Introduction

Carol is making the argument that wealth inequities and globalization are having a damaging effect on democracy and supports this by articles she identified and research she conducted. She adds her personal perspectives and ask you to consider the matter from a stance opposed to what has happened or from a stance that embraces significant change to adapt to what now exists and is likely to proliferate and grow. First, evidence is presented of the significant growth in wage discrepancy and some of its consequences, followed by a bit of evidence on the importance of foreign influence in American business and employment. Next will be articles which critique the effects of wage inequality. What follows is an article on the impact of the Supreme Court's decision in *Citizens United.* The material is all designed to paint a picture of a significantly changed and changing world and raises a central question: Is democracy as it is currently structured capable of supporting American democracy as it now exists, or is it necessary and possible to make changes in what she believes is the negative direction the country is going? She also wonders if such changes are still possible.

As you read, please consider the following questions:

1. **Do you think that democracy as we have usually understood it – a government acting to achieve the welfare and exercise the will of the majority of citizens – exists today? If not, do you believe that anything can or should be done to address the matter?**
2. **If we actually live in a democratic system called "economic elite domination" or "biased pluralism"[1], does it matter? In your opinion, is our democracy "fine as it is" or "broken in some way(s)"?**
3. **What role does the economic system play in supporting or hindering American democracy? Is Ayn Rand correct? Should economic concerns be removed from the provenance of government?**
4. **Are there forms of collective actions by citizens that can make a difference?**
5. **Given the fact that our world has changed so much (big international business and financial organizations with their international perspectives, who employ many people and are necessary for a nation's economy); and given that the very rich are in a much better position to organize around issues and garner support them ordinary citizens, is democracy the best means of ensuring the welfare of the majority of a nation's populace, or is some other form of governance better suited to the job? Do we need to reinvent or create a new form of governance?**
6. **Is democracy fatally flawed because it assumes that humans are inherently moral and fair?**

[1] "**Economic-Elite Domination.** A quite different theoretical tradition argues that U.S. policy making is dominated by individuals who have substantial economic resources, i.e., high levels of income or wealth—including, but not limited to, ownership of business firms." (Gillens & Page, 566). **Biased Pluralism.** Olson's argument points toward an important variant line of thinking within the pluralist tradition: theories of 'biased pluralism', which posit struggles among an unrepresentative universe of interest groups—characterized by E.E. Schattschneider as a heavenly chorus with an 'upper-class accent,' and more recently dubbed by Kay Lehman Schlozman, Sidney Verba, and Henry Brady an 'unheavenly chorus.' Theories of biased pluralism generally argue that both the thrust of interest-group conflict and the public policies that result tend to tilt toward the wishes of corporations and business and professional associations" (*Id* 567).

Part 1 – Inequity in Democracy

How Inequality Undermines Democracy

OREN M. LEVIN-WALDMAN, DEC 10 2016, 1432 VIEWS

"Democratic theory assumes a society of free, equal, and autonomous individuals. Although democracy may have different meanings for different people, an ideal of democracy is that all individuals are supposed to have equal standing. This means that each individual is equal before the law, has the same vote as other individuals, the same right to express oneself in the political sphere, and perhaps most importantly the same potential to influence what government does, even if they opt not to exercise that potential. All citizens, then, have the same access to governing institutions. Within this theoretical construct, which may also characterize American democracy, money is supposed to be irrelevant to one's standing. Both the rich and the poor are equal before government [citation omitted]. This conception of equality, otherwise known as procedural equality is not usually concerned with how resources, wealth and income are distributed, but with how individuals stand in relation to one another. Individuals can have more than others so long as they are equal in terms of their legal and political standing. Procedural equality is especially critical to democratic society because it serves to secure another essential condition: personal freedom, which is also a necessary condition for individuals to function autonomously. The greater their autonomy, the more likely they are to participate in the democratic process. Individuals are free to pursue their goals and objectives—i.e. self-interests—so long as their pursuit does not interfere with others' ability to pursue their own goals and objectives. In a very basic sense, and certainly within the context of classical political thought, this is what it means to talk about personal independence or autonomy. But as Tocqueville observed there cannot be real political equality without some measure of economic equality as well, because a society with great concentrations of poor people can be dangerous [citation omitted]. Therefore, economic inequality could pose serious problems in a procedural democracy."
http://www.e-ir.info/2016/12/10/how-inequality-undermines-democracy/

Examples of Plant Closings in the United States along with Concurrent CEO Compensation

Let Them Have It All, And Be Done With It! (1882): A satirical cartoon from the German language edition of Puck Magazine, critical of those who are carving up the country for their own benefit.

Closing - Company, Location, Date	Consequences of Closings	Concurrent[2] Annual Executive Compensation
Parker Pens Janesville, WI 2009	Top employer for over 70 years. Leveraged buyout by British holding company in 1986. Bought by Gillette in 1993. In 2009, moved plant to Mexico due to cheap Chinese pens and plant closed. Median household income of area in 2009 was $49,001.	Feb. 2005[3] – James M. Kilts, CEO of Gillette - $5.4 million based on performance for stockholders.[4]
General Motors Janesville, WI finally closed in 2008.	GM reported $39 billion net loss in 2007.[5]Janesville was spared closure during G.M.'s bankruptcy proceedings because it was building a profitable vehicle. Sales fell in 2004, largely due to high gas prices and high auto worker pay. 750 jobs lost, an estimated 10% of the community's total jobs.	CEO Rick Wagoner resigned at the 3/29/2009, at the request of the White House or took $1.00 in compensation to keep federal loans [facts found depend on source). Possibly earned $14.4 million in 2007; a pay package worth $14.9 million in 2008. As of 5/2009, he'll still get a pension and other benefits worth an estimated $23 million. GM President and CEO Fritz Henderson replaced Wagoner in 2007. Earned $7.6 million in 2007 and $1.7 million in 2008.[6]
Cannon Mills became Fieldcrest-Cannon (1997), then Pillowtex Corp. Kannapolis, NC 2003	Gave birth to the town (1905); built it; Mr. Cannon, then his son, built the plant, the town, the schools, etc. After 117 years, the mill was the largest employer and taxpayer in Carrabus county. Collapsed along with U.S. textile industry due to cheap Chinese textiles. 4,800 jobs lost in county. Biggest mass layoff in U.S. history. Average annual wage in 2004 was $22,610.	Tony Williams guided company through final bankruptcy; received $120,000 in 2002 and severance package of $1.47 mill. when he was fired in September 2002. CEO in 2002, David Perdue, when Fieldcrest emerged from bankruptcy, was paid more than $1.6 million in cash for 9 months' work (7/2002); compensation included $1.8 million signing bonus - $1.05 in cash, the rest in common stock. Later, received an additional $312,500 in cash bonus. Two other company execs. were paid $6.5 million to retain them

[3] Represents the date for which I could find compensation data, which was before or near the closing of the company.

