

# STACKED DECK

## How the Dominance of Politics by the Affluent & Business Undermines Economic Mobility in America

**I**f there is one idea that nearly all Americans can agree on, it is that everyone should have a chance to improve him or herself and do better in life. At the same time, Americans strongly believe in political equality—the view that civic life should be a level playing field and everyone should have a voice in the decisions that affect their lives.

Yet today, there is wide recognition that America is not living up to either of these ideals. A host of indicators show the middle class is struggling—and worse, shrinking—and that upward mobility is elusive for many Americans. Meanwhile, evidence abounds that our political system is increasingly dominated by wealthy and corporate interests, and strong majorities of the public believe—rightly—that the deck is stacked against ordinary voters.

What is less understood, however, is the interplay between these two problems and how today's growing chasm of income and wealth translates into diminished opportunities for Americans lower down the economic ladder.

*“Wealthy interests are keenly focused on concerns not shared by the rest of the American public.”*

**THE AFFLUENT HAVE DIFFERENT PRIORITIES.** 68 percent of the general public believes Washington ought to see to it that everyone who wants to work can find a job. Only 19 percent of the wealthy believe the same.<sup>1</sup> At the same time, the wealthy are twice as likely to name the budget deficit as the most important issue in deciding how they vote than middle or lower income respondents.

**THE AFFLUENT DON'T PRIORITIZE POLICIES FOR UPWARD MOBILITY.** Even when the affluent do support policies for upward mobility, they often do not prioritize these policies over other goals, such as lower taxes. For example, catering to wealthy and corporate interests, New Jersey cut higher education funding by \$1.6 billion, almost exactly the same amount as the state gave away in corporate tax breaks (\$1.57 billion).<sup>2</sup>

**THE PRIORITIES OF LOWER INCOME AMERICANS ARE OFTEN IGNORED OR BLOCKED.** The general public is twice as likely to support raising the minimum wage high enough to keep families out of poverty as affluent respondents. However, as Washington representation of low-income Americans is virtually non-existent while well-funded groups like the U.S. Chamber of Commerce—which spent at least \$53 million in 2007 when the minimum wage was last debated<sup>3</sup>—fight back any increase, the real value of the minimum wage is 30 percent lower today than in 1968.

**THE AFFLUENT HAVE MORE INFLUENCE OVER POLICY OUTCOMES, ESPECIALLY WHEN IT COMES TO ECONOMIC POLICY.** According to Professor Larry Bartels, “the preferences of people in the bottom third of income distribution have no apparent impact on the behavior of their elected officials.”<sup>4</sup> People of color are disproportionately represented in the bottom third income percentile—53 percent of African Americans and 45 percent of Latino Americans are in the bottom third of income distribution.<sup>5</sup>

We see this effect clearly when studying the history of the capital gains tax rate: While polling has long shown that a majority of Americans think that wealth should be taxed at the same rate as work, the “donor class,” which almost perfectly overlaps with the small percentage of Americans benefiting from low capital gains rates, has secured cuts time and again.

How? Of those who contribute more than \$200 to a campaign, 85 percent have annual household incomes of \$100,000 or more. An annual income of \$100,000 puts a household in the top 20 percent of income earners—the same class that receives 94 percent of capital gains.<sup>6</sup> Keeping the capital gains low is also a top tax priority for the U.S. Chamber of Commerce and other business groups. In 2011

and 2012, in addition to the Chamber, over 80 interests lobbied on the House bill to make the capital gains tax rate permanent.

**THE AFFLUENT PARTICIPATE MORE IN POLITICS AND CIVIC LIFE.** Affluent Americans are more likely to engage in nearly every kind of political activity, from voting to contributing to a campaign. In fact, in 2008, over 80 percent of the wealthy voted while only about half of low-income Americans did. In 2010, the gap was even larger.<sup>7</sup>

The imbalance in campaign contributions is even more skewed. Just 0.07 percent of the U.S. population made campaign donations of \$2,500 or more in 2012. Over 90 percent of donations come from majority white, wealthy neighborhoods while only four percent came from Latino neighborhoods, even though Latinos comprise 16 percent of the U.S. population. 2.7 percent came from majority African-American neighborhoods and less than one percent came from Asian neighborhoods.<sup>8</sup>

**POLITICAL AND ECONOMIC INEQUALITY ARE MUTUALLY REINFORCING.** It is becoming clearer that the tilted playing field of U.S. politics, with affluent voices speaking most loudly, is itself a driver of inequality. Indeed, as a study by the Congressional Research Service found, looking at the period between 1996 and 2006, “changes in capital gains and dividends were the largest contributor to the increase in the overall income inequality” between 1996 and 2006.

The wealthy are using their political power to increase their wealth -- and in some cases, to stack the system against everyday Americans. For example, the U.S. Chamber of Commerce has repeatedly blocked campaign finance reform efforts, and the American Legislative Exchange Council played a significant role in helping pass voter ID laws, which disproportionately affect low-income voters and people of color—communities already underrepresented in our democracy.<sup>9</sup>

Our political system is clearly becoming less responsive to those looking for a fair shot to improve their lives and move upward. A comprehensive effort to create a more balanced society, one where the deck isn't stacked in favor of the wealthy, must achieve progress in four main areas: restricting the influence of money in politics; increasing civic participation; making corporations accountable to a broader array of stockholders; and promoting a stronger and more diverse middle class.

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## ENDNOTES

1. Benjamin I. Page, Larry M. Bartels, and Jason Seawright, “Democracy and the Policy Preferences of Wealthy Americans,” *Perspectives on Politics* 11:1, pp. 51-73.
2. See Gov. Christie Hands Out Record Amount Of Corporate Tax Giveaways, Gets Few Jobs In Return, at <http://thinkprogress.org/economy/2012/04/05/459296/christie-corporate-tax-giveaways/>, See Poll: Majority of N.J. voters oppose Gov. Christie's education cuts, teacher merit pay, at [http://www.nj.com/news/index.ssf/2010/11/poll\\_majority\\_of\\_nj\\_voters\\_opp.html](http://www.nj.com/news/index.ssf/2010/11/poll_majority_of_nj_voters_opp.html)
3. See Open Secrets, *US Chamber of Commerce Lobbying 2007*, at <http://www.opensecrets.org/lobby/clientsum.php?id=D000019798&year=2007>
4. See Bartels, *Unequal Democracy*, p. 285.
5. Dēmos calculations of Current Population Survey
6. See Tax Policy Center, *Income Breaks*, at <http://taxpolicycenter.org/numbers/displayatab.cfm?DocID=2970>
7. See *Voting and Registration in the Election of November 2008 – Detailed Tables*, at <http://www.census.gov/hhes/www/socdemo/voting/publications/p20/2008/tables.html>, See *Voting and Registration in the Election of November 2010 – Detailed Tables*, at <http://www.census.gov/hhes/www/socdemo/voting/publications/p20/2010/tables.html>
8. See Open Secrets, *2012 Overview—Donor Demographics*, at <http://www.opensecrets.org/overview/donordemographics.php>, See *Communities of Color Donate Far Less to Presidential Campaign*, at <http://www.policyshop.net/home/2012/11/5/communities-of-color-donate-far-less-to-presidential-campaign.html>
9. See *Flurry of Voter ID laws tied to conservative group ALEC*, at [http://openchannel.nbcnews.com/\\_news/2012/08/21/13392560-flurry-of-voter-id-laws-tied-to-conservative-group-alec?lite](http://openchannel.nbcnews.com/_news/2012/08/21/13392560-flurry-of-voter-id-laws-tied-to-conservative-group-alec?lite)

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