar

Abstract

This paper employs a multidisciplinary social sciences approach to analyse the political power of contemporary economic elites in the political sphere of Western democratic countries. Economic elites are defined as the wealthiest members of society characterized by their disproportionate access to or control over economic resources, and their ability to convert them, directly or indirectly, into power or influence. This paper makes use of the classical concepts of structural and instrumental power to explain the sources of their influence in democratic decision-making processes. I claim that a powerful and distinctive trait of elites lies in their high internal cohesion in the steadfast defense of their interests. Connecting different streams of literature, I contrast elites' awareness of their power in the political struggle around inequality and redistribution, interpreted as an element of cohesion, with misperceptions about inequality on the part of average citizens, a common finding in recent research on this issue. Hence, I propose this cognitive divide between average citizens and economic elites as an innovative angle to look at the classical puzzle of high inequality combined with low demand for redistribution.

The paper then reviews the political science literature on the ability of the wealthy to obtain their political objectives and influence the democratic legislative process. The income and wealth bias in political representation has been empirically demonstrated in the United States and, preliminarily, in some European countries. The findings show that the preferences of average citizens have little or no effect on the policy changes enacted in many Western mature democracies. The paper carefully surveys the possible explanations proposed for this relevant finding.

Finally, I argue that economic elites constitute a cultural hegemony by creating and reinforcing institutions and beliefs that shape or maintain the extremely unequal distribution of political and economic resources. Effectively, the richest part of society has been able to impose its ideas through a long-term agenda-setting approach that entails the formation of networks of cultural organizations to sustain the legitimacy of inequality. Today's highly unequal status quo has been facilitated by this process, together with a series of feedback effects from political decisions that have simultaneously further increased inequality and corroborated public opinion about its inevitability. Policies that have increased inequality from the 1970s onwards have shaped the perception of inequality, creating social acceptability around the idea of individual freedom and delegitimizing government welfare expenditure. This change in public attitudes has enabled the policy space for even greater inequality, in a cyclical mechanism that is very hard to break.

Keywords

Cultural hegemony; economic elites; inequality; neoliberalism; perceptions; power

Bio

Alberto Parmigiani is a PhD student at the London School of Economics and Political Science, Department of Government. His primary research interests are economic and political inequality and the relationship between media and politics. His dissertation investigates the links between economic inequality and campaign contributions in the United States.

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I assume that a key characteristic of a democracy is the continuing responsiveness of the government to the preferences of its citizens, considered as political equals.
(Robert Dahl 1971:4)

Introduction

This paper explores a key aspect related to the rise of inequality over the last three decades in the Western world: the political power of economic elites. Covering several highly diverse fields, this analysis is not an easy task. The study of economic elites requires an effort to bridge inputs from different streams of research in social sciences, often distinct from each other. In addition, elites are not a monolithic group in developed democratic countries, and a process of further diversification has occurred in tandem with the increased financialization of the global economy in recent years. The very word "elite" is used with a highly nuanced range of different meanings, but most often referring to political elites.[1] Even the research methods used to study elites are highly diverse: elite surveys, social network analysis, political ethnographies, comparative historical analysis, in-depth interviews and content analysis have all been used.

Following Khan (2012), I define economic elites as a group composed of the richest members of society, characterized by their vastly disproportionate access to or control over power, obtained directly through economic resources, or indirectly through the conversion of wealth into other resources. Members of economic elites belong to this group because of their income, their wealth, or both. While individuals employed at the top of corporate hierarchies usually constitute part of the economic elite thanks to their income, many of the richest persons in the world have inherited a huge amount of wealth. This definition includes these two overlapping groups. Economic elites wield extensive power over political decision making in Western democratic countries, as different literatures surveyed here will show.

While focusing on a specific group of elites—economic elites—and a specific type of power—political power—this paper nevertheless shares the ambition of Cousin et al. (2018), calling for a "truly interdisciplinary approach" in research on elites, combining different areas of social science scholarship. To be sure, talking about economic elites and their power over the process of policy making entails an understanding of the basic principles of socioeconomic inequality, since "elites are the engines of inequality" (Khan 2012:362). The number of different, sometimes divergent, frameworks linking these two topics from a social science perspective is legion and unfortunately these accounts often do not speak to each other. For example, many economic models of inequality neglect the role of political decisions, making economic elites' political influence invisible. However, the rising concentration of income and wealth in the hands of a very small section of society has revitalized the study of the role economic elites play in modern political economy.[2]

This paper offers a synthesis of the research on contemporary economic elites and a review of the most recent literature in political science on misperceptions of inequality and unequal political representation. In addition, it aims to suggest potentially innovative connections between social science literatures that are not usually linked.

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[1] Scott (2008:27) complains about the fact that "any powerful, advantaged, qualified, privileged, or superior groups, or category" as diverse as "bishops, intelligent people, aristocrats, lawyers, and successful criminals" has been described as an elite.

[2] In an important review, Jacobs and Soss write: "Stark economic disparities and lopsided political advantages are mutually reinforcing" (2010:352).

While this paper is surely ambitious in breadth, many important facets of the relationship between economic elites and the politics of inequality obviously remain outside its reach. While cognizant, for example, of the role that dramatic socio-economic changes transcending national boundaries, like the IT revolution and the formation of the "knowledge economy" (Iversen and Soskice 2015), have also played in the development of economic elites' political clout, this paper makes a conscious decision to focus on democratic decision-making processes at the national level. These may seem less relevant due to the increasing significance of global patterns of governance, but I argue that such cross-border socio-economic changes have been influenced, if not regulated, by policy decisions at the national level. For this reason, this paper intends to concentrate on the power of economic elites over national legislative processes, in connection with the broad topic of the politics of inequality.

The structure of the paper is as follows. Section 2 defines economic elites and justifies the focus on contemporary Western democracies. Section 3 describes the concepts of structural and instrumental power and explains why the strength of economic elites depends on a combination of these two forms. Section 4 focusses on the internal cohesion of economic elites, arising from a natural alignment of interests, and connects this characteristic to the political science literature on inequality misperception by the general public. Section 5 examines some features of political inequality in the Western world connected to economic elites: unequal political representation, political campaign finance and politically connected firms. Section 6 describes the cultural hegemony of economic elites, achieved over the last three decades through the creation of a system of organizations such as think tanks and foundations. Section 7 explores the link with policy feedback effects to help explain the persistence of the current highly unequal status quo. Section 8 concludes.

Elites and Economic Elites: Definition and Relevance

Scholars have long debated two issues related to elites: how to define them and how they exercise political power. In this paper, I use as a starting point the modern definition of elites, as the social group defined by their disproportionate control over economic, cultural or political resources and their ability to translate them into power or influence (Khan 2012). Collective organizations such as clubs, schools and universities are crucial for the creation and distribution of such resources and favour the formation of personal ties and networks based on cultural and social similarities. Indeed, elites constitute specific social relationships, distinct from the rest of the population. In addition, elites possess the capacity to influence institutional structures even if these settings change: after they have contributed to creating them, they remain able to shape their evolution even during periods of political transition (Khan 2012).[3] In other words, elites are always able to find a way to benefit from ruling institutions, even during political transformations. Consequently, this paper reviews the social science literature with a focus on contemporary Western democracies, without addressing the role of elites during regime changes.

The study of elites as a multidisciplinary field has at times received greater attention and at others been neglected in social science research. In fact, different conceptions of power lead to diverse interpretations of the role of elites in democracies; for example, the post-structural account of

[3] Indeed, this mechanism of institutional adaptation by ruling elites is perceived as key for the preservation of the status quo in regime change theory (North 1990). The ability of elites to adjust to different institutional settings explains the choice of not including in this paper a discussion of the role of political institutions in the Western world.

power as a "machinery that no one owns" (Foucault 1980) has undermined the idea of elites as crucial actors in the structure of power in sociology. While a thorough synthesis of this debate is beyond the scope of this paper, revisiting Mills' classical theory could be useful. In his famous book *The Power Elite* (1956), Mills describes a pyramid of power composed of socially homogenous individuals occupying government, military and corporate positions. They wield major influence over policy decisions through the exercise of power via these "institutional hierarchies". Informal networks favour the cultural unification of the elite, which nonetheless creates stable relationships mainly through formal organizations. Drawing on Mills, Domhoff (1967) refers to the power elite in the US, composed of members of the social upper class, the corporate community, and what he calls the "policy-planning network", a complex system of foundations, think tanks and policy discussion groups (see section 6). Recently, elite scholarship has adopted the Weberian notion of power as the ability to implement one's will over the will of others, as Lopez (2013) notes. In this view, elites must possess material and/or symbolic resources in order to acquire power. The dramatic increase of inequality in recent times has provoked renewed interest in the power of the wealthiest parts of society (Khan, 2012). The success of Piketty's (2013) seminal book *Capital in the Twenty-First Century* has reinforced the trend, providing a wealth of new historical data on income and wealth inequality in Western democracies.

