Politics and Money

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The rise of the welfare state in modern industrial nations changed the role of money in their politics. From time immemorial, governments had redistributed wealth; the burdens of taxation and other revenue gathering always fell differently than did the benefits of their programs. But the coming of the welfare state—for Americans, with the onset of the Roosevelt New Deal in the 1930s—altered that effect in two key ways. First, redistribution often became a matter of explicit intention; the desire to shift resources to the less advantaged is intrinsic to most ideologies of the welfare state. Second, the welfare state has dramatically increased the amount of money being redistributed. All government expenditures accounted for only 10.5% of the American gross national product in 1930; by 1940, it had risen to 14.2%. It was 20% in 1990.

The salience of money as a political issue has, however, increased for millions of Americans for reasons other than the growth of the public sector. Especially, it reflects the rise of a media-driven consumerism. It is not a large step from the proliferation of money magazines, newspaper columns on money management, and money features on radio and TV—the magazine *Money* has a circulation of about 1.5 million—to media stories that regularly report the per capita cost to "you, the taxpayer" of a weapons system or a lengthy murder trial. The costs of collective goods are increasingly reduced to price tags for the individual—with the implicit invitation to judge them by the standards of individual, personal finance.

In a very literal way, "money" encompasses everything that government does. It taxes and spends money; it budgets money; its fiscal and monetary policies have enormous impacts on national and international economies. In these ways, it shares a major interface with the economy and economics; some (e.g., Lindblom, 1977) would argue that government and the marketplace are indeed inextricably linked. For political science, however, concern with money centers on its role in the *politics*, the mobilizations of support

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and influence, which set the the courses of government action. The structure of this article reflects the two chief ways in which money figures in the discipline's analysis of politics: money as indicator of political power and influence and money as animator of political perceptions and choices.

MONEY AS POWER AND INFLUENCE

No less a pioneer in political science than Aristotle (1943) argued that unequal distributions of wealth were the greatest source of both political activity and political instability. From that insight, it is not far to the conclusion that wealth (or property or money) is the chief source of political power or influence and the major definer of its distribution into political classes or simply into the powerful and the powerless. From that fundamental truth, much else flowed. Political conflict reflected the opposing interests of these classes, pitting haves against have-nots; political harmony and stability, it followed, depended, as Aristotle argued at length, on the development of a propertied middle class or at least on a wide distribution of material wealth in the society.

It was the genius of Karl Marx to take the old theory of politics based on money or wealth as a political asset and wed it to industrial capitalism. What had been a politics formerly understood in terms of economic classes became one driven not only by wealth but by the inevitable imperatives of a new form of economic organization and the entrepreneurs on whom it depended—the imperatives, that is, of one kind of mobilized wealth. Marxism was indeed the ultimate in the explanatory power of wealth, for it explained not only politics but all social institutions and processes and explained them both to the exclusion of other explanations and with the inexorable determinism of scientific laws. Philosophy, economics, politics, and sociology were joined in one great explanatory juggernaut.

Marxism never had the impact on American political science that it did in other parts of the world or even in other quarters of American scholarship. The mainstream of the discipline was much more attuned to the economic determinism of native American populism and progressivism. If they lacked the sophisticated intellectual apparatus of Marxism, they shared its belief in the overweaning political power of corporate wealth. With it, they could point to interlocking corporate directorships, to the correspondence of business, social, and political elites. Unlike it, however, they gave rise to the two periods of American reform—the progressivism of Teddy Roosevelt and Woodrow Wilson and the New Deal of Franklin Roosevelt—that defined the new American welfare state. Their suspicion of the power of wealth still lives in American political attitudes and in the images of the American mass media (Ranney, 1983).

With the conclusion of the Second World War, American political science launched into its own revolution, one that freed it from earlier ties to history and law so that it might embrace empirical social science. The discipline refers to it as "the behavioral revolution." In the new fascination with testing empirical propositions, political science also turned to clarifying old definitions and concepts, and none received more attention than "power." Lasswell and Kaplan's (1950) proposal for a system of concepts for the new political science bore the appropriate title *Power and Society*.