[4] https://www.forbes.com/static/pvp2005/LIRBQU8.html

[5] https://www.sec.gov/Archives/edgar/data/40730/000089016308000276/s11-8104_def14a.htm

[6] https://www.edmunds.com/autoobserver-archive/2009/03/gms-wagoner-made-55-million-in-2008-will-be-paid-1-in-2009.html
https://www.sec.gov/Archives/edgar/data/40730/000089016308000276/s11-8104_def14a.htm

		during final months and a hefty severance package when they left.[7]
Chrysler Corp. Twinsburg, OH 2010	Opened 1957. Bought by German Daimler and became Daimler-Chrysler in 1998. Sold to Cerberus Capital Management in 2007; then owned by Fiat. Closed as part of Chrysler's bankruptcy. U.S. auto workers' pay too high to complete internationally, and U.S. economy fell. 1,000 jobs lost in a city of 17,000+.	German ownership at time of bankruptcy, so I could not find the executives' compensation. However: "The lead story in Friday's edition of the Detroit Free Press says Chrysler is paying about $30 million in retention bonuses to keep top executives on the job. Chrysler owes the bonuses under its contracts with about 50 executives, based on a retention incentive plan crafted early last year by former German parent Daimler-Chrysler, when it was preparing to sell Chrysler, the paper reported."[8]
Pilgrim's Pride Foods Farmerville, LA 2009	Filed for bankruptcy 2002; emerged 2003. Reasons: main product was chicken whose price fell; feed prices increased; high debt load, possibly due to expensive investments by owner and skimming. Bought in 2009 by JBS Holding, subdivision of a Brazilian multinational. Then bought by Foster Farms which closed plant in 2009. 1,300 jobs lost in Farmerville. Area of Louisiana was simultaneously struggling with timber industry failure.	Lonnie "Bo" Pilgrim paid compensation totaling $2.1 and $3.2 million in 2007 and 2008 (d.k. which) to serve as "senior chairman" of the Board. Other family members also received compensation. Don Jackson became president and CEO in 2009 and collected a nonequity compensation plan of $3.6 million as CEO; $1.7 mill. stock awards; $375K as president; total compensation of all kinds $10 million. I think this was paid to get stockholders whatever he could.[9]
General Motors Pontiac, MI 2009	Another portion of forced restructuring in G.M. bankruptcy. 1,100 jobs lost in Pontiac.	See above information for General Motors, Janesville, WI.
International Paper Franklin, VA	Reason given for closure: "global recession." Many entities "going	CEO John Feraci's (or Faraci's) total compensation in 2009 was

7 http://archive.salisburypost.com/archive_detail.php?archiveFile=2003/March/30/export13393364117001101838789.xml&start=60&numPer=20&keyword=pillowtex&sectionSearch=&begindate=1%2F1%2F1983&enddate=12%2F31%2F2009&authorSearch=&IncludeStories=1&pubsection=&page=&IncludePages=1&IncludeImages=1&mode=allwords&archive_pubname=Salisbury+Post%0A%09%09%09

8 https://www.edmunds.com/autoobserver-archive/2008/11/chrysler-executives-could-receive-bonuses-report-says.html

https://usatoday30.usatoday.com/money/autos/2008-11-14-chrysler_N.htm

9 http://www.cbsnews.com/news/pilgrims-pride-embarrassing-case-of-hubris-and-greed/

2009	paperless" and shift of advertising from print to online. Shares 2007-2008 plummeted 63%. In addition to paper mills' closing, there was simultaneous impact on timber and printing industries. International Paper part of county economy for 100+ years; 1,100 jobs lost in county.	$38.2 million, $21 million of it in pension.[10]
John Morrell & Co. processing plant (Smithfield Foods) Sioux City, IA 2010	1,450 jobs lost. Also affected, hog farmers, cold-storage plant, local truckers, power company, local tax base. Company had other plants; this one was old and needed update. Morrell was subsumed by Smithfield.	Larry Pope, Smithfield's Pres. & CEO in 2007 received $4.8 mill. Joseph W. Luter III, Chairman of Bd. & former CEO of Smithfield, in 2007 received $7.4 mill.
Toyota NUMMI Fremont, CA 2010	Experiment by Japanese company with GM in working with and training UAW workers. Cars got much better, so did employees, but Japanese could not tolerate corporate GM crises. 4,500 overall UAW workers lost jobs; an estimated 18,000 people in East Bay area affected through lost wages or as former suppliers. 5,400 workers relocated.	Atsushi Niimi, Toyota exec. v.p. Kunihiko Ogura, chief exec. (I could not find American equivalent compensation.) Troy Clarke, GM President for N. Amer. Fritz Henderson, GM CEO; see General Motors, Janesville, WI, above.
Whirlpool Evansville, IN 2010	Moved refrigeration assembly operation to Mexico. 1,100 lost jobs.	Jeff M. Fettig, Chairman. of Board & CEO of whole company – 2009 $12.5 mill. – 2010 $14.4 mill.
Dell Winston-Salem, NC 2014	Reason given: "struggling stock prices." Closed desk-top computer plant due to change in customer preferences. 905 jobs lost. Dell will pay city $15,586,000 for possible further damage to state economy.	Michael Dell, Founder, Board Chair, & CEO – 2010 received $963,623 down 54% from $1.99 mill. in 2009. John T. Carty, Chairman of Bd., 2010 $3.78 mill.[11]

My comment: So, what's point? Very often, CEO's get compensated, no matter what happens. They exist outside of the situation which exists for workers; they're insulated from consequences or market events. They will not directly suffer much consequence in their own lives of failure, mismanagement, bad business decisions, or changes in business conditions, compared to non-executive employees and

[10] http://money.cnn.com/galleries/2009/news/0909/gallery.highest_paid_worst_CEOs/4.html

[11] http://www.mercurynews.com/2010/06/01/dell-ceos-2010-compensation-down-54-percent/

https://www.sec.gov/Archives/edgar/data/826083/000119312512247047/d355712ddef14a.htm

https://www.sec.gov/Archives/edgar/data/826083/000082608313000014/dell10-kafy2013.htm

other people in the local area, most of whose lives can be badly hurt; many may never again be okay. Also, their wealth takes them into association with groups which are isolated from the groups their workers frequent; they are isolated from one another financially, socially, and geographically. The people making decisions may or may not recognize or take into account the fact that people's lives are involved, and the same applies to the multinational businesses they run.
http://blogs.worldbank.org/allaboutfinance/executive-pay-and-the-financial-crisis

http://blogs.worldbank.org/allaboutfinance/executive-pay-and-the-financial-crisis-

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Executive Pay and the Financial Crisis

SUBMITTED BY LUCIAN BEBCHUK ON TUE, 01/31/2012

Yes, there is a good basis for concern that executive pay arrangements have contributed to excessive risk-taking during the run-up to the financial crisis. To be sure, other factors were clearly at work: the environment within which firms operated grew riskier due to asset bubbles generated by macro policies and global factors, and regulatory constraints on risk-taking and capital requirements were too lax. As financial economists generally recognize, however, for any given environment and outside constraints, the performance and risk choices of firms depend substantially on the incentives of firms' executives. Unfortunately, rather than provide incentives to avoid excessive risk-taking, the design of pay arrangements in financial firms encouraged such risk-taking.

Of course, despite incentives to take excessive risks, some executives might have avoided doing so due to professional integrity, reputational concerns, or fiduciary duty norms. And some executives taking excessive risks might have done so due to their under-estimation of the risks taken. But economics and finance teach us that incentives often matter. Thus, to the extent that pay arrangements provided significant incentives to take excessive risks, the possibility that such incentives in fact contributed materially to the excessive risks taken in the run-up to the crisis should be seriously considered.

In fact, pay arrangements did provide substantial incentives for excessive risk-taking. Under the standard design of pay arrangements, executives were fully exposed to the upside of risks taken but enjoyed substantial insulation from part of the downside of such risks. As a result, executives had incentives to increase risk-taking beyond optimal levels.