In this paper, I focus on the role that a specific group of elites—economic elites—has played in the political sphere in developed democratic countries in the last three decades. I will briefly motivate the choice of this group with two arguments. First, I believe that this narrower approach captures a substantive part of elite power in the twenty-first century. Economic elites clearly display an eminent position among elite groups, in both critical and functionalist scholarship (Hartmann, 2018). Indeed, "in a capitalist society, money is king" (Khan 2012:362), dominating other types of resources.[4] Moreover, elites in general today are wealthier than they have been since World War II, and the share of the financial sector in the composition of the elite group is constantly increasing. Second, the typical idea of a single power elite unified by a standardization of class and values, found in both classical and critical scholarship, requires updating in modern Western democracies. The financialization of the global economy has largely increased the diversification of elite groups (Savage and Williams 2008). Effectively, it has multiplied the number of influential financial roles and it has created room for power relations outside the classic accountability tools of democracy (Wedel 2009). Indeed, the little available data records an increase in self-made elites in the last decades (Khan 2012), a phenomenon that confirms the obsolescence of the classical framework of standardized elites with common cultural and social origins.[5] At the same time, I argue in section 4 that economic elites remain cohesive in the defence of their favourable economic position in society.

Another aspect complicates contemporary research on elites, namely the difficulties in finding data on economic elites. In fact, in many cases it is difficult even to know who the members of elites are (Khan 2012). While secrecy is a natural tendency in the wealthy and powerful even in

[4] Resource theories analyze the effect of endowments like money, time, knowledge, cognitive skills and abilities on political participation. All these resources have a positive correlation with measures of political activity, but money appears to be *primus inter pares* (Verba et al. 1995:288).

[5] Top one percent earners are more likely than average to be self-employed (Keister 2014). For a recent example in the US, see Confessore et al. (2015).

democracies, economic elites' ability to remain out of the public eye merits note in an era of open and big data about almost everything else.[6]

The "Power Resource Theory" of Economic Elites: Structural and Instrumental Power

Power resource theory is an important social science theory that connects political power and income distribution. Originally proposed to explain comparatively the substantive differences between welfare states, power resource theory advances the conceptualization of power by going beyond the mere exercise of it.[7] The power resource approach is particularly appropriate for economic elites because it highlights specific capacities, instruments or positions that individuals and groups hold to different levels or degrees.[8] In a similar vein of research, the concepts of instrumental power and structural power open new lines of interpretation to understand the influence of economic elites.[9]

In her book on the influence of economic elites on taxation policy in Latin America, Tasha Fairfield (2015) develops a theoretical framework based on instrumental and structural power. While she acknowledges that these two different forms of power vary in different contexts and across different cases, this theoretical framework is very useful to understand the role of economic elites in contemporary democratic countries.

Structural power, often called investment power, reflects the aggregate economic effects of investment choices as responses to policy decisions. In this sense, Lindblom's (1982) famous "market as prison" approach posits that capital owners are a necessary element for the functioning of a modern democracy, and this automatically guarantees them a very strong bargaining position in the legislative process. Any policy decision that damages corporate interests triggers an automatic "recoil mechanism" (Lindblom 1982:330) by businesses that may inhibit the effectiveness of the policy. This often involves disinvestment or an exit threat as the implicit mechanism underneath, and makes structural power a "signaling device" that creates expectations and anticipated reactions, often in the phase of agenda formulation of policy proposals (Hacker and Pierson 2002). Capital flight, speculative activities and refraining from investments of every kind constitute modern examples of structural power (Delamonica et al. 2014).

Instrumental power is what a casual observer may typically understand as political power. Economic elites wield instrumental power both directly, through direct participation in political actions, and indirectly, when the preferences of the economic elites are automatically taken into consideration by politicians, who either anticipate elites' reactions or share common goals. Politicians may incorporate specific preferences of economic elites either because they want their financial support (see section 5) or because they aspire to being part of that group and therefore imitate its beliefs. Clearly, different sectors of the economic elite may possess different degrees of instrumental power and it can vary across time and space. In Fairfield's model, instrumental power comes from two sources: relationships with policy makers, such as partisan linkages and

6 "Billionaires protect their time and privacy with great zeal and effectiveness. They move inside impenetrable bubbles, employing extensive cadres of intermediaries to keep the world at bay" (Page and Seawright 2014:8).
7 Korpi (1985) is the foundational article for this literature. For another review of the debate on the faces of power, see Isaac (1987) and the key contributions of Bachrach and Baratz (1963) and Lukes (1974). For recent applications of power resource theory, see Volscho and Kelly (2012) and Jacobs and Myers (2014).
8 "Variations in the differences in power resources between the classes can be assumed to have significant consequences for distributive politics" (Korpi 1985:38).
9 See Mills (1956) and Miliband (1969) for instrumental power; Block (1977) and Lindblom (1977) for structural power.

recruitment into government; and other resources, namely cohesion, expertise, media access and money.

Instrumental power and structural power reinforce each other. Incorporation of structurally powerful economic elites into the legislative and executive branches of the government is common in developed democracies and may be interpreted as the institutionalization of informal ties and common background. Moreover, instrumental power can be thought of as discursive power (other authors consider this form of power separate from the instrumental-structural framework[10]), namely the capability of business to wield influence by fashioning norms and ideas. Drawing on the policy examples in her book, Fairfield (2015) posits that economic elites' political power reaches its apex when they possess both instrumental and structural power. In the case studies she carefully examines, those two types of power are complementary and compounding, and instrumental power seems more important than structural, because it is successful in limiting the progressive reform agenda on taxation policies. Moreover, she mentions "business-financed think-tanks aiming to shape policy discourse" as a form of instrumental enhancement of structural power (Fairfield 2015:52). This paper builds on this conceptualization in section 6, describing the process by which cultural hegemony of neoliberalism has been created in recent decades, brought about by a network of cultural organizations founded and sustained by economic elites. More generally, in this framework, media influence and ownership constitute an important element of the influence over agenda formation on politically crucial policies, often linked, directly or not, to economic inequality.[11]

The most important insight of Fairfield's book for the purpose of this paper is the focus on the internal cohesion of elites, which she treats as a source of instrumental power. Cohesion helps to advance the policy preferences of economic elites by increasing their bargaining power in the legislative process. At the same time, it renders political requests from economic elites more legitimate in the eyes of the public.

Economic Elite Cohesion and Inequality Misperception

In this section, my aim is to shed light on the contrast between the internal cohesion of economic elites, outlined above and arguably crucial to elites' ability to withstand efforts to reduce inequality, and the inequality misperception of average citizens in developed democracies, as documented in a recent stream of research. This argument consciously juxtaposes two parallel findings in the literature to provide an innovative perspective to look at the power of economic elites vis-à-vis the general public.[12] I believe that highlighting the difference in the understanding of the political struggle around inequality between economic elites and the general public could lead to an improvement in the study of the political economy of inequality.

Cohesive and concerted action of economic elites

According to regime theory research, elites possess consensual unity in stable democracies (Higley and Burton 2006). Similarly, Mills' theory of the power elite (1956) presumes a cohesive

[10] For example, Fuchs (2007) draws on what Lukes (1974) calls the "third dimension of power". Fairfield argues that the sources of instrumental power in her model, namely media access, technical expertise and informal ties with policy makers, make it easier to incorporate discursive power into the broader notion of instrumental power.

[11] The influence of media on economic inequality is often mentioned in the literature, but few studies specifically examine this link. Recent exceptions are McCall (2013) and Diermeier et al. (2017).

[12] Ideally, it would have been better to compare economic elites and the general public in the same study. However, as underlined above, this has been impossible for researchers, with very few exceptions, given the enormous difficulties of interviewing economic elites (or more generally, collecting data about them).

“class consciousness” and modern elite theory considers culture and common understandings of the world as key resources of elites (Khan 2012). Common background and networks of social aggregation facilitate elite cohesion, today increasingly beyond national boundaries.[13] Domhoff (2017) emphasizes the organizational and social cohesion of the elite group who "rules America". In his model, social cohesion and organizational skills create the conditions for which the corporate community, the upper class and the policy-planning network form the power elite. As emphasized above, internal cohesion clearly simplifies coordination of information and action.

While elites differ across sectors (economic, bureaucratic/administrative, political, but also military, cultural, scientific, religious, media), in my view internal cohesion within each sector represents an important element of their strength. In particular, cohesion of economic elites increases the legitimacy of their positions and protects them from “divide-and-rule” strategies of other collective actors (Fairfield 2015). For example, common membership in corporate boards statistically explains similar preferences in terms of political campaign contributions more than the company’s sector of activity or its geographical location (Burris 2005). According to Winters (2011), oligarchs exhibit an inherent alignment of interests that does not require coordination, since it naturally arises from the desire to protect their wealth. This situation creates a “basic ideological and practical commitment to policies that advance their wealth-defense agenda” (10). Whether coordinated or intrinsic, economic elites are characterized by a cohesion that permits them to defend a situation of very high inequality from which they benefit.