As political scientists sifted through their conceptual apparatus, they came to a consensus about power and wealth greatly at odds both with Marx and with the populist-progressive tradition. Much, too, was at odds with parallel analyses in the other social sciences. Although the studies of social and political power in American society by sociologists (Domhoff, 1970; Hunter, 1953; Mills, 1956) hewed close to an economic determinism, Dahl's (1961) paradigmatic study in political science reflected a more diverse, even diffuse, understanding of the nature of political power. Indeed, whereas the other found a single, integrated, even hierarchical elite that straddled all social institutions—Mills called it a "power elite"—Dahl found different elites dominating different arenas or subjects of governmental action.

Not only do political scientists tend to find multiple elites, they find multiple bases of political power. The issue is not over the usefulness of money as a base of political influence; it would be a very foolhardy scholar who would deny it. Most political scientists would, however, want to modify the economic explanation in two central ways. First, they do not think that the monied interests are monolithic; in the struggle over policy in American legislatures, they see the insurance industry opposing the medical and legal professions, dairy interests at odds with corn and cotton, exporting industries versus those relying on domestic markets. Second, they believe that there are also nonmoney sources of political influence; some groups depend on readily mobilizable members (e.g., the National Rifle Association), others (e.g., the feminists and environmentalists) on the mobilizing force of an idea or ideology that has no particular material advantages for them.

The views of American political science on money and influence are a part of its commitment to a pluralist view of American politics. Political interests are diverse and often conflicting, and they are represented in a reasonably open competition among their representatives, whether political parties, interest groups, governmental institutions, or visible individuals (Truman, 1951). Moreover, this grand, heterogeneous play of interests produces—to an extent, always a matter of debate—a system of control on any one interest simply by reason of the likely opposing or countervailing activity of other interests. Thus American political scientists tend to see public policy made in the Congress not by a unified interest but in a complex process in which lobbyists, campaign contributors, political parties, voters back home, organized groups, influential legislators, the president, and powerful executive agencies—all representing various interests—all weight in.

The "exceptionalism" of political science about money also reflects its different understandings about how money is converted to political influence. There was a simpler, if less innocent, time when money simply bought influence in something approaching a normal commercial transaction. Parties and other interests bought the votes of voters with cash or hard drink; that practice in fact necessitated the reform of the Australian secret ballot printed at public expense so that the purchasers could not verify what they had ostensibly bought. Legislative votes were bought and traded so openly at the turn of the century as to make it a subject of public mirth; in Pennsylvania, it was said that the Sun Oil company did everything to the state legislature but refine it. Those days have not entirely passed—witness recent bribery scandals in the Arizona and South Carolina legislatures and contractor kickbacks to Pentagon contract supervisers—but such explicit corruption no longer explains much of the power of money.

Gone, too, is that period in which money was treated in its own terms—as contests over silver or gold standards, in monetary policies, in the power of bankers, central banks, national banks, or the Federal Reserve system. One should note, however, a strong current of that sort of monetary fundamentalism in the most extensive recent book on money and politics by an American political scientist—Bretton's (1980) *The Power of Money*—a book that seems to this observer a particularly American hybrid of neo-Marxian, populist, and monetary analysis.

Political money, too, has changed. Like all other money in the American economy, it is more widely spread; the affluent are both much greater in number and more diverse in interests. They have an ever widening set of opportunities for the political use of money: It can be given to candidates or parties, it can be converted into political persuasion, or it can amass scarce information. Indeed, it can far more easily than ever be converted into candidacy for public office; the skills and expertise that the parties once monopolized can now be rented from the political consultants, pollsters, media experts, speechwriters, and others. Their money can also be mobilized and organized by interest groups and other political intermediaries. Take just the one example of funding the candidacies of others. A century ago, one could talk of the money of a small number of "fat cats," generally captains of business and finance. These days, millions of individuals, perhaps as many as 15 or 20 million, give money directly or indirectly (through political action committees [PACs] and parties) to candidates in an election year.

Those very changes, of course, offer evidence to support the very explanations of pluralism both in the realities of American political money and in the academic analysis of it. Yet pluralist analyses have their critics within political science (e.g., Lowi, 1969). Most vulnerable to criticism have been the forms of pluralism that underplay or deny — with a civics book naïveté — either the power of money or the reality of its concentration, or those that convert pluralism into claims for the representation of all interests or the superiority of policy resulting from their conflict or interplay. The critics have tempered the pluralism of political science, but a certain number of Marxists and populists pursue their separate analytical ways. The discipline's broad mainstream nonetheless remains committed to some kind of pluralist understanding of the nexus between politics and money.