TABLE 1

CEO compensation, CEO-to-worker compensation ratio, and stock prices, 1965–2013 (2013 dollars)

	CEO annual compensation (thousands)*	Worker annual compensation (thousands)		Stock market (adjusted to 2013)		CEO-to-worker compensation ratio***
		Private-sector production/ nonsupervisory workers	Firms' industry**	S&P 500	Dow Jones	
1965	$819	$39.5	n/a	570	5,889	20.0
1973	$1,069	$46.4	n/a	503	4,330	22.3
1978	$1,463	$47.2	n/a	315	2,691	29.9
1989	$2,724	$44.7	n/a	586	4,553	58.7
1995	$5,768	$45.6	$51.5	822	6,829	122.6
2000	$20,172	$47.9	$53.8	1,931	14,506	383.4
2007	$18,541	$50.4	$54.0	1,660	14,805	351.3
2009	$10,394	$52.0	$57.3	1,030	9,650	193.2
2010	$12,466	$52.7	$58.0	1,218	11,398	227.9
2011	$12,667	$52.3	$57.6	1,313	12,381	231.8
2012	$14,765	$52.0	$57.1	1,400	13,155	278.2
2013	$15,175	$52.1	$55.8	1,644	15,010	295.9
Percent change						Change in ratio
1965–1978	78.7%	19.5%	n/a	-44.8%	-54.3%	9.9
1978–2000	1,279%	1.4%	n/a	513%	439%	353.6
2000–2013	-24.8%	8.7%	3.6%	-14.9%	3.5%	-87.6
1978–2013	937%	10.2%	n/a	422%	458%	237.2

* CEO annual compensation is computed using the "options realized" compensation series, which includes salary, bonus, restricted stock grants, options exercised, and long-term incentive payouts for CEOs at the top 350 U.S. firms ranked by sales.
** Annual compensation of the workers in the key industry of the firms in the sample
*** Based on averaging specific firm ratios and not the ratio of averages of CEO and worker compensation

Source: Authors' analysis of data from Compustat's ExecuComp database, Federal Reserve Economic Data (FRED) from the Federal Reserve Bank of St. Louis, the Current Employment Statistics program, and the Bureau of Economic Analysis NIPA tables

Economic Policy Institute (EPI) ISSUE BRIEF #380 | JUNE 12, 2014

Carol's comment: Note that these same executives, but one, suffered no "punishment" for their actions and received significant bonuses out of the bailout funds, and the American public watched and paid. Those whose lives were hurt must have recognized that democracy was not truly on their side.

Carol's Comment: As you'll see in the sample SEC filing below, corporations reward executives for satisfying/enriching stockholders; whereas, there is no evident reward for training/retaining/benefitting employees in any way. In fact, in the SEC reports, non-executive staff is treated more as a liability than an asset and as something one can get rid of to improve profitability.

SMITHFIELD FOOD'S FILING WITH THE SEC FOR 2007 -COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis (CD&A) describes the material elements of compensation paid to our executive officers as well as the objectives and material factors underlying our compensation policies and decisions. The information in this CD&A provides context for the compensation disclosures in the tables and related discussions that follow in this proxy statement. The Compensation Committee of the Board, which oversees our executive compensation program, is referred to as the *"Committee"* in this CD&A. The terms *"we"* and *"our"* refer to Smithfield Foods, Inc. When we refer to the *"named executives"* we are referring to the seven individuals listed in the Summary Compensation Table on page 26 of this proxy statement.

In designing our executive compensation program, we place a heavy emphasis on performance and consequently a substantial majority of each named executive's total potential compensation is "at risk" and tied to either the financial performance of Smithfield or its business units or the creation of shareholder value. During fiscal 2007, our financial performance was below that of recent years. Although we considered our performance to be favorable in light of the tough conditions we faced in the industry, the lesser performance resulted in total cash compensation for certain of our executives, including our president and chief executive officer, C. Larry Pope, that was well below their average cash compensation over the three preceding years. This result was consistent with our fundamental philosophy of paying for performance.

Compensation Philosophy and Objectives

The primary goal of our executive compensation program is the same as our goal for operating the company—to maximize corporate performance and thereby create value for our shareholders. To achieve this goal we have designed our executive compensation program to achieve the following objectives:

- *Attracting and retaining top talent*—The compensation of our executives must be competitive with the organizations with which we compete for talent so that we may attract and retain talented and experienced executives. Our executives have, on average, approximately 18 years of experience with Smithfield and its predecessors.

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- *Paying for performance*—A significant portion of our executives' compensation should be subject to corporate and business unit performance measures and therefore be "at risk." Performance-based compensation can vary widely from year to year depending on an executive's performance and the volatile nature of our agricultural commodity-based industry. In fiscal 2007, performance-based compensation (excluding stock options) constituted 52.2% on average of our executives' total cash compensation.

- *Alignment with the interests of our shareholders*—Equity-based awards in the form of stock options can be an effective means of aligning an executive's financial interests with those of our shareholders. Stock options provide value to the executive only if the market price of our stock increases.

Each element of our compensation program is designed to achieve one or more of these objectives. The structure of a particular executive's compensation may vary depending on the scope and level of that executive's responsibilities. For an executive responsible for an individual business unit, performance-based compensation is typically based on the operating results of that unit. For an executive with corporate level responsibilities, performance-based compensation is based on Smithfield's consolidated results of operations. Compensation for the manager of a business unit will also generally consist of a relatively greater portion of cash incentives because the executive may have little or no involvement in the performance of other business units which impact overall results and indirectly the price of our common stock. Conversely, compensation for corporate level executives will typically include a relatively greater portion of equity incentives to reflect their long-term strategic contributions to Smithfield as a whole. [I included this final paragraph for completeness not necessity of the content.] https://www.sec.gov/Archives/edgar/data/91388/000119312507164830/ddef14a.htm

In this "bad year" for Smithfield, the following were the compensations of the former and present CEOs. In addition to what is shown in the chart, both received use of a company-owned automobile and excess life insurance, and Mr. Luter received use of a company-owned residence and a $12,000.00 membership in a country club.

Name and Principal Position (a)	Year (b)	Salary ($) (c)	Bonus ($) (d)	Stock Awards ($) (e)	Option Awards (1)($) (f)	Non-equity Incentive Plan Compensation (2)($) (g)	Change in Pension Value and Non-Qualified Deferred Compensa-tion Earnings (3)($) (h)	All Other Compen-sation (4)($) (i)	Total ($) (j)
Joseph W. Luter, III Chairman of the Board and former CEO(5)	2007	992,667(6)	2,369,973	—	—	380,027	3,662,712	29,125	7,434,504
C. Larry Pope President and CEO(7)	2007	766,667	—	—	515,067	2,383,263	1,110,558	32,352	4,807,907

Part 2 – Influencing the Democratic Processes

Evidence of Some Other Consequences of this Growing Wealth Concentration

Political Activities of the Koch Brothers (Wikipedia)

The brothers have made significant financial contributions to libertarian and conservative think tanks and have donated primarily to Republican Party candidates running for office."[5] Their network of groups pledging to spend $889 million from 2009–2016 and its infrastructure has been said by Politico to rival "that of the Republican National Committee."[6] They actively fund and support organizations that contribute significantly to Republican candidates, and in particular that lobby against efforts to expand government's role in health care and combating global warming.[7] By 2010, they had donated more than $100 million to dozens of free-market and advocacy organizations.[7]
https://en.wikipedia.org/wiki/Political_activities_of_the_Koch_brothers

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Koch Brothers' Budget of $889 Million for 2016 Is on Par with Both Parties' Spending

By NICHOLAS CONFESSORE JAN. 26, 2015

The political network overseen by the conservative billionaires Charles G. and David H. Koch plans to spend close to $900 million on the 2016 campaign, an unparalleled effort by coordinated outside groups to shape a presidential election that is already on track to be the most expensive in history.