This theoretical approach combining elite cross-sectoral differentiation and intra-sectoral cohesion was first employed by Bourdieu (1993). In addition to most members of economic elites belonging to a single sector, he also identified some as hyper-agents: individuals capable of moving across different sectors, thus assuring cultural legitimacy and internal cohesion. In this framework, “elite agents seek to influence societal decision-making processes, resource flows, opinion formation and wider logics of action by strengthening commitment to particular projects or objectives or to the status quo” (Maclean et al. 2017:130). These interpretations are of course based on the classical Bourdieuan idea of habitus as a socially constructed world interpretation scheme which functions as a means of class reproduction for elite groups, the usefulness of which is contested in this field of study. On the one hand, Bourdieu’s framework does not represent a suitable description for modern elites, as financialization has increased their internal diversification (Savage and Williams 2008). On the other hand, a recent study of French business elites shows that this notion of hyper-agents bridging different fields and creating an “elite of elites” remains an appropriate instrument to illustrate the functioning of elites in contemporary democracies (Maclean et al. 2017). Using social network analysis, the authors show that elite education and high-status backgrounds are still very important for the development of a corporate network that facilitates joining the class of hyper-agents. The fact that hyper-agents originate from the same social milieu is then another element that favours the internal cohesion of economic elites. This milieu is reproduced generation by generation with few new entrants to each cycle. In this context, the education of economic elites may well play a part in the reproduction of the highly cohesive structure which allows them to so successfully defend their economic position.

More generally, the high internal cohesion is potentially also the result of a well-developed capacity to receive and process relevant information on crucial economic issues (Campbell 2010).

[13] It is not uncommon that the richest members of the economic elites in Western democracies live in self-segregated insulation, surrounded by high walls, protected by private security, benefiting from private health care and overseas education. The term “insulation” is used in Reis and Moore (2005) to describe elites in the developing world.

The informational advantage of elites with respect to average citizens is particularly stark in the understanding of the complexity of tax and regulatory policy.[14]

General public

Scholars and analysists today face a conundrum which this section will explore: in the face of high levels of economic inequality within countries, why is there not more support from the general public—and in particular the poorer sections of the general public who would benefit most— for public policies that redistribute wealth and income?

One place to start is the classic political economy framework of redistribution and the median voter which analyses the redistributive outcomes in a democratic society. The very simple premise of this model by Meltzer and Richard (1981) is that a majority voting system will select the tax rate most preferred by the median voter. More specifically, the equilibrium depends on the distance between average income and median income, so that higher inequality, as measured by this distance, would lead to higher redistribution, namely a higher tax rate in equilibrium. Unfortunately, this very elegant model is not always supported by empirical observations. Indeed, economists and political scientists have long tried to reconcile the puzzle of the relationship between high levels of inequality and low demand for redistribution, and vice versa. A number of variations to Meltzer and Richard's model have been proposed,[15] but none of them seems to convincingly match data from advanced democracies.[16] Many scholars propose to shift the focus to the political power of elites, and particularly economic elites, which are able to influence political decision making in developed democracies, thus going beyond the simple framework of the median voter.[17] Here, I propose an innovative lens through which it is possible to look at this problem. Economic elites, naturally aligned by their wealth or corporate positions, have a clear picture of their interests in relation to the politics of inequality and the strategies to put in place for their protection, while average citizens are often less informed about simple linkages between public policy and inequality.

Indeed, a disconnect between attitudes to inequality and the effects of public policy on inequality has been empirically demonstrated in recent research. In an influential article, Bartels (2005) examines the contested 2001 Bush tax cuts and the 2003 repeal of the estate tax in the United States. This study revealed that the general public was unable to connect these two policies to the clear increase of inequality they brought about, even if the great majority of Americans more generally displays strong attitudes against inequality. The tax cut, which clearly benefited the wealthiest part of American society, was supported by more than 45 percent of the respondents in the 2002 American National Election Studies survey and opposed by just 12 percent, while 40 percent had not thought about it. Bartels finds that political partisanship and lack of information explain the results, meaning that Republican and conservative citizens are more supportive of the

[14] For example, she mentions "the confusion about the incidence of various taxes across income groups" (Campbell 2010:230).
[15] In the next section, I sketch Campante's (2011) variation of this model, adding campaign contributions to the equation.
[16] For example, see Benabou (2000) and Kelly and Enns (2010). Comparative analyses that take into account whether respondants reported feeling sympathy for the recipients of redistributive programmes, called social affinity, found consistent results (Lupu and Pontusson 2011).
[17] See Hacker and Pierson (2010), Bonica et al. (2013), Gilens and Page (2014), Keister (2014) and Fairfield (2015). The great majority of these accounts are related to the US. Indeed, "the top-heavy quality of American inequality poses a stark puzzle for standard models of politics that emphasize the preferences of the median voter" (Hacker and Pierson 2010:162).

tax cut than Democrats and liberals, and ignorance about politics seems to largely explain the support for, or rather lack of opposition to, this policy.[18]

A simple question arises from this study: If correct information was provided, would these common misperceptions about inequality shift? Randomized survey experiments help clarify this issue, by providing participants with information about inequality and observing how these additional elements change attitudes. Kuziemko et al. (2015) designed such an experiment exploring US income inequality and its link with redistributive policies. They found that simple knowledge about inequality raises respondents' concerns for this issue, but rarely changes their level of support for policies that might address inequality. Only when the respondents face information about a budget-constrained family and the beneficial consequences of government programmes on its income does their support for such programmes significantly increase, even if the magnitude of the effect remains small. This dynamic is driven by a profound mistrust in the legitimacy of government interventions; indeed, policies that receive the highest relative increase of support are not direct transfer programmes, but rather initiatives where government intervention is indirect, such as the minimum wage. The only case in which providing more information has a significant impact on policy preference regards the estate tax, for which support increases significantly after respondents are provided with just a four-sentence description, informing them that "only 1 person out of 1000 is wealthy enough (more than 5 million USD in wealth) to face the estate tax".

The pattern described above does not seem related to a distinctive "American ideology of opportunity in which economic inequality is natural and unobjectionable" (Bartels 2005:1), since it is also common in other European democracies. Niehues (2014) shows that in 23 European countries and the US, inequality as measured by the Gini coefficient is not significantly correlated to demand for redistribution, as measured by the questions about social inequality in the 2009 wave of the International Social Survey Program (ISSP).[19] On the other hand, Engelhardt and Wagener (2014) show that the correlation between perceptions of inequality (in terms of self-placement in the income distribution) and social expenditure (as a percentage of GDP) is positive and significant.[20] These findings illustrate that focusing on the perception of inequality instead of the real levels helps to reconcile the puzzle of the relationship between inequality and redistribution.

Similar results have been found by Gimpelson and Treisman (2018). In addition, they compare respondents' self-placement in the income distribution with their real position and find that generally people tend to think of themselves in the middle of the distribution: the rich usually underestimate their position, the poor overestimate it.[21] Further, people also misperceive changes in levels of inequality, both for wealth and income. Likewise, Kuhn (2015) comparatively measures individual perceptions of wage inequality and finds that people usually overestimate inequalities in wage levels between a typical representative of different occupational groups with

18 Bartels constructs an index of political information based on the subjective rating of respondents' "general level of information about politics and public affairs", from the NES 2002 survey. The regression also includes controls for party identification, family income and for associating the tax cut clearly to President Bush in the wording of the question.
19 The exact question is: "Differences in income in your country are too large". There are five possible answers, from "strongly disagree" to "strongly agree".
20 This study is based on data from several waves of the ISSP survey and it includes 26 OECD countries. A measure of perceived inequality is constructed from the ISSP survey question: "In our society there are groups which tend to be towards the top and groups which tend to be toward the bottom. Below is a scale that runs from top to bottom [horizontal scale: 10, top – 1, bottom]. Where would you put yourself now on this scale?"
21 Data comes from the 2009 wave of the ISSP survey and the Standardized World Income Database.

respect to aggregate levels.[22] Perhaps more importantly, subjective inequality (mis)perceptions explain variations in social preferences on inequality better than aggregated-level inequality data. While the development of the literature on this topic is quite recent, other national case studies display misperceptions of inequalities in Australia, Spain, Argentina, while Norway seems to be an exception, where citizens know accurately the level of inequality and their place in the distribution.[23]

The comparison with the internal cohesion of economic elites is striking: while in many examples the general public seems unable to understand the impact of policy changes on their own economic situation, let alone the more complex links between inequality and public policy, economic elites "know what their interests are" (Campbell 2010:230). The forms of elite capture of democracy that I will describe in the next section possibly emerge also as a result of this profound difference in the comprehension of the political economy of inequality, a result of the "enormous informational advantage" of economic elites (Campbell 2010:230).[24] Indeed, the miscomprehension of both inequality levels and inequality-reinforcing policies by the general public could be one of the many and complex reasons behind the weakness of contemporary organizational representation of the interests of average citizens.[25]

There are a number of explanations for these differences between the general public and economic elites in Western democratic countries.[26] Cognitive mistakes by the general public, like these misperceptions of levels and trends of inequality, are common when it comes to a vast array of socio-economic phenomena.[27] On the other hand, economic elites on average are not affected by the "what you see is all there is" fallacy (Loughnan et al. 2011), nor do they think of themselves in a better situation than they actually are (self-enhancement bias) (Bublitz 2017). The few available studies focused only on economic elites in Western democracies suggest that they are consciously located in the highest part of the distribution of income and wealth.