Yet despite all these changes and despite their disagreements about pluralism, political scientists largely agree on the special nature of money as a political resource. It has properties that make it more useful than other bases of political power. Compare it, for example, to the volunteered labor that makes many voluntary organizations go. Money is more flexible because it can rent many kinds of skills. It is more mobile in that it can be moved to other venues; one can shift it in a national marketplace. It can also be saved — "banked," that is — for another needier time. In all of these ways, money is the political asset whose value in politics is most easily maximized.

MONEY AS IMAGE AND IDEOLOGY

Whatever political scientists may think about money and politics does not materially affect what millions of Americans think. Money and its role in American politics becomes real for them only in the images of it, those they see in the mass media and those to which they resonate in their ideologies and belief systems. Their "reality" may differ materially from the "reality" of the scholarly community.

In most of the Western industrial democracies, party lines and voting patterns have followed class lines (or, if one prefers, differences in socioeconomic status). The United States has been and still is the exceptional case (Lipset, 1963). It is not hard to distinguish between Democrats and Republicans on the basis of beliefs about the role and efficacy of government — on what we think of as a liberalism-conservatism scale. But differences between the loyalists of the two parties reflect income differences only in a very imprecise way. By the same token, Americans do not see strong class differences in American society; most see themselves as middle class in what they view, paradoxically, as a classless society.

Americans, therefore, are more inclined to practice a politics of unity rather than class conflict, a politics that invokes the symbols of an all-inclusive middle class and an all-embracing interest of the whole community: the public interest. Monied interests – or the vested or special interests – are outsiders to, corrupters of, the community and its values. They drive the lobbying and interest group systems, the very epitomes of a politics of special advantage and the subversion of the community's general interests. Even in the absence of institutionalized class conflict, that is, "money" is still a powerful negative symbol for many Americans. One sees it in the mass media, still purveyors of the progressive-populist view of the world (Ranney, 1983), and in "public interest" organizations such as Common Cause and the Ralph Nader organizations. Indeed, money is more salient and explains more for the American public than it does for American political science.

Is there not a paradox here – a politics that is determinedly middle class but yet one in which wealth is a powerful negative symbol? Perhaps, but take the major American parties. Since the time of Franklin Roosevelt's New Deal, they have divided pro and con over a social welfare state in which active government redistributes wealth by getting its funds from different people than enjoy its benefits. Democrats, especially the educated and affluent ones, support the redistributive welfare state as a matter of belief rather than personal social status; the reverse is true in the aggregate of low-status Republicans. But the American parties have differed less dramatically on income redistribution than the European parties, both because the absence of reinforcing class structures mutes the issue and because redistribution is not overriding enough as an issue to obscure all other issues (e.g., foreign policy and defense, civil rights) between the parties.

In recent decades, however, the impact of "money" on the American electorate has changed. The old politics of the welfare state and income redistribution have softened. There is vanishing support for their main elements: big and active government, a progressive income tax, and benefits for the less affluent. The administrations of Ronald Reagan and George Bush made that clear, as did the tax cuts in the early 1980s and the 1986 rewriting of the Internal Revenue Code. Even the Democrats found it hard to make an issue of progressive tax rates in that period. One major consequence of the shift, or course, has been to reduce the redistribution by cutting programs for the poor and the less advantaged, even to make their concerns and policy preferences less important in a politics of appeal to the great middle class. The presidential politics of 1992 make all of that very clear.

Moreover, Americans have increasingly begun to adopt a consumerist approach to money, especially *their* money. Aided by the mass media that put policy decisions in terms of "your tax money," voters are increasingly bringing the standards of personal finance to government, whether it is the cost of a B1 bomber or of a local congressional campaign. Nowhere is that kind of personal assessment more evident than in voter assessment of congressional salary raises, perquisites, honoraria, campaign finance, and even informal banking arrangements. Each of those subjects raises different issues—some raise questions of life-style, some of influence, and so on—but they easily become one issue: the enrichment of public officials. Both the standards of judgment and the displeasure are personal; money thus becomes a political issue quite separate from, even dominant over, important issues of policy and influence over policy. It is easily grasped and easily inflamed; the demagogues of the radio talk shows thrive on it.