The spending goal, revealed Monday at the Kochs' annual winter donor retreat near Palm Springs, Calif., would allow their political organization to operate at the same financial scale as the Democratic and Republican Parties. It would require a significant financial commitment from the Kochs and roughly 300 other donors they have recruited over the years, and covers both the presidential and congressional races. In the last presidential election, the Republican National Committee and the party's two congressional campaign committees spent a total of $657 million.

Now the Kochs' network will embark on its largest drive ever to influence legislation and campaigns across the country, leveraging Republican control of Congress and the party's dominance of state capitols to push for deregulation, tax cuts and smaller government. In 2012, the Kochs' network spent just under $400 million, an astonishing sum at the time. The $889 million spending goal for 2016 would put it on track to spend nearly as much as the campaigns of each party's presidential nominee. . . The Kochs' efforts will put enormous fund-raising pressure on Democrats and liberal outside groups.

https://www.nytimes.com/2015/01/27/us/politics/kochs-plan-to-spend-900-million-on-2016-campaign.html

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The Koch Brothers Plan to Spend a Record-Setting $400 Million

By PHILIP ELLIOTT / INDIAN WELLS, CALIF. January 28, 2018

"The influential network of policy and political groups backed by billionaires Charles and David Koch plan to grow tenfold in coming years, Charles Koch said Saturday as he welcomed 550 of his likeminded pals assembled in California for a donor summit.

All told, the eye on policy and politics will be as much as $400 million, their biggest bucket for a midterm cycle in the groups' histories. That is on top of cash the influential brothers and their allies funnel every year to projects working in schools, prisons and non-profit groups.

'The capabilities that we have now can take us to a whole new level. So my challenge to all of this is to increase the scale and effectiveness of this network by an order of magnitude, by another tenfold on top of all the growth and progress we've already made,' then the sixth-richest man in the world, with an estimated worth of $52 billion, said. 'If we can do that, I'm convinced we can change the trajectory of this country.'"

http://time.com/5121930/koch-brothers-fall-elections/

The Political Activities of Penny Pritzger - Pritzker is worth about $2.4 billion, but her political power isn't limited to her funding. As the current U.S. secretary of commerce, Pritzker advises President Obama on making decisions that affect business, labor and the economy. She ran Obama's finance operations in 2008 and raised more than half a million as a bundler in 2012, making her a powerful component of Obama's fundraising system. Additionally, Pritzker donated to more than 70 Senate candidates between 1990 and 2013, including 9 out of 13 of the majority members of the committee responsible for reviewing her nomination to the cabinet.

https://mic.com/articles/98188/the-10-billionaires-who-run-america#.9aqXZW43h

Lee Drutman. How Corporate Lobbyists Conquered American Democracy
The Atlantic, vol. 4, 2015.

"Something is out of balance in Washington. Corporations now spend about $2.6 billion a year on reported lobbying expenditures—more than the $2 billion we spend to fund the House ($1.18 billion) and Senate ($860 million). It's a gap that has been widening since corporate lobbying began to regularly exceed the combined House-Senate budget in the early 2000s. . . Today, the biggest companies have upwards of 100 lobbyists representing them, allowing them to be everywhere, all the time. For every dollar spent on lobbying by labor unions and public-interest groups together, large corporations and their associations now spend $34. Of the 100 organizations that spend the most on lobbying, 95 consistently represent business."

"Congress had gone on a regulatory binge in the 1960s—spurred on by a new wave of public-interest groups. Large corporations had largely sat by idly, unsure of what to do. . . In 1972, against the backdrop of growing compliance costs, slowing economic growth and rising wages, a community of leading CEOs formed the Business Roundtable, an organization devoted explicitly to cultivating political influence. Alcoa CEO John Harper, one of the Roundtable's founders, said at the time, 'I think we all recognize that the time has come when we must stop talking about it, and get busy and do something about it.'"

"This sense of an existential threat motivated the leading corporations to engage in serious political activity. Many began by hiring their first lobbyists. And they started winning. They killed a major labor law reform, rolled back regulation, lowered their taxes, and helped to move public opinion in favor of less government intervention in the economy. . . By the early 1980s, corporate leaders were 'purring' (as a 1982 Harris Poll described it). Corporations could have declared victory and gone home, thus saving on the costs of political engagement. Instead, they stuck around and kept at it. Many deepened their commitments to politics. After all, they now had lobbyists to help them see all that was at stake in Washington, and all the ways in which staying politically active could help their businesses."

"What makes today so very different from the 1970s is that corporations now have the resources to play offense and defense simultaneously on almost any top-priority issue."

https://www.theatlantic.com/business/archive/2015/04/how-corporate-lobbyists-conquered-american-democracy/390822/

COMPARISONS BETWEEN EXPRESSED PUBLIC DESIRE AND CONGRESSIONAL BEHAVIOR [***Carol's Comment: I chose issues on which there has been definitive action. Please compare the known actions of government with the expressed preferences of the majority of Americans*.]**

Currently, 60% of Americans say the government should be responsible for ensuring health care coverage for all Americans, compared with 38% who say this should not be the government's responsibility. The share saying it is the government's responsibility has increased from 51% last year and now stands at its highest point in nearly a decade. . . Just as there are wide differences between Republicans and Democrats about the 2010 health care law, the survey also finds partisan differences in views on whether it's the government's responsibility to make sure all Americans have health care coverage. More than eight-in-ten Democrats and Democratic-leaning independents (85%) say the

federal government should be responsible for health care coverage, compared with just 32% of Republicans and Republican leaners.
The survey also finds continued differences on this question by race and ethnicity as well as income. A large majority of blacks and Hispanics (85% and 84%, respectively) say the government should be responsible for coverage, while non-Hispanic whites are split on the issue (49% agree, 49% disagree). And while about three-quarters of those with family incomes of less than $30,000 per year (74%) say the government should ensure coverage, only about half (53%) of those with incomes of $75,000 or higher say the same. . . The belief that the government has a responsibility to ensure health coverage has increased across many groups over the past year, but the rise has been particularly striking among lower- and middle-income Republicans.

http://www.pewresearch.org/fact-tank/2017/01/13/more-americans-say-government-should-ensure-health-care-coverage/

A majority of U.S. adults (59%) say stricter environmental laws and regulations are worth the cost, compared with roughly a third (34%) who say such regulations cost too many jobs and hurt the economy, according to the survey, conducted Nov. 30 to Dec. 5. [2016]

\http://www.pewresearch.org/fact-tank/2016/12/14/most-americans-favor-stricter-environmental-laws-and-regulations/

Quinnipiac Poll UNIVERSITY

FOR RELEASE: NOVEMBER 15, 2017 - American voters disapprove 52 – 25 percent of the Republican tax plan. Republican voters approve 60 – 15 percent, with 26 percent undecided. All other party, gender, education, age and racial groups disapprove. . . American voters say 59 – 33 percent that the Republican tax plan favors the rich at the expense of the middle class. . . Only 36 percent of voters believe the GOP tax plan will lead to an increase in jobs and economic growth, while 52 percent do not believe it. . . 49 – 45 percent that lowering the corporate tax rate from 35 percent to 20 percent is a bad idea.

FOR RELEASE: DECEMBER 5, 2017 - American voters disapprove of the tax plan 53 – 29 percent, the independent Quinnipiac (KWIN-uh-pe-ack) University Poll finds. Republicans approve of the plan 67 – 10 percent, the only party, gender, education, age or racial group listed to approve. White men are divided as 40 percent approve and 42 percent disapprove.
Visit poll.qu.edu or www.facebook.com/quinnipiacpoll

Gilens, Martin & Benjamin I. Page. Testing Theories of American Politics: Elites, Interest Groups, and Average Citizens.
Perspectives on Politics. © American Political Science Association 2014; 564-581.
Downloaded/printed from HeinOnline. (***Carol's comment: Please ask me if you'd like me to send you this article.***)

The research by Gilens finds that the influence of average-income people on policy decisions at all levels is virtually zero unless their expressed interests/preferences coincide with those of the affluent. (576).