A further likely broad explanation is the fragmentation of social groups that are not part of the elite. In this sense, it can be argued that only a fraction of individuals in the general public pursues the political struggle around economic inequality and organizes accordingly. In contrast, the few empirical analyses on economic elites suggest that they are united in the strong defence of their interests.

To be sure, other factors, such as political and ideological preferences, play an important role in influencing people's judgements. For example, different beliefs about the concept of fairness, often varying across different countries, may influence the level of perceived inequality and more importantly the demand for redistribution (Luttmer and Singhal 2011). A study of the political preferences of participants in a randomized survey experiment, Karadja et al. (2017), which shows that the vast majority of Swedish people underestimate their position in the income distribution

22 The "social inequality" waves of the ISSP in 1987, 1992, 1999 and 2009 asked respondents to estimate wages of these four occupations: "an unskilled worker in a factory, a doctor in general practice, a cabinet minister in the national government, the chairman of a large national company". He builds a Gini coefficient of these four occupations and compares to the real Gini coefficient, showing that this is a legitimate comparison.
23 Norton et al. 2014; Fernánde-Albertos et al. 2013; Cruces et al. 2013; Niehues 2014.
24 Larcinese (2005) develops a formal model of redistribution that includes a wealth bias originated from the demand for information, increasing in income.
25 For example, Hacker and Pierson (2010) describes the loss of influence of unions in the US. The importance of strong unions in the politics of inequality in comparative perspective is analyzed in Pontusson (2013).
26 The picture appears different in other democratic non-Western countries. See, for example, Krozer (2020) for Mexican elites and Moraes Silva et al. (2022) for Brazilian and South African elites.
27 See, for example, the perception of tax rates (Gemmell et al. 2004), the perception of corruption (Olken 2009), or individuals' self-assessment of their own well-being as a result of various life events (Odermatt and Stutzer 2019).

and lessen their demand for redistribution after having received more information, is revealing in this regard. Namely, the underestimation of inequality is driven by individuals who reported right-of-centre political preferences who then significantly increased their support for the conservative party on receiving more accurate information on their place in the distribution of income in Sweden, placing them even further to the right on the political spectrum. Their political preferences are linked to beliefs about fairness, the distortive effects of redistribution and the importance of effort rather than luck in individual economic success.

Hence, political preferences and social beliefs are connected to inequality (mis)perception. To be sure, economic elites in advanced democracies display a broad range of different political orientations, but they tend to agree on economic issues.[28] The few analyses of contemporary elite groups' political preferences, for example technological entrepreneurs in the US, confirm this interpretation of strong internal cohesion (Broockman et al. 2017). They are more liberal than the average citizen on social issues like gay marriage, but they remain consistently more right-wing than average citizens on economic issues regarding regulation and organized labour. Moreover, they display a very positive view of markets and entrepreneurs and a high tolerance for inequality in contexts of high economic growth,[29] in contradiction to their reported support for taxation and redistribution. Further research is needed to investigate the differences in subjective inequality perception between (particular groups of) economic elites and the general public to understand whether this divide might potentially represent an important factor in the inequality-redistribution puzzle.

To sum up, the hypothesized mechanism is the following: economic elites, characterized by their high degree of internal cohesion, organize their political efforts to defend their interests, having a clear understanding of the political struggle around redistribution and inequality. On the other hand, the general public has much more difficulty judging the impact of public policy on economic inequality, which it often lacks accurate knowledge about. In addition, average citizens of Western democracies misperceive both the level of inequality in society, and their place in the income distribution. As a consequence, average citizens do not collectively organize with the same tenacity as corporate interests and wealthy elites. The difference in organizational power this translates to becomes particularly stark in an era where unions and other associative forces which could empower average citizens have consistently lost political clout for many other reasons. This argument, which can certainly be expanded on in future work, is meant to provide a different angle to explain the extremely complex inequality-redistribution puzzle through the political power of economic elites. Future research should try to understand more precisely both sides of the issue, on one hand investigating more thoroughly the drivers of the cohesion of wealthy elites, and on the other hand exploring the link between inequality perceptions and attitudes toward redistribution among the general public.

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[28] Winters writes: "It is the rare oligarch who uses material power to undercut their collective wealth-defense agenda" (2011:20). The US group of "Patriotic Millionaires", whose mission is "to build a more stable, prosperous, and inclusive nation by promoting public policies based on the 'first principles' of equal political representation, a guaranteed living wage for all working citizens, and a fair tax system", define themselves as "proud traitors to their class" in its official website.
Hacker and Pierson state that the group of billionaires, led by Bill Gates' father, constitutes the "biggest organized opposition to estate tax repeal" (2010:187). They are, in any case, minor exceptions.

[29] The statement: "Wide income disparities are acceptable if it means the economy grows faster" was preferred by 80% of the sample to the alternative: "People's income should be as equal as possible even if it slows down economic growth" (Broockman et al. 2017:36).

Economic Elites and Political Inequality

As Scheve and Stasavage (2017) point out, the political science literature still has a lot of ground to cover in understanding the "correlation between wealth concentration and the ability of the wealthy to obtain their political objectives" in democratic countries. To be sure, the current enormous level of economic inequality did not come about in a vacuum. Specific policy choices have produced the sharp rise in economic inequality seen in recent decades.[30] More precise national accounts of the link between specific policy decisions and economic inequality represent a fertile area of future research, particularly for countries other than the US.

Indeed, the impact of the wealthiest sections of US society on policy outcomes has been demonstrated in a number of studies.[31] In a seminal book, Bartels (2008) shows inequality in political representation, analyzing Senate roll call votes in the late 1980s and early 1990s for topics such as the minimum wage, civil rights, government spending and abortion.[32] Senators' voting decisions are completely unresponsive to the policy preferences of the bottom third of their constituencies in the income distribution, and the views of the upper third receives 50 percent more weight than the group in the middle.[33] Moreover, differences in the political knowledge and political participation of these three groups, like turnout or contacting elected officials, explain just a small part of unequal responsiveness and overall do not affect the main result of unequal responsiveness of Senators' votes to policy preferences of different income groups (Bartels 2008:277-280).

Gilens and Page (2014) test the four major theoretical traditions in American politics literature, namely Majoritarian Electoral Democracy, Majoritarian Pluralism, Biased Pluralism and Economic-Elite Domination, with a large data set of national surveys and policy decisions. While majoritarian theories posit that only average citizens, either alone or organized through interest groups, have a substantial impact on political decisions, the other two theories postulate a disproportionate influence of interest groups. Matching a large number of national surveys about proposed policy changes between 1981 and 2002 with the effective federal government decisions within four years after the survey was administered, they show that majoritarian theories of democracy are not supported by the data. Only the preferences of "affluent" Americans, defined as the ninetieth income percentile, and of interest groups have a significant impact on Washington's policy agenda. In other words, after the influence of economic elites and interest groups are taken into account, the impact of the average citizen on public policy is not distinguishable from zero.[34] Similarly, a proposed policy change happened more often when either economic elites or interest groups supported it (the probability scaling up from 18 to 45 percent and from 16 to 47 percent, respectively). Due to data limitations, the authors were only

30 For concrete examples of policies contributing to the rise in inequality in the US, see Winters and Page (2009), Hacker and Pierson (2010), and Bonica et al. (2013). One of the difficulties of this type of study is that the government influences the level of inequality in a variety of ways, not just through pure redistribution. For a discussion of these "market conditioning" policies, see Hacker and Pierson (2010) and Volscho and Kelly (2012).

31 For one of the most recent and comprehensive accounts of this topic in the United States, see Hacker and Pierson (2020).

32 From the online glossary of the US Senate, a roll call vote is "a vote in which each senator votes "yea" or "nay" as his or her name is called by the clerk, so that the names of senators voting on each side are recorded. Under the Constitution, a roll call vote must be held if demanded by one-fifth of a quorum of senators present, a minimum of 11."

33 Political representation scholarship distinguishes the concept of responsiveness, defined as the influence of constituents' preferences on the behaviour of elected representatives, from the similar concepts of proximity and congruence (see Bartels 2017). In this section, unless specified, I use the notion of responsiveness.