Starting in the late 1970s, citizen tax revolts showed similar qualities. They began in California with the passage of Proposition 13 by a 2:1 margin in the 1978 elections; the result was to limit local property taxes to 1% of assessed value while limiting assessments and increases in them. That measure combined with other limits on taxes cost the state and local treasuries of the state more than $50 billion in revenue between 1979 and 1984 (Sears & Citrin, 1985). The revolt spread to other states, of course, and it culminated with the election of Ronald Reagan in 1980 and the massive cuts in the federal income tax that followed. Even as late as 1992, it is a fearless candidate for any office who will advocate a tax increase. Rather than wait for the redistribution of tax proceeds, more and more Americans would prefer not to pay them in the first place, perhaps because of the diminishing value that they place on public services or perhaps from fear that they would be "losers" in the transactions of redistribution.

The changing role of "money" is clear, but the reasons for it are not. Money itself has changed. What was the raw political power of "the corporations" before World War II has, for example, become the more subtle, indirect presence of corporate PACs. The growth of per capita income and the greater spread of affluence has clearly changed perceptions and positions; redistribution of the new aggregate wealth takes on a new meaning for middle-income Americans. Perhaps, too, self-interest—the so-called greed factor—has become more respectable in the 1980s and 1990s. The expanding political equivalents of money magazines, newsletters, and radio and television shows has, moreover, provided the visibility and information for political consumerism. The sheer fact and consequences of income redistribution is now more apparent to more people than ever before. Finally, recession and, more broadly, the slowing of growth in the gross national product (GNP) has recast the politics of money. Dividing the pie was easier in the days when we baked a larger pie each year.

Even though the force of perceptions about and reactions to money is obvious in American politics, there is a great deal that political science does not know about it. Take the case of the effect of the economy on American presidential elections. Conventional political wisdom has it, right down to 1992, that the party of the incumbent president will do well in good economic times and poorly in bad times. Indeed, some political scientists have been able with astonishing accuracy to predict retrospectively the outcomes of past presidential elections using data on income and GNP months before the election (Lewis-Beck & Rice, 1984). Knowing that, administrations try to stimulate the economy before elections. Do they succeed in doing so and thus succeed in altering their party's prospects? Perhaps (Tufte, 1978), perhaps not (Lewis-Beck, 1988). Moreover, we are not sure whether individual voters actually vote their own personal pocketbooks. They seem to react more generally to all of the broader implications of the state of the economy and the incumbent party's management of it (Lewis-Beck, 1988).

The ways in which individual Americans see and react to "money" in all of its forms, one should make clear, often differ from the ways of academic political science. Indeed, the American public is more closely wedded to the progressive-populist worldview than the scholars are. Nothing makes that point more sharply than perceptions of American campaign finance. Much of the public believes that campaign spending "buys" elections and that contributors "buy" favorable policy outcomes in American legislatures. Scholars largely think the directions of the causal path are more complicated than that. Candidates often raise money precisely because it is already clear that they will win the election. Moreover, most money flows to legislators contributors already consider as friends, and legislators still must respond to the wishes of other constituencies: party, president, the voters back home, even their own values (Sorauf, 1992).

PROSPECTS FOR THE FUTURE

Shortly after the assorted social revolutions and life-style diversifications of the early 1970s, a number of scholars suggested that both in the United States and the other industrialized nations, we were entering a late industrial or "postmaterial" politics (Inglehart, 1990). It would be a politics of affluence, we were told, a politics less concerned with material things and the old-fashioned gut issues and more attuned to the environment, to new issues of life-style freedom, to the striving for equality and recognition of oppressed groups, and more generally to leisure and the quest for nonmaterial happiness. And there were signs to support such a hypothesis: for example, the presidential candidacy of George McGovern in 1972 and the rise of Green parties in European countries.

The subsequent years have made it clear, however, that the late-industrial politics will not immediately replace the old politics of money and economics. Green parties have survived elsewhere, if at well below their predicted level of support; their impact on American politics has been limited to a few localities. And while the agendas of American politics have been extended to include all of the new concerns—with new interest groups to promote them—the old economic issues have returned with new power. Just as predictions of future affluence have faded, so too have predictions of the impact of affluence.

For the foreseeable future, therefore, money will be a central concern in American politics, both as a resource for political action and influence and as a political issue or stimulus for citizen choice or action. It might wax or wane, or it might take on new forms, especially with changes in overall wealth and its distribution. Like all important components of democratic politics, it has its roots in the fundamental processes and realities of the American society and economy.

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