Carol's Comment: I have not dealt with the control by wealthy entities of the news and cultural media, both of which, I believe, are substantial and pervasive.

As de facto disenfranchised people view these developments, I don't believe they can be expected to respect or believe in it. They may merely turn away and seek to take care of themselves, or they may turn against a democratic system which appears to have betrayed the ideals they were taught to believe in.

Part 3 - Globalization and Democracy

Composition and Importance of Multinational Corporations in U.S.

https://money.usnews.com/money/blogs/flowchart/2011/06/30/why-us-companies-arent-so-american-anymore

By Rick Newman, Staff Writer |June 30, 2011, at 3:58 p.m.

Globalization has also been an enormous boon for some of the biggest names in corporate America, along with investors who own the stocks and even some of the people who work for those companies. Big U.S. firms—often called "multinationals," for good reason—have increasingly followed global growth, with about 40 percent of profit for firms listed in the S&P 500 stock index now coming from overseas. Foreign exposure allows U.S.-based companies to capitalize on rapid growth in emerging markets like China, India, and Latin America, and earn much stronger profits than if they were totally dependent on the struggling U.S. economy.

https://www.bea.gov/newsreleases/international/mnc/mncnewsrelease.htm

Bureau of Economic Analysis - FOR WIRE TRANSMISSION: 8:30 A.M. EDT, THURSDAY, APRIL 18, 2013

Worldwide employment by U.S. multinational companies (MNCs) increased 1.5 percent in 2011 to 34.5 million workers, with the increase primarily reflecting increases abroad. In the United States, employment by U.S. parent companies increased 0.1 percent to 22.9 million workers, compared with a 1.8 percent increase in total private-industry employment in the United States.[2] The total employment by U.S. parents accounted for roughly one-fifth of total U.S. employment in private industries. Abroad, employment by majority-owned foreign affiliates of U.S. MNCs increased 4.4 percent to 11.7 million workers.

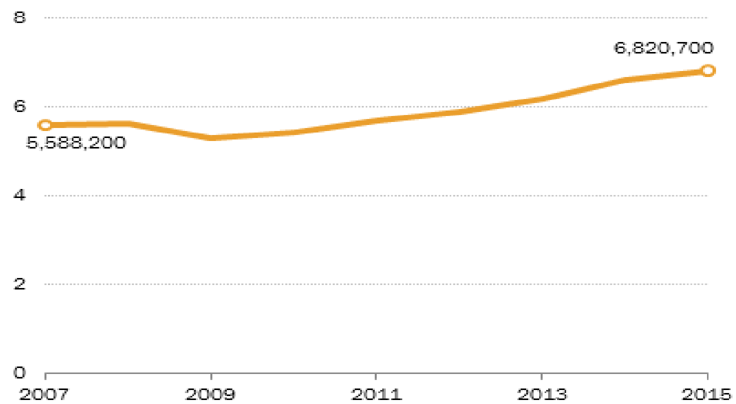
Employment in the United States by majority-owned U.S. affiliates of foreign MNCs rose 3.3 percent, to 5.6 million workers, in 2011, a rate of increase higher than the 1.8 percent increase in total U.S. private-industry employment in 2011. U.S. affiliates accounted for 5.0 percent of U.S. private-industry employment in 2011, one-tenth of a percentage point higher than in 2010.

http://www.pewresearch.org/fact-tank/2017/12/14/number-of-u-s-workers-employed-by-foreign-owned-companies-is-on-the-rise/

Pew Research – by Kirsten Bialik 2017 Foreign-owned companies employed 6.8 million workers in the United States in 2015, up 22% from 2007, according to preliminary data from the U.S. Bureau of Economic Analysis. The increase is notably larger than overall U.S. private employment growth, which was 3.6% over the same span.

Foreign-owned enterprises employed nearly 7 million people in the U.S. in 2015

Number of U.S. employees for U.S. affiliates of foreign multinational enterprises, in millions



Note: U.S. workers counts full- and part-time employees for U.S. affiliates of foreign multinational enterprises (including banks) that were majority-owned by their foreign parent companies. Data prior to 2007 are not comparable.
Source: Pew Research analysis of U.S. Bureau of Economic Analysis 2015 preliminary data.

PEW RESEARCH CENTER

Overall, foreign-owned companies accounted for 5.5% of all U.S. private sector employment in 2015, up from 4.7% in 2007. This analysis counts full- and part-time employees of foreign multinational enterprises' U.S. affiliates (such as corporate branches) that were majority-owned by their foreign parents in 2015, the most recent year available. The BEA provides country-level data for 41 countries and territories, as well as broader regional and global totals.

During the 2007-2009 recession, the contribution to the GDP by U.S. affiliates declined at an average rate of 6.7%, compared with a 1.6% average decline for U.S. private businesses. After the recession, GDP contributions rose faster for U.S. affiliates than for U.S. private businesses. Between 2009 and 2014, U.S. affiliate contributions to the GDP increased 8.3% on average, nearly twice the rate of U.S. private businesses.

Why U.S. Companies Aren't So American Anymore

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Foreign sales are the main thing keeping a lot of American companies healthy.

By Rick Newman, Staff Writer |June 30, 2011, at 3:58 p.m.

"Globalization" has become a dirty word.

Americans associate it with jobs being shipped overseas, falling wages and living standards, and the unsettling rise of China as a world power. But there are upsides to globalization too, even if they're less apparent. The cost of many consumer goods, for example—think most of the stuff at Wal-Mart—has stayed low or gone down in recent years, thanks largely to cheap imports from Asia and other low-cost manufacturing regions.

Globalization has also been an enormous boon for some of the biggest names in corporate America, along with investors who own the stocks and even some of the people who work for those companies. Big U.S. firms—often called "multinationals," for good reason—have increasingly followed global growth, with about 40 percent of profit for firms listed in the S&P 500 stock index now coming from overseas. Foreign exposure allows U.S.-based companies to capitalize on rapid growth in emerging markets like China, India, and Latin America, and earn much stronger profits than if they were totally dependent on the struggling U.S. economy.

That's one reason the stock market has generally been strong over the last two years, despite lackluster growth in the big economies of the United States and Europe. "The S&P 500 is not U.S. GDP," says David Bianco, head of U.S. equity strategy for Bank of America Merrill Lynch. "The S&P 500 continues to outgrow the U.S. economy. Earnings power is decoupled from U.S. GDP." That decoupling is why he and many other analysts expect the S&P 500 to resume its upward momentum later this year, despite a slowdown in the U.S. and European economies.

It's true that some U.S. multinationals hire cheap foreign workers instead of Americans, and keep certain profits overseas to avoid paying U.S. taxes on them. But they also sell their goods and services in global markets that would be dominated by foreign competitors if the American firms weren't there. To explore the extent to which U.S. firms depend on foreign sales, I reviewed information supplied by data and analytics firm Capital IQ, showing foreign sales for all the S&P 500 firms that report such figures. The data show that for most big U.S. firms, foreign sales are a significant portion of total revenues, while firms with little or no foreign revenue are the exception. To highlight the importance of foreign sales, I used Capital IQ's data to provide snapshots of the leading U.S. firms in 15 industries. Here's how foreign sales contribute to overall revenue at 15 well-known American companies.

