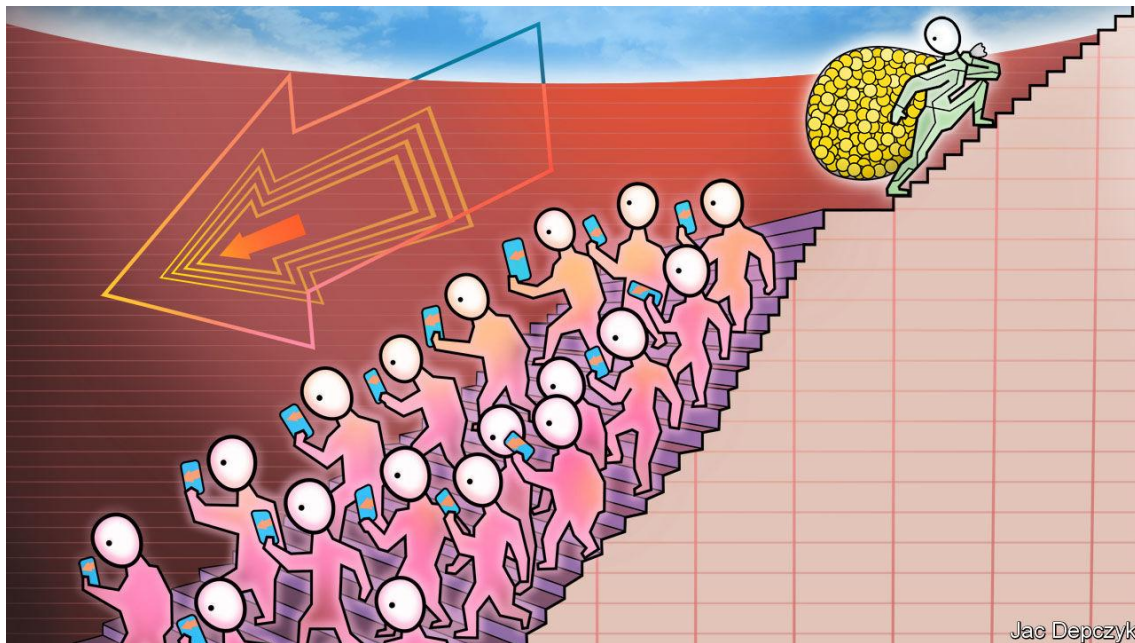


## As inequality grows, so does the political influence of the rich

*The Economist*, July 21st 2018

*Concentrated wealth leads to concentrated power*



Squeezing the top 1% ought to be the most natural thing in the world for politicians seeking to please the masses. Yet, with few exceptions, today's populist insurgents are more concerned with immigration and sovereignty than with the top rate of income tax. This disconnect may be more than an oddity. It may be a sign of the corrupting influence of inequality on democracy.

You might reasonably suppose that the more democratic a country's institutions, the less inequality it should support. Rising inequality means that resources are concentrated in the hands of a few; they should be ever more easily outvoted by the majority who are left with a shrinking share of national income.

Indeed, some social scientists think that historical expansions of the franchise came as governments sought credible ways to assure voters that resources would be distributed more equitably. Daron Acemoglu and James Robinson argue that in the 19th century governments across the West faced the threat of socialist revolution. Mere promises of greater redistribution were insufficient to eliminate such threats; institutional guarantees were needed. Giving credible guarantees, they reckon, meant increasing the share of the population allowed to vote. Other researchers argue that anti-majoritarian institutions embedded within democratic systems, such as Britain's House of Lords and America's electoral college, were prized by elites not because they seemed likely to lead to better policies but because they served as a check on the egalitarian tendencies of the masses.

But studies of the relation between democracy and levels of inequality point in conflicting directions. Mr Acemoglu and Mr Robinson tackle the question in another paper, co-written with Suresh Naidu and Pascual Restrepo. They conclude that democracies raise more taxes than non-democracies do. But this does not translate reliably into lower levels of income inequality.

One possible reason for this disconnect is that people do not care much about inequality, or want their politicians to do anything about it. The results of surveys suggest otherwise, however. When asked by pollsters, more than two-thirds of Americans and Europeans express concern about current levels of inequality. Alternatively, the creaky wheels of Western democracies might have become too jammed to make progress on any issue of substance, whether inequality or some other persistent problem.

But this answer is also unsatisfying. The rich world has seen big policy shifts over the past decade. Last year America's government managed to make a sweeping change to taxes — one that tilts the distribution of income even more in favour of the rich. And in a recent study of European politics, Derek Epp and Enrico Borghetto find that political agendas in Europe have become less focused on redistribution even as inequality has risen. Though both inequality and public concern about it are increasing, politicians seem less interested in grappling with the problem.

Mr Epp and Mr Borghetto think another possible explanation should be considered. Rather than straightforwardly increasing pressure on politicians to do something about skewed income distributions, they suggest, rising inequality might instead boost the power of the rich, thus enabling them to counter the popular will. Research in political science gives substance to the impression that America's rich wield outsize influence. An examination of the political preferences of those with \$40m or more in net worth by Benjamin Page, Larry Bartels and Jason Seawright found that they overwhelmingly favour cutting spending on major social-safety-net programmes. (The general public wants it increased.) They are also more politically engaged than typical Americans: much more likely to have regular personal contact with elected officials, for example, and to give money to political campaigns. An analysis of campaign donations by Lee Drutman found that fewer than 30,000 people account for a quarter of all national political donations from individuals and for more than 80% of the money raised by political parties.

The relation between concentrated wealth and the political power of the rich is scarcely limited to political spending, or to America. The rich have many means to shape public opinion: financing nominally apolitical think-tanks, for instance, or buying media outlets. Although their power may sometimes be used to influence the result of a particular vote, it is often deployed more subtly, to shape public narratives about which problems deserve attention. Mr Epp and Mr Borghetto analysed bills brought before the parliaments of nine European countries between 1941 and 2014. Rising inequality, they found, is associated with political agendas more focused on matters related to "social order", such as crime and immigration. Issues such as economic justice are crowded out. They attribute this to the "negative agenda power" of the rich. As their wealth increases, they have a greater ability to press politicians to emphasise some topics rather than others.

A rising tide lifts all votes

The evidence that concentrated wealth contributes to concentrated power is troubling. It suggests that reducing inequality becomes less likely even as it becomes more urgent. It implies that a vicious cycle of rising inequality may be developing, with a loss of democratic accountability as a nasty side-effect. Some social scientists argue that this is, indeed, the way of things. In "The Great Leveler", published last year, Walter Scheidel writes that, across human history, inequality inevitably rises until checked by disasters like wars or revolutions.

This is excessively pessimistic. The rich are powerful, but not all-powerful, or uniform in their determination to keep distributional policies off the agenda. And Western democracies still function. If political leaders tried it, they might well find that redistribution is a winner at the ballot box.

Sources cited in this article

["Why did the West extend the franchise?: democracy, inequality and growth in historical perspective"](#), Daron Acemoglu and James Robinson, *Quarterly Journal of Economics*, 2000.

["Democracy, redistribution and inequality"](#), Daron Acemoglu, Suresh Naidu, Pascual Restrepo and James Robinson, *Handbook of Income Distribution*, 2015.

["Economic inequality and legislative agendas in Europe"](#), Derek Epp and Enrico Borghetto, 2018.

["Democracy and the policy preferences of wealthy Americans"](#), Benjamin Page, Larry Bartels and Jason Seawright, *Perspectives on Politics*, 2013.

["The political one percent of the one percent"](#), Lee Drutman, Sunlight Foundation, 2011.