34 The findings of this article have been contested by a number of studies (Enns 2015; Branham et al. 2017; Bashir 2015), all based on the observation that the disagreement between economic elites and average citizens is limited to a relatively small number of cases. In my view, Gilens (2015a) convincingly defends the importance of this work.

able to classify as economic elites those people who fall within the top 10 percent of the income distribution, and of interest groups as the reputedly powerful groups included in the *Fortune* "Power 25" lists. More precisely, they construct an index of interest-group alignment, drawing on the work of Baumgartner et al. (2009), reflecting the positions of the most "powerful" lobbying groups for each of the 1779 policy changes in the database. Still, the preferences of economic elites as defined in this way resemble quite closely those of the "truly wealthy" in the top 2 percent, the correlation between these measures being very high, and consistently higher than the one between the top 10 percent of earners and the average citizen (r=0.91 vs 0.69). Similarly, the proxy measure for the interest groups contains only a fraction of the relevant interest groups but displays a high correlation with the full list of them.

Furthermore, it is very likely that the empirical assessments by Bartels (2008) and Gilens and Page (2014) are underestimations of the real impact of economic elites on US public policy. Indeed, the few findings on the preferences of the "wealthiest of the wealthy" show more deviations from the general public than the merely affluent, and political participation and contributions seem to display a positive relationship with income. Assuming, for the sake of the argument, that political influence is exactly proportional to wealth, Winters and Page (2009) calculate that the average member of the Forbes 400 list had 59,619 times as much influence as the average member of the bottom 90 percent of wealth holders. In this sense, it is easy to imagine that almost unlimited economic resources could equate to a substantial difference in the effect of personal contacts and pressures on individual politicians, potentially making their influence even greater. Close personal relationships between elected representatives and members of the economic elites could become part of "subterranean politics" below the public radar (Hacker 2002) and may be substantially different from contacts of normal citizens with officials. Finally, Winters (2011) insists on the "sheer versatility of material power" of oligarchs, claiming that in democracies they can buy the "defensive service of skilled professionals" to protect their wealth. The array of neoliberal think-tanks in the US, often founded by rich conservative families, that have accompanied the rise of neoliberalism since the late 1970s, could represent a good example of this process (see section 6).

The wealthiest of the wealthy in the US

As underlined above, comprehensive surveys of the wealthiest citizens in Western democracies do not exist. A partial exception is the Survey of Economically Successful Americans (SESA) pilot study, conducted in 2011, which comprises 83 Chicago-area individuals with average wealth of 14 million USD and an average annual income of 1 million USD. The very limited number of such surveys is driven by the difficult task of collecting data from elites, broadly recognized in the literature on elites.[35] Page et al. (2013) find that the preferences of economic elites exhibit clear distinctive features compared to the preferences of the general public, with the greatest deviations concerning public spending priorities on social issues, in particular health care and social security programmes, and, interestingly, environmental protection. In general, a clear conservative ideology emerges, with 87 percent supporting cuts in government budgets and opposing government redistribution through social welfare measures. Strikingly, the majority of the survey respondents (65 percent) declared they would be "willing to pay more taxes in order to reduce federal budget deficits", and likewise 58 percent of the sample favoured "cuts in spending on domestic programs like Medicare, education, and highways in order to cut the federal budget". Similarly, while almost half (46 percent) of the general public think that government has

[35] As an interviewer emphatically said: "Even their gatekeepers have gatekeepers" (Page et al. 2013:53).

the responsibility to reduce differences in income, only 13 percent of the wealthy respondents do (Page et al. 2013).

Another important peculiarity of this sample of the American economic elite is its level of political participation, higher in terms of voter turnout, attending political events, and "talking politics" than that of the general public. Most importantly, a remarkable 68 percent reported having contributed money to politics and 47 percent had made contact with a congressional official. While most of the respondents seem to have close ties with their contacts, often offering names (or first names) to interviewers, less than half of the self-reported contacts regarded matters of fairly narrow economic self-interest. Cook et al. (2014) compare the results from the SESA survey with the Pew Internet and American Life Project, conducted in 2009, and display results across different ranges of income earners. Unsurprisingly, most variables of political activity show an obvious correlation with income: this pattern is particularly clear for political contributions, contacting an official and the frequency of "talking politics"—several SESA respondents allegedly talk about it "all the time!". Regarding voter turnout, attending political meetings and generally paying attention to politics, the gap with the general public *and* with the merely affluent (defined by the authors as people with an income above $150,000) is substantial. The self-declared role of the wealthy in political financing is especially remarkable. The wealthy respondents from Chicago reported an average of 4,600 USD in yearly political contributions. Moreover, 21 percent of them reported soliciting or "bundling" contributions, thus showing an active and passionate interest in politics.

Page and Seawright (2014) study the political preferences of US billionaires, making an initial effort to extract data from websites (web-scraping) as an alternative to representative surveys. They document the "extreme reclusiveness" of certain US billionaires—apparently, Forbes does not even possess a photo of John Mars, 15th on the Forbes 400 list as one of the heirs of the Mars candy family—probably worried that taking a stand on sensitive political issues might irritate stakeholders, employees or consumers and threaten their financial success. In their book "Billionaires and Stealth Politics", Page et al. (2018) argue that disclosed political contributions by billionaires do not show a precise picture of their influence, because they engage in 'stealthy' activities without expressing publicly their beliefs to the media, particularly on topics such as taxation, immigration and social security. The Koch brothers are among the few people that publicly discussed politics,[36] along with Sheldon Adelson, who, together with his wife, contributed 103.4 million USD during the 2012 election cycle, 82.5 million during the 2016 cycle and 172.7 million during the 2020 cycle (Miller 2021), and used to "drop alarming bombshells" like: "What scares me is the continuation of the socialist-style economy we've been experiencing…what scares me is this lack of accountability that people would prefer or experience, just let the government take care of everything and I'll go fish or I won't work, etc." (Page and Seawright 2014:20). Altogether, the little available information seems to confirm the claim of more extreme right-of-centre political preferences of the wealthiest individuals in the US, at least for economic matters.

[36] The ability of the Koch brothers to shape politics in the US would deserve another article of its own. The interested reader can find the most important references quoted in Parmigiani (2021).

Political contribution finance and politically connected firms

The influence of political contributions on the behaviour of elected representatives has been investigated by scholars for a very long time.[37] The peculiarity of the American system and the *Citizens United* decision of the Supreme Court in 2010 allowing for undisclosed spending of unrestricted sums from independent groups (PACs) brings this topic even more into the spotlight in the US. Indeed, both segments of the US economic elite, namely very rich individuals and corporate groups, can directly influence public policy through political financing. Large donors spend much more money on Republican campaigns, but the increasing share of contributions by big donors to the Democratic party could likely represent a source of elite capture of progressive politics (Bonica et al. 2013). To be sure, an increasing correspondence of interests and values between centre-left parties and increasingly educated parts of society is a common trait of some developed countries, as shown by Piketty (2019).

In the US, political campaign expenditures for the 2020 presidential and congressional campaigns amount to 13.9 billion USD (Open Secrets 2020). Since 1980, campaign contributions have consistently increased both in terms of the number of people donating and the total amount of money. Moreover, even the inequality between contributions has risen substantially (Bonica et al. 2013). For example, in the 2012 presidential election, just 32 persons giving to Super Political Action Committees (Super PACs) contributed the same amount of money as all of the small donors combined—more than 3.7 million people.[38] A journalistic investigation (Confessore et al. 2015) found that 158 families, mostly clustered around nine cities, accounted for nearly half of the donations of the entire 2016 presidential campaign. Almost 90 percent of these families support Republican candidates and 40 percent of them derived their wealth from the financial sector.

A recent model of redistribution based on the framework by Meltzer and Richard (1981) captures the relevance of campaign contributions (Campante 2011). In this model, tailored to the US, individuals can decide to contribute a fixed proportion of their wealth to one party. This money helps the party to get the votes of their supporting blocks that could instead decide to abstain. This very simple addition to the classical median voter framework makes parties more willing to pander to the interests of rich individuals, so that the equilibrium tax rate in the model would be the one preferred by an individual wealthier than the median voter. An increase in inequality magnifies this endogenous wealth bias in the political process, in the sense that contributions from rich individuals become relatively more important to obtain more votes after a surge in inequality. Data for the 2000 US presidential campaign confirms the predictions of the model (Campante 2007).

The extensive literature on campaign contributions has fuelled the debate between those scholars who see contributions as a strategic move to obtain policy influence from incumbent legislators and scholars for whom contributions are motivated by an ideological choice. The first theory presumes an implicit contract of exchange of favours, while the second assumes that even large donors want to support their preferred political party without expecting a quid pro quo. Even in the latter case, since the preferences of the economic elite differ quite substantially from the ones

[37] Clearly, political contributions also aim to influence election outcomes. Whether this represents the most important reason for donating remains an empirical question, and a particularly difficult one (for a negative answer, see for example Jayachandran 2006).