[From this point and below, the content has been shortened from the original.]

Wal-Mart. Total revenue: $420 billion. Portion from overseas: 26 percent.
Exxon-Mobil. $342 billion in revenue, 45 percent from overseas.
General Electric. $149 billion in revenue, 54 percent from overseas.
Bank of America. $134 billion in revenue, 20 percent from overseas.
Ford. $129 billion in revenue, 51 percent from overseas.
McKesson. $112 billion in revenue, 9 percent from overseas.
IBM. $100 billion in revenue, 64 percent from overseas.
UnitedHealth Group. $94 billion in revenue, none from overseas.
Boeing. $64 billion in revenue, 41 percent from overseas.
Dow Chemical. $54 billion in revenue, 67 percent from overseas.
Intel. $44 billion in revenue, 85 percent from overseas.
Amazon. $34 billion in revenue, 45 percent from overseas.
McDonald's. $24 billion in revenue, 66 percent from overseas.
Nike. $21 billion in revenue, 50 percent from overseas.
Marriott. $12 billion in revenue, 16 percent from overseas.
Twitter: @rickjnewman

Part 4 – General Discussion

Rose-Ackerman, Susan. ***Corruption and Democracy*****.** Connecticut Journal of International Law, Fall 1999, vol. 14, no.2, 363-378. (***Carol's comment: The full article will be on reserve***)

"Are democracies less corrupt than other forms of government? The desire for reelection constrains the greed of politicians. The protection of civil liberties and free speech, which generally accompanies democratic elections, makes open and transparent government possible. In contrast, nondemocratic states are especially susceptible to corrupt incentives because their rulers have the potential to organize government with few checks and balances. But this contrast is too sharp. One need look no further than municipal governments in the United States to find a number of well-established corrupt systems that compare quite well with autocratic systems. Recent payoff scandals have implicated elected politicians in many countries. Clearly, democratic forms do not always succeed in checking corruption. Thus it is worthwhile asking which features of democratic government help limit self-dealing and which contribute to corruption. (363).

Democracies based on strong legal foundations provide a stable framework for economic activity. For this framework to operate efficiently, however, politicians must seek reelection and must feel insecure about their prospects, but not too insecure. This leads to a "paradox of stability." Too much security of tenure can further corrupt arrangements. Too much insecurity can have the same effect. A competitive political system can be a check on corruption. For elected politicians the most immediate form of "punishment" occurs at the polls. The electorate may extract a cost even if the payoffs are kept secret. Bribes and illegal campaign donations are given in return for a benefit. Often the quid pro quo is something the corrupt politician would not have done without the payoff. If politicians vote against the interests of their constituents, they can expect to suffer at the polls.

The distinctive incentives for corruption in democracies depend on the organization of electoral and legislative processes and on the methods of campaign finance. . . . In a plurality system with weak parties such as in the United States, the beneficiaries of government programs may be geographically concentrated population groups and local industries. Similarly, under proportional representation, narrow interests may be able to establish national political parties with pivotal influence. Thus, a system might rank quite low on the scale of political corruption simply because groups that are willing to pay bribes find that they do not need to do so. (364)

Even in such systems, however, not all narrow groups have direct political influence. Some may try to buy benefits either through legal campaign gifts or illegal campaign contributions and bribes. These payments might be treated more tolerantly by politicians if government is viewed by most citizens as a source of private benefits. The low expectations of the populace can fuel both legal patronage and illegal favors. (364-365) [12]

(***Carol's comment: Either way, it is not the populace which is being served. "Source of private benefits" means the populace expects the government to do things for them, like provide health care or free education. I think this is what meant.)***

[12] Definition of rent-seeking (source online Investopaedia) **Rent-seeking** is the use of the resources of a company, an organization or an individual to obtain **economic** gain from others without reciprocating any benefits to society through wealth creation. An example of **rent-seeking** is when a company lobbies the government for loan subsidies, grants or tariff protection.

Some divided states have a dominant group that always retains political power. In such cases, majority politicians may espouse a populist ideology that demonizes minority ethnic groups, but then accept payoffs to permit them to flourish. This is a particularly common pattern if the minority group is also wealthy and active in business. (367)

(***Carol's discussion of Rose-Ackerman's text: These are some of the policy decisions which might be employed to corral the influence of uber-wealthy groups. To summarize, there are three dimensions that are central in determining the incidence of political corruption. They affect politicians' willingness to accept bribes and illegal campaign financing, voters' toleration of such payoffs, and the willingness to pay off wealthy groups. The first dimension is the existence of narrowly focused favors available for distribution by politicians. The second is the ability of wealthy groups to obtain these benefits legally. Third is the temporal stability of political alliances. Instability may arise from competition over the spoils of office, but governments in ideologically divided societies can also be unstable. Instability can induce both politicians and wealthy interests to get what private benefits they can in the short run. Reforms can focus on any or all of these dimensions. Thus, the system can first insulate politicians from making certain personalized choices, such as picking contractors or filling government jobs, or the electoral system can be modified to give politicians a greater incentive to satisfy broad-based constituencies. Second, civic education campaigns can educate voters to require public benefits from the political system, not personal favors. This might make corruption seem the only option for narrow groups, but it also makes the acceptance of illegal payoffs a risky strategy for a career politician. Third, structural reforms can seek to produce more stability but without leading to an essentially autocratic system. Politicians should worry about losing office, but should also believe that reelection is possible. One of the ways the Koch brothers', and others' "social action" groups work is by controlling election results in primaries, such that elected officials know that they cannot be reelected if they do not play along.[13] If the divisions that produce instability are based on ideological or social divisions, reforms should give politicians an incentive to accommodate a broad range of opinions or a multiplicity of social groups." (372) I do not know <u>how much</u> of all of the above exists now. According to the books referenced at the end, I think it's a lot.)***

Rose-Ackerman's next section is about ways to limit the influence of wealth on the behavior of politicians at all levels of government. She discusses the potential effects of each such method and raises the question of the point at which such regulation impacts the right of citizens to express their wishes through campaign contributions. This article was written before the *Citizens United* decision. In her next section, she deals with the pros and cons of each method of reform using examples of past events in several countries.

"Reform will not occur unless powerful groups and individuals inside and outside government support it. A political coalition must develop that supports change. There are two basic models of the reform process: one based on the exercise of political power and the other based on a contractual model of consensus. Those who expect to lose from reform can be outvoted and out-maneuvered, or they can be

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[13] Repetti (citation on next page) sites research findings which indicate: "[I]n elections for open Senate seats, the financial resources and relative experience of the candidates are the most important determinants of the outcome. Moreover, a challenger's campaign expenditures are the single most important variable affecting the incumbent senator's reelection chances. Similarly, in elections for state legislatures, candidate spending is the 'overwhelming' indicator of success where the primary elections are not preceded or followed by a convention." (846)

co-opted or compensated to accept change. A key strategic decision for reformers is whom to include in their coalition and whom to force to accept the costs of reform. Should one buy off corrupt officials and private persons and firms, or should one shut them out of the reformed system? How much will reform goals be undermined by the process of generating a coalition to support change?" (373) Rose-Ackerman's next section deals with the conditions under which reforms may succeed. Here's a key concept: "Both countries demonstrate the strains that arise when some constituents care about the efficiency and fairness of the services provided by the state, and others just want jobs." (376) (***Carol's comment: I think this is our problem now, but, to me, it's a larger issue than the one she presents.***)

Part 4 -General Discussion and Some Conclusions

The groups using influence to get Congress and the regulatory agencies to behave their way are so wealthy that some of the old constraints cannot apply. For example, they can afford to support both parties in some situations, not just one (e.g., lobbying as conducted by the pharmaceutical industry), and they can garner support among other very, very wealthy groups who stand to gain from their agenda, e.g., corporations can "expect" certain contributions/donations from their hugely wealthy CEOs; Koch-like mega-wealthy companies can form super-PACs which function as if they were political parties in some areas of the country and can organize groups of wealthy donors who stand to gain from their political maneuvers; lobbyists work inside the halls of Congress.

We cannot necessarily count on regulatory agencies, who used to be staffed largely by civil servants who got into government work because: 1) they wanted to serve; and/or 2.) they needed a job. Now, retiring Members of Congress are retiring to get jobs with lobbying firms who have power and money enough to wield a great deal of influence on regulatory agencies, although I have not yet studied their means of achieving same.

Many corporations which fund lobbyists are now multinational in scope and not entirely dependent upon the US population for their success; their interests may lie elsewhere. Their interests may or may not lie in the direction of those of the majority of Americans. Yet, they can exert significant impact through lobbyists.

Repetti, James R., *Democracy, Taxes, and Wealth,*

76 N.Y.U. L. Rev. 825 (2001), 825-873 ; Thu Jan 11 18:16:18 2018.

Content downloaded/printed from HeinOnline. I cannot transmit the link. Site requires the purchase of their articles.

"This Article explores two important issues arising from the increased concentration in wealth. First, is President Roosevelt's [historical reference to Theodore Roosevelt who opposed the influence of the wealthy] concern about the adverse impact of wealth concentration legitimate? What social harms might arise from the concentration of wealth in the same family from generation to generation? Second, should the tax system be used to decrease wealth concentration by taxing wealth transfers? (826) . . . To answer the first question, this Article explores the economic and political science literature to examine the effects of wealth concentration on economies and democracies. . . . Wealth concentration correlates with poor economic growth because of educational disadvantages for the poor and sociopolitical malaise. Wealth concentration also harms the democratic process because it gives too much power to the affluent." (827) ***Carol's comment: Based on this and other literature, the concentration of inherited wealth is increasing and will continue to supply more and more wealth to the already wealthy.***"Alexis de Tocqueville: 'What is most important for democracy is not that great fortunes should not exist, but that great fortunes should not remain in the same hands.'"(850)[14]

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[14] "John Maynard Keynes bluntly stated: 'The hereditary principle in the transmission of wealth and the control of business is the reason why the leadership of the capitalist cause is weak and stupid.'" (850) I couldn't resist.

Kang, Michael S. After Citizens United, 44 Ind. L. Rev. 243-254 (2010).

Content downloaded/printed from HeinOnline.

Citizens United v. FEC - A "transformation of campaign finance law under the Roberts Court. The decision explicitly overruled longstanding Court precedent and struck down as unconstitutional federal prohibitions on the use of corporate treasury funds for campaign finance expenditures in connection with federal elections. In short, federal law that blocked corporations from spending treasury funds on federal campaign speech was struck down, and by extension, similar state laws modeled after federal law also were struck down as they applied to state and local elections." [It expressed a] "trend and a narrow focus on quid pro quo corruption as the exclusive grounds for government regulation." (243)

"The majority opinion in *Citizens United* framed the basic issue of the case as whether 'the [g]overnment may impose restrictions on certain disfavored speakers'-namely, corporations-but in so doing, the Court asked the wrong set of questions. Corporations are not the relevant actors whose rights we ought to be concerned about protecting. Corporations are not people, nor are they entitled to all the constitutional rights of individual citizens. But as many supporters of *Citizens United* correctly argue, we nonetheless invest institutions such as corporations and political parties with constitutional entitlements when it appropriately serves the rights of individuals who constitute those institutions." (245) (***Carol's comment: What about the argument that corporations' support of a candidate or party effectively disenfranchises those employees of the corporation who do not support the same candidate or party but whose labor garnered the money?)***

"The inconsistency. . . now resolved by *Citizens United*, was a tension intrinsic to campaign finance law and not necessarily a failing in the actual practice of campaign finance law. Campaign finance law is a compromise in terms of both law and democratic values. It imperfectly expresses tension between abstract notions of liberty and equality. It expresses tension between unease about government restriction of speech on one hand and concern about the influence of economic power on the other hand." (247)

[Justice Kennedy used to be a minority opinion on the Court. In the view of this article, it is his opinion – that unrestricted campaign contributions do not foster corruption – that prevailed in *Citizens United*.] "In a line of cases that included *Austin* and *McConnell*, the Rehnquist Court consistently upheld campaign finance regulation under increasingly expansive conceptions of the government interest in preventing actual and apparent corruption. *Austin* upheld campaign finance regulation based on the prevention of a different form of corruption-a distortion of the political discourse from the corrosive effects of corporate money. . . The Roberts Court, by contrast, has now struck down campaign finance regulation by 5-4 votes in a series of cases, only the most recent and most dramatic of which is *Citizens United*." (248) "[N] arrowing the government's interest in preventing corruption has consequences that extend well beyond the regulations struck down in *Citizens United* because virtually all campaign finance regulation depends on this anti-corruption rationale for its constitutionality." (250)

Carol's comment: So far, at least, C.U. did not strike down the requirement of disclosure of contributors' identities.

Tomain, Joseph P. Tomain, Gridlock, Lobbying, and Democracy

7 Wake Forest J. L. & Pol'y 87- (2017). Thu Jan 11 17:35:52 2018
Content downloaded/printed from HeinOnline.

The full article is about 50 pages long, so I haven't attached it. I'll bring copies to our discussion group and provide a copy online for anyone who wants one. All article citations are omitted in the synopsis below.

This article is highly partisan against Republican positions. I will steer around the partisanship as best I can to highlight "[T]he concept of gridlock and its effects on government regulation. . . [The] influence of lobbying will also be explained. The paper closes with a discussion of the types of reforms that are available and that can serve as a check on lobbying abuses." (87-88). Tomain distinguishes between "macro gridlock", like the refusal of the Republican Members of Congress to interview President Obama's nominee for the Supreme Court, and "micro gridlock" which exists due to narrow, special interests and lobbying. One example is: "[T] he Energy Policy Modernization Act of 2015. This 350-page piece of legislation does not address a clean energy transition, does not tackle climate change, and does not address United States energy policy in any comprehensive way. Instead, like most legislation, it consists of a series of smaller programs such as R&D, energy storage, water power, grid modernization, and the like. While these provisions are mostly noncontroversial, they all have ardent supporters who stand to gain benefits from the passage of a hodgepodge bill that does not necessarily advance the common good.' Whereas, macro gridlock represents a standstill between Republicans and Democrats, micro gridlock represents a standstill between wealthy corporate interests with political access and the rest of America." (89)[15]

". . .[M]market rules are legislative products; markets in a capitalist economy are not natural phenomena. Today, economists regularly admit that they had underestimated the power of partisan politics to shape markets. Indeed, the most trenchant comment about the failure of American-style capitalism came from Alan Greenspan's congressional testimony about the Great Recession of 2008, in which he admitted that he was in a 'state of shocked disbelief' that the 'whole intellectual edifice' of free market ideology collapsed, nearly tanking the United States economy and creating a global economic depression.' Lobbyists for the financial industry helped in no small part to create that trillion-dollar economic catastrophe." (93) The point Tomain is making is that wealthy interests, in this case, financial interests, can have a great influence on the rules which regulate the behavior of financial institutions and, therefore, the economy, and that that influence is divorced from the older notion of what constitutes a "free market economy."