[38] Author's calculation based on Federal Election Commission and Center for Responsive Politics data.

of the general public, ideological support might still be a channel of influence for the wealthier part of society.

Strategic contributions to pivotal actors in legislative chambers may buy policy influence and be decisive on specific matters influencing income inequality, as was the case when capital gains tax on the "carried interest" income made by private equity investors was reduced (Bonica et al. 2013). A randomized experiment shows that contributions from PACs facilitate access to congressional officials and that contacting politicians is easier when members of the group are wealthy (Kalla and Broockman 2016). A large body of research has demonstrated that large donors spend this relatively small amount of money in a strategic fashion. Indeed, members of important Committees receive greater contributions (see Hall and Wayman 1990), and interest groups seemingly try to influence members that legislate over issues relative to their professions, both at the federal and state level (Barber et al. 2017; Fouirnaies 2018). This behaviour seems to be consistent with seeking short-term access to powerful legislators: effectively, the moment they leave the powerful Committee, their contributions immediately experience a significant drop (Powell and Grimmer 2016; Fouirnaies and Hall 2018). More generally, studies show that the ideological preferences of elected representatives resemble more the ones of donors than of average citizens, and this effect is not driven by the affluence of politicians (Barber 2016).

In addition, two subtler mechanisms in the distortive effect of political contributions on policy outcomes may be at play: Lessig (2011) suggests, drawing on interviews with previous congressmen, that preventive alignment with the preferences of large donors could be strategic for securing necessary funding to be (re)elected. Preferential treatment such as providing access or favours may be given by elected representatives to wealthy individuals who have not already contributed, but only on the basis of the *possibility* that they might donate to their campaigns, or at least not to their opponents. An indication of the potential to donate might paradoxically be a previous contribution to a competitor's campaign.[39] These perverse channels may be compounding factors reinforcing inequality in representation and could be interpreted as a manifestation of economic elites' structural power as a signalling device (as in section 3). As mentioned above, the incorporation of large donors' preferences may impact the policy agenda even before the effective votes in the chambers. Proposals or statements against inequality could make politicians lose the support of these fundamental contributors, hence they could be wiped out by the mere structural power of corporations or oligarchs. Moreover, the phase of agenda definition in the legislative process is clearly more difficult to follow for the general public, who are often unaware of the dynamics of such "subterranean politics" that take place below the public radar.

Connections between corporate interests and politics represent another channel of influence of economic elites over the policy arena. Indeed, firms and political groups exchange favours and extract benefits from internecine relationships. From one side, corporate groups obtain rents through the financial value of the links to politicians. Faccio (2006) shows the importance of this phenomenon in a sample of 47 countries, including many Western democracies. Analysing many variables of the regulatory environment (restrictions on ownership and board membership by members of parliament (MPs) and ministers, whether or not they are expressed in the Constitution), she finds, unsurprisingly, that politically connected firms are more common in countries where rigorous limits on conflicts of interest do not exist. Moreover, the announcement

[39] See Chamon and Kaplan (2013) for a formal model that builds on this intuition.

of a firm's CEO or major shareholder entering politics, or a politician joining a corporate board, increases the company's stock price. The more powerful the politicians, or the more vested the interests of business people, the more consistent the return after the announcement.

From the other side, politicians benefit financially from connections with powerful companies, particularly after the end of their careers in office. In the US, the phenomenon of politicians joining important companies directly after leaving office is known as "the revolving door" (Utting and O'Neill 2020). The term also includes the opposite mechanism: politicians who, after joining corporate boards, return to politics, perhaps helped by friendly financial contributions. An historical account of Britain's MPs between 1950 and 1970 (Eggers and Hainmueller 2009) shows the financial benefit which accrued to individuals wielding political influence. They compare the wealth at death of MPs with that of politicians who ran for parliament and did not get elected, finding that MPs from the Conservative Party died significantly richer than unsuccessful candidates. In contrast, politicians from the Labour Party did not increase their wealth through parliamentary experience, also because they often worked for trade unions after leaving office. While this study does not explain how MPs managed to become richer, it suggests that "being elected to Parliament endowed politicians with valuable political connections and knowledge that, through directorships and other employment, helped special interests to access the levers of policy making" (Eggers and Hainmueller 2009:17). Conversely, this work confirms the importance of national politics for corporate interests that decide to hire former MPs, even when they no longer have a direct influence on policy decisions. Similarly, but more recently, Jayachandran (2006) conducted an event study around the unexpected decision of Senator James Jeffords to leave the Republican Party in May 2001 to become an independent, thus tipping control of the US Senate to the Democrats. In the week following the event, the stock prices of firms that had donated money to Republican political campaigns significantly decreased, whereas the stock prices of firms contributing to Democrats increased. This work shows how a single shock in national politics can influence the financial value of big corporations in a mature democracy.

Political inequality in the Western world

Apart from political contributions and *liaisons dangereuses* between firms and politics,[40] the common legislative gridlock characteristic of the US presidential system (due to veto points,[41] filibustering,[42] and gerrymandering[43]) may strengthen the impact of economic elites on public policy in the US. However, these results are not limited to the US. While similar studies on unequal political representation are new in Europe, the first preliminary results for Germany (Elsässer et al. 2018), Sweden (Persson and Gilljam 2017) and Switzerland (Rosset 2016) point to the same conclusion.[44] "American exceptionalism" in terms of private donations and campaign financing, weakness of labour unions, and individualistic political beliefs does not solve the puzzle of unequal responsiveness to different economic groups of citizens. Although almost all

40 For a rich account of lobbying in the US, and particularly for the relationships between interest groups and the wealthy regarding agenda formulation, see Baumgartner et al. (2009).

41 Political stalemate is relatively common in presidential systems that have a high number of veto points, namely situations in the legislative system where a single policy actor alone can interrupt the process of law approval.

42 A filibuster is a political procedure where one or more members of parliament or congress speak on a proposed piece of legislation for as long as they wish, in order to delay or entirely prevent a decision being made on the proposal. In the US Senate, a filibuster can be avoided only with a super "three-fifths" majority.

43 Gerrymandering is a tactic by which the borders between electoral districts are redrawn with the aim of favouring a particular party or group. It is similar to redistricting, or the process of adjusting the size of electoral districts to the changing number of inhabitants.

44 Sidney Verba and Gary Orren emphasize the difficulties in these types of studies when they write: "Political equality cannot be gauged in the same way as economic inequality. There is no metric such as money, no statistic such as the Gini index, and no body of data comparing countries. There are, however, relevant data on political participation" (1985:5).

Western European parties do not rely on big donors, given the existence of state subsidies (UK, Switzerland and Luxembourg excluded) and "grassroots" funding (Koß 2010; Nasmacher 2009), they seemingly share with the US strong inequality in representation.

Elsässer et al. (2018) adopt a similar research design to Gilens (2012) for Germany, a country where a consistently lower amount of money is spent on electoral campaigns compared to other countries, and where the great majority of party funding is in the form of state subsidies and membership contributions. In their analysis, the impact of the preferences of the poorest group of citizens is not only statistically insignificant, but also negative. This means that paradoxically, the policy changes less likely to get implemented are the ones with the highest level of support among the 10th income percentile. Overall, this evidence suggests that *Bundestag*'s (German parliament) decisions are not only generally not responsive to the poor, as in the US; they actually go against their preferences on issues that the poor and the rich disagree on. Even more distant from the US on the spectrum of Western democracy, Sweden exhibits a similar pattern of unequal responsiveness by income group (Persson and Gilljam 2017). Not surprisingly, the positive correlation between preferences of high-income citizens and policy change is higher for periods of centre-right government compared to social democratic governments.

Rosset (2016) finds that the political preferences of low-income groups in Switzerland concerning redistribution and social security issues differ from the rest of the population, and their preferences are not represented in the National Council. The median member of this chamber in terms of his/her position in the National Council income distribution is much less in favour of government intervention in the economy than a citizen in the top third of the income distribution. The results of this study confirm that the tendency of inequality in political representation is common in European countries. Moreover, strict cantonal[45] regulation for political contributions to parties diminishes political inequality in some regions of the country, thus validating the plausibility of political finance as a driver of inequality.

Altogether, this evidence reinforces other theories explaining the political influence of economic elites, independent from inequality in campaign contributions and party funding.[46] Studies on inequality in political voice focus on the differential political participation of high-income and low-income groups, specifically in terms of voter turnout and involvement in political activities more generally. Put simply, family income is the single most important element for predicting political participation (Schlozman et al. 2012). In this sense, elected representatives might consider the preferences of low-income groups as less important if they are less likely to turn out to vote at the next election. Similarly, low-income groups' political preferences could be considered less coherent, since poor citizens generally are less well educated, and have a lower level of political knowledge than rich citizens (Erikson 2015). That would also indicate that the benefit to a political party of obtaining the vote of a high-income citizen is marginally higher than that of a low-income citizen, given that the latter is more likely to change their mind in following elections. Another possibility is that elected officials in Western democracies are themselves not representative of the general population, but tend to come from more privileged groups, either in

[45] A canton is a type of administrative division of a country. In Switzerland, the twenty-six cantons are the member states of the Swiss Confederation.

[46] The interested reader can find the most recent analysis of systems of campaign finance in the Western world, along with a rich set of policy prescriptions, in the recent book by Julia Cagé (2020).

terms of education, income or wealth.[47] Existing studies suggest that this bias in descriptive representation could partially explain political inequality, a promising area for future research.[48]

Comparative studies recently examined the extent of inequality in political representation around the world. Lupu and Warner (2022) make use of every available survey of national legislators matched with mass opinion surveys across 52 individual countries and 31 years, showing that the congruence on a left-right scale between most affluent citizens' preferences and the platforms of elected representatives is consistently higher than that of less affluent citizens.[49] This difference remarkably amounts to 17 percentage points on the ideological scale and it does not resolve the puzzle, since it does not seem to be explained by any of the usual four channels (campaign finance, differences in turnout, proportional representation, coherence of political preferences). This result confirms the need for a deeper understanding of the causes of unequal representation.

The Neoliberal Cultural Approach

Domhoff (2017) describes the power elite in the US as a group formed in part by the upper class, the corporate community and the "policy-planning network", a complex system of foundations, think tanks, research institutes and policy discussion groups. Domhoff (2017) claims that this broad network has been able to shape social norms and policy over a period of many decades. Through generous funding from corporations, the actors in this network produce research that promotes policies that serve the interests of economic elites. In other words, the network is involved in the production of knowledge that preserves the privileged power position of economic elites.

Policy discussion groups arguably represent the actor in the network that guarantees high cohesion among economic elites. In the meetings of these groups, members of the economic elite come together with policy specialists to discuss and structure political positions on important matters. In this sense, policy discussion groups are instrumental to the organizational power of economic elites, making sure that their political desiderata will be effectively heard by policy makers.

Domhoff (2017) traces the origins and evolutions of many foundations, think tanks and policy discussion groups and shows that the corporate community and the policy-planning network are very much linked one with the other. The importance of this network is confirmed by Burris (2005), who shows the significance of interlocking directorates of the twenty leading policy planning organizations[50] for the high political cohesion of corporate elites, in terms of campaign contributions in the 1980 presidential election. The policy planning network has enjoyed a prominent position in the cultural landscape of the US through its ability to marginalize more liberal experts, arguably shaping public opinion for many decades. While this network can be theoretically seen as a separate branch of the power elite, Domhoff (2017) indirectly suggests the inescapable role of money as a means of "buying" the service of relevant intellectual figures. The acquisition of this cultural army derives from the foundational power of economic elites to capture

[47] Carnes (2013) names this phenomenon "white-collar government". In the US, Lipton (2014) found that Congress is a "millionaires' club", meaning than more than half of their members exceed that figure in personal wealth. Congressional salaries alone place congressmen in the top decile of the income distribution (Gilens 2015b).

[48] For an overview, see Pontusson (2015). Bartels' (2008) seminal study shows that differences in political participation, like turnout or personal contacts with officials, do not account for unequal responsiveness in Senate roll call votes.

[49] Congruence is measured through surveys of politicians and the general public that ask respondents to place themselves on a scale from left to right.

[50] These include famous institutes and foundations like the Cato Institute and the Heritage Foundation. The complete list can be found in Burris (2005:261).

the favour of influential highbrows: “To a Wall Streeter, intellectuals are pretty cheap” (77).[51] In other words, the wealth of economic elites has allowed them to finance a group of intellectuals that worked in neoliberal cultural institutes and were crucial for promoting a conservative worldview.

In an influential article, Susan George claimed that the dominance of neoliberalism “did not descend from heaven” (George 1997:50). Drawing from the concept of cultural hegemony by Antonio Gramsci, she argued that neoliberals are the rightful heirs of this Gramscian tradition; following their belief that “ideas have consequences”, they have created a system of institutions to sustain culturally the neoliberal turn of Reagan and Thatcher. Again, the key ingredient of this long-term process was material wealth: in her words, “it takes money to build intellectual infrastructure and to promote a worldview” (48). In this sense, economic elites have always been crucial for the diffusion of ideas that primarily benefit them. Similarly to Domhoff, she named the American Enterprise Institute, the Heritage Foundation and other smaller think tanks as the most influential organizations and tracked their openly partisan origins. In her reconstruction of the initial grants this network received from various right-wing families, neoliberals’ complete consciousness of the power of ideas in the long-term is quite striking: “We are in this for the long haul”, said the director of the Bradley Foundation in the 1990s (George 1997:50).

This long process of agenda-setting can be traced back all the way to 1947, the year of the foundation of the Mont Pelerin Society by Friedrich von Hayek. Bregman, in his recent bestseller “Utopia for Realists”, describes Hayek and his successor Friedman as “firm believers in the power of ideas”, able to move from being part of a minority sect to a position of influence that “dictators and billionaires can only dream of” (2017:153). These neoliberal thinkers, by continually blaming the government and emphasizing the flaws of Keynesianism,[52] managed to make their thought dominant half a century after. They have manufactured ideology; they have created consent through the persistent and aggressive insistence on neoliberal ideas.

These hundreds of millions of dollars spent every year for the institutional diffusion of right-wing thinking have not been matched by any comparable effort from the other side. Many of the political factors that have led to the sharp rise in inequality in the last four decades, such as the weakening of labour unions and the threat to European welfare state models, “would have been impossible without the creation of an *intellectual* climate” that made these changes appear as “natural and inevitable” (George 1997:51). The TINA (There Is No Alternative) rhetoric and the continuous attack on any type of government intervention, along with the glorification of individual freedom, have been key elements in the neoliberal creation of a fiction of the social legitimacy of inequality. The weakening of the political authority of democratic governments[53] lowered the trust of citizens in state intervention and hence the support for public policies against inequality. At the same time, elite capture of democratic legislative processes increased public distrust of government. While a complete reconstruction of the cultural arguments that sustained or justified such a dramatic increase in inequality is beyond the scope of this paper,[54] it is evident that the “rise of conservative prescriptions did not occur in a political or organizational vacuum.” (Hacker and Pierson 2010:175). As the authors document, in the 1970s US business organizations

[51] A senior fellow of one of these organizations remarkably underlines the relatively cheap price of intellectuals in this reported citation: “There are wedding rings that cost more than I do” (Domhoff 1967:77).
[52] One example of such a flaw, suggested by Bregman, would be the stagflation of 1973: Friedman had predicted it.
[53] "Government is not the solution to our problem, government is the problem", Ronald Reagan (in)famously stated in his 1981 inaugural address.
[54] For a good discussion, see Harvey (2007).

remarkably increased their presence in Washington and expanded their role by creating a system of cultural organizations, such as foundations and think tanks, to "shift public opinion and public policy in a conservative direction through aggressive communication efforts" (176). These initiatives were often led by "wealthy Sunbelt activists", described as "staunch economic conservatives and fiercely critical of the post-World War II domestic settlement between labor and industry", who were able to involve the general public in order to "flood Washington with letters and calls" (176). In addition, corporate interests substantially increased their political donations in that period, sustaining moderate Democratic incumbents and, mostly, the Republican party, both in terms of re-electing favoured politicians and party-building efforts. The resulting elected representatives started a deregulatory and tax-cutting agenda: "Financing the GOP[55] was an investment" for business elites (177). Business groups consolidated in that decade the type of relationships with politicians and regulators (revolving doors) described in the previous sections.

In recent times, this arsenal has been used to favour the highly unequal status quo. Gilens and Page (2014) present the very strong status quo bias in US policy decisions between 1981 and 2002, arguing that even when a large majority of the public (80 percent of the population) favours a specific policy change, it only happens 43 percent of the time. It is easy to imagine then that, given the ideological dominance of neoliberalism in recent times, many pro-poor policy changes do not even enter the debate, rather disappearing in the agenda-setting phase before they can receive formal consideration. Effectively, political debates in Western European democratic countries, even in times of crisis and suffering for large segments of the population, rarely centre around progressive taxation.

Economic Inequality and Policy Feedback

There is another element in the politics of inequality that has usually been understated in recent research and, in my view, should be highlighted and scrutinized further. As I have briefly outlined, the cultural approach and other channels of economic elite power have facilitated the implementation of policies generating or reinforcing inequality by creating a narrative of socially legitimate economic inequality. The current high-inequality status quo derives its strength also from the idea of policy feedback, meaning that "public policies are not merely products of politics but also shape the political arena and the possibilities for further policy making" (Campbell 2012:334). This concept is not comparable to the normal electoral effects of policies; it posits that "they change basic features of the political landscape, can set political agendas and shape identities and interests. They can influence beliefs about what is possible, desirable, and normal" (Soss and Schram 2007:113). Feedback refers to the idea that "policies, once enacted, restructure subsequent political processes" (Skopcol 1995:58).

In practice, policies can produce consequences for individuals' attitudes in a myriad of different fashions. In a seminal contribution, Pierson (1993) divides policy feedback effects into two categories: resource effects and interpretive effects. While the former refer to the resources and incentives that policies create for the general public, organized interests and political elites, the latter concern the ways policies work as symbolic sources of social information. The existence of these two types of effect reflects the dual nature of government policies: on the one hand, they are instrumental acts with substantial consequences for the allocation of resources, but on the other hand they possess "symbolic uses" that send different messages to diverse political

[55] Abbreviation of Grand Old Party, an alternative name for the Republican Party.

audiences (Edelman 1964). The formation of political constituencies by groups that receive cash transfers from the welfare state represents the most straightforward example of a resource effect. By defining membership of such groups, policies assign rights to some individuals, for example making disadvantaged people feel they belong to the society they live in. This may clearly affect their inclination to participate in civic and political life, meaning that public policies have the capability to shape political experiences of different social groups (Mettler and Soss 2004). On the contrary, policies that exclude certain populations from entitlements may depress political participation in terms of turnout, thus potentially increasing inequality. While this argument is surely not negligible, my focus here is on the interpretive effects of policies that influence citizens' attitudes toward inequality and redistribution.[56] Indeed, "policies convey messages about the underlying nature of a problem and […] have the potential to affect the salience of issues and actions for the public" (Mettler and Soss 2004:62).

Building on the concept of policy feedback, I claim that the current high level of economic inequality in Western countries has been sustained by a number of policy decisions that in the last four decades pointed, almost inevitably, to greater inequality. In other words, I argue that government policies possess the symbolic strength to influence what people think about inequality, and the consequent changes in public opinion could in turn create policy space for new inequality-increasing policies, so that the process restarts, cyclically. The neoliberal turn that started in the late 1970s in advanced democracies not only led to rising inequality, but also created feedback effects. Policies and their legislative implementation demonstrated to the public "inequality in action" in the policy arena. In fact, these political decisions, together with the sometimes long process of their legislative implementation, changed the public perception of inequality and, more importantly, conveyed the message that inequality is acceptable, inducing citizens to think of enormous economic disparities as natural (Edelman 1964).[57]

To be sure, welfare state policies protecting poor and disadvantaged persons with monetary transfers and inclusionary reforms testify of the active role of governments in recognizing rights of these people. Hence, the mechanism through which solidarity towards welfare beneficiaries is transmitted relates to the specific policies that democratic governments have adopted over the course of decades, and the consequent political discourse developed around them. However, the material consequences of a policy and the symbolic meanings that are attributed to it by the general public do not point necessarily in the same direction (Edelman 1964). Resource and interpretive effects of the same policy could be substantively different. For example, the neoliberal rhetoric disparaging the recipients of allegedly exaggerated welfare benefits (Reagan repeatedly used the phrase "welfare queens") aimed to reinforce despicable stereotypes of these groups of beneficiaries. If successful, these kinds of interpretive effects will have a negative impact on public opinion, opposite to the progressive resource effect of welfare state policies. Moreover, the symbolic nature of government decisions transforms complex topics into focusing events that provide biased cues to the general public. Highly contested decisions, such as when Reagan fired striking air traffic controllers in 1981 or Thatcher's battle against miners' trade unions a few years later, legitimized unequal treatment of some groups of citizens by the government, the highest political authority in a democracy. Hence, the tolerance of inequality is legitimized by these symbolic decisions.

[56] In the interest of space, I also set aside the differences between this exploratory argument and the well-known concept of path dependence (see, for example, Pierson 1993).

[57] A popular example of the acceptance of huge inequalities in the labour market is the difference between the earnings of a CEO and an unskilled worker of the same company, whose ratio has skyrocketed in the last decades.

Clearly, it is difficult to imagine that a single policy could realistically have such powerful effects. Rather, I hypothesize that the sum of a great number of highly visible inequality-inducing policies and/or a stigmatizing discourse may have triggered these feedback effects. Over the course of many decades, and in parallel with a conservative rhetoric centred around individual freedom and opposition to state intervention, this process contributed to rendering the current, unprecedented level of inequality socially acceptable.[58] In other words, these policy decisions may have gradually informed beliefs about the social legitimacy of inequality, thus undermining demand for redistribution. Clearly, this process has not occurred uniformly across different countries. Empirically demonstrating and tracing the positive feedback effects of inequality-enhancing policies across different countries or varieties of capitalism remains an important task for future research.[59]

Conclusion

It is in the interplay between politics and policies that the power of economic elites exhibits its compelling capacity to block any serious, non-cosmetic attempt to address the problem of rising inequalities in contemporary democratic countries. Indeed, economic inequality has reached unprecedented levels and inequality in political representation seems to be a common characteristic of Western democracies, across very different institutional systems. Exploiting their structural and instrumental power, economic elites have been able to substantially influence the legislative process in their favour, thus consolidating these large economic disparities through specific policy decisions (and non-decisions). Different levels of political participation by different income groups, large inequalities in political funding and close relationships between big corporate groups and elected representatives represent some potential explanations. Future research should be able to distinguish or give appropriate weight to these accounts.

A subtle and longstanding cultural approach has sustained economic elites' power, which originates first and foremost from the material resources and the common interests they protect. But it is in the iterative game of politics that economic elites display their ultimate influence, by shaping public norms and beliefs for their political objectives and determining policy decisions in their favour. Networks of numerous cultural organizations have been formed to sustain the social legitimacy of inequality, lauding individual freedom and disparaging the role of the welfare state. At the same time, policy choices of governments that increased inequality have fed back into public beliefs about economic disparities, thus undermining demand for redistribution. Inequality remains pervasive as a result of this two-dimensional movement which, on the one hand, cyclically allows for its legitimation through multiple feedback effects from previous inequality-enhancing policies, and on the other, protects it through the strenuous cultural defence of neoliberal ideas.

To conclude, let's speculate about the losers of the remarkable rise in inequality that Western countries have experienced during the last four decades, namely the poorest citizens of developed

[58] In the US, this process has been sustained by a number of neoliberal foundations and think tanks, often established by wealthy conservative families (Domhoff 2017; George 1997); see also Harvey (2007) for a wider argument on neoliberalism.

[59] The few empirical studies on this topic have been focused on political elites, more likely to react to policy changes than the general public (see Anzia and Moe 2016). For exceptions, see Soss and Schram (2007) and Marx and Starke (2017). For a formal model of electoral competition with policy feedback effects, see Prato (2018).

democracies. The literature of inequality misperceptions suggests that the general public displays some serious difficulties in the understanding of the problem of economic inequality. At the same time, studies of political inequality reveal that the impact of the preferences of the poorest citizens on policy decisions is negligible. These observational findings call into play the political organizations that have historically protected the interests of the poorest parts of society: centre-left parties. Clearly, the decline of these parties' ability to gain the favour and the vote of low-income citizens is a vast topic beyond the scope of this paper, but these results seemingly indicate that information about inequality and representation of their interests through policy choices are crucial objectives for these parties to establish, or re-establish, a connection with this part of society. A strong discourse which delegitimizes economic inequality could be one way to achieve the first aim, and a focus on real problems of average citizens by centre-left governments might help to achieve the second, thus realigning with the preferences of low-income citizens. Indeed, it could be argued instead that centre-left parties have recently focused their attention on different narratives, for example on individual and minority rights, and that centre-left governments have generally overlooked the rise of economic inequality, thus favouring economic elites. The findings reported in this paper should inform them to change track and take the needs of working-class people into more serious consideration.

In this sense, centre-left parties should form alliances with unions and other societal organizations to create a movement of public opinion strong enough to reverse the cultural hegemony that neoliberalism has enjoyed in the last decades. The primary target of this campaign would naturally be the working class, which is today greatly divided in terms of political beliefs and voting patterns. For this reason, this movement of opinion would need a popular voice, and to utilize new mass media, including social media. When in government, these political parties should approve progressive legislation that substantially improves the lives of the poorest class of citizens and at the same time engage in effective communication campaigns about these new policies, emphasizing the inequality issue over other matters related to identity politics, like nativism and protectionism. This new communication should also emphasize the potential positive effect of social inclusion and cohesion, thus legitimizing again a certain type of state intervention. While this set of recommendations might appear very demanding, increasing the salience of the economic inequality issue would arguably constitute an attainable first step in the reversal of the troubled relationships between centre-left parties and the poorest class of citizens.

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