"[T]he deus ex machina for that spending [by lobbyists on or to benefit legislators] is crony capitalism, which has been defined as deals between private interests and government 'on the basis of political influence rather than merit.' These deals have been facilitated by, and indeed are the stock-in-trade of, lobbyists as our political process becomes, in Lawrence Lessig's phrase, 'an economy of influence.'" (95)

How much lobbying is Tomain discussing? "[A]ccording to the Senate Office of Public Records, as reported by the Center for Responsive Politics, the total amount of lobbying expenditures increased

[15] One aspect of this phenomenon is the increasing length (number of pages) of legislation in recent years, which takes more regulatory personnel and personnel time to decipher and administer and makes legislators dependent on lobbyists.

from $1.45 billion in 1998 to $3.2 billion in 2015. It must be noted that this amount has declined slightly from a high of $3.55 billion in 2010, which can be explained by the increasing use of dark money, i.e., money that enters into politics without disclosure."[16] (96) Tomain points out that not all lobbyists act against the public interest, and the "common man" has lobbyists who can reach legislators in important ways, but there are spheres of activity which are almost entirely influenced by lobbyists who are operating only in the interest of big business or big finance.

Tomain then describes the four most prevalent arguments against lobbying: (1) political inequality; (2) corruption; (3) public welfare; and (4) economic inequality. Lobbying produces political inequality, because lobbyists can more readily attract the attention of legislators than can average citizens and can direct that attention toward the concerns of whatever interest the lobbyists represent. They are much better organized than are citizen groups, and they're physically "in the building" helping with some of the planning and scut work which get legislation passed. "[T]ransaction costs are much lower for a handful of car manufacturers to fight mileage standards or for a handful of oil companies to keep fracking chemicals secret' than they are for a large number of consumers to organize and fight back."' (105) "[B]ig money tilts the political process in its favor and contributes to political inequality in several ways including gerrymandering, lopsided campaign finance, media bias, and inequality of access, among other evils." (106)

". . . [L]legislators who do not reciprocate with legislative favors for the campaign gifts given by lobbyists know that additional funds will dry up. Again, it is not necessarily the case that access leads directly to favorable legislation or regulation; nevertheless, parties that get inside legislative or regulatory doors have a greater likelihood of success than those who do not."' Also, at the more understandably human, but nevertheless harmful, level, legislators develop social relationships with lobbyists that can predispose them to answering donor phone calls and attending social and political functions rather than doing other constituency work. We can identify another form of corruption-institutional corruption. The amount of campaign money needed by legislators demands that they spend half of their time fundraising by becoming telemarketers. As a consequence, politicians and legislation follow the donor class, not the middle class. Thus, the legislative process constitutes a political market failure. Instead of spending time to understand the pros and cons of the complex legislative issues that confront them, legislators routinely court donors. In doing so, they are both distracted from the business of legislation and more narrowly focused on the issues of their donors rather than on the broader public good. . ." (109)

Tomain discusses "the negative impact of lobbying on the economy as a whole. In one instance, corporate clients spent a total of $282.7 million on lobbying in favor of a tax change that reduced the U.S. Department of the Treasury revenue by $298 billion. However, those who contributed to the lobbying effort realized tax savings of $88 billion, which constituted a return on investment of over 30,000%. Similarly, farm subsidies disproportionately go to a minority of large agribusinesses. It is estimated, for example, that 75% of all farm subsidies go to 10% of the recipients. Additionally, government-imposed tariffs and quotas favor domestic sugar producers to the extent that consumers generally pay twice the world price for sugar at an annual cost of approximately $4 billion. Pharmaceutical costs, for example, are higher than they should be as a result of lobbying efforts. . ." (112)

"Historically, there have been two general ways to deal with the problem on concentrated private power-restrict it or counterbalance it. The question that must be answered is whether or not these responses are sufficient and constitutionally acceptable ways to address our contemporary political

[16] "Put aside, for the moment, that unionized labor has been reduced by two-thirds to a mere 11.1% of the workforce in 2018 from a high of over 35% in the mid-1940s-the amount of lobbying money spent by labor is miniscule. In 2015, for example, about $3.2 billion was spent on lobbying overall. Labor spent $46 million, or 1.4%, of that total and less than 10% of the amount spent by business, finance, and healthcare each." (97)

climate, which suffers not only from political gridlock but also from an economic inequality that begets political inequality." The article presents the history, beginning with James Madison's formulations of government in the *Federalist Papers*, to explain how we reached the current structure/functioning of our government. He cites the thinking which prevailed among many through Herbert Croly's summary of the problems of an industrial/wealth-unequal society in *The Promise of American Life*, published in 1909: "The rich prospered at the expense of the ordinary American and also the nation's vitality. Second, strong national government is necessary to correct the economic imbalance that gave way to the Gilded Age that, in his words, constituted 'individual bondage.'" (123) A strong government was to serve as a countervailing power against the abuses of the rich, and that government was to be itself powered by the actions of citizens voting their will, but the theory of countervailance failed to take into account the greater ease with which large corporations could form powerful interest groups than could a cadre of private citizens, so private citizens were forced to turn to government to exercise their power which was supposed to be the "power of the people." Lobbying has now punctured and deflated that countervailing power. Tomain goes on to cite Robert Reich's solution in *Saving Capitalism*[17] which is to "craft a new set of countervailing powers." (128)

"Reich notes the ascendancy of new monopolists who gained both market and economic power by bending the rules of government. Big Pharma controls drug prices through legislation such as Plan D, which prohibits the government from using its own buying power to negotiate lower drug prices. The expansion of intellectual property protection has prevented competition and ideas that would have been available to the market in years past. Similarly, the ability of telecommunications firms to dominate markets gives United States consumers slower and pricier internet service than elsewhere in the world. In addition to the accumulation of market power through rentseeking legislation and favorable regulation, corporate America imposes a triple whammy on consumers through legislation that limits their liability for wrongdoing; expands their ability to influence political outcomes; and sustains the gross underenforcement of laws on the books, particularly for white collar crimes." (129)

"Given this parade of horribles, Reich attempts to define new forms of countervailing power, and he starts by describing the 'necessary role of government in designing, organizing, and enforcing the market to begin with.' The imbalance of wealth in the American economy was accomplished by the ability of the economically advantaged to hijack the political process. To be sure, the redistribution to the top is not advantageous to the citizenry or to the whole economy. Short-term economic thinking is unsustainable and poses a real threat to America, as the Great Recession has amply demonstrated." (130) Tomain raises some doubt as to whether Reich's solutions to the problem are adequate to counteract the existing trends. He suggests that, in addition, it is necessary "to weaken or break the link between private wealth and public legislation-between money and lawmakers. Let's start with lobbying." (131)

Carol's comments: While it would be logical for me to continue this synopsis by laying out Tomain's solutions, I'm "out of time" with this paper and had better resume the thread of the main discussion, which is this. The evidence and discussions I've put before you should demonstrate that not only wealth has traveled very extensively upward in our country but power as well, such that, now the wealthy -- individuals, corporations, financial institutions – can tilt the balance of power very critically in their favor and have successfully neutered many of the organizations/agencies/legislation which used to be able to counter their activities and/or advance the public's interests. This leaves not only less money for the rest of the populace but less power and fewer means to push back. The unrest in the country, I think, reflects the sense of powerlessness ordinary people feel as well as their economic disadvantage. Among the least wealthy in the country, hopelessness is reflected in the grasp which

[17] I added links to YouTubes featuring Reich at the end of the paper, should you have an interest in seeing them.

drug addiction has on many people and the substantial increase in the numbers of people who want to be labeled victims so that they can obtain benefits such as disability, unemployment, and welfare. These are not the majority of people who are struggling, but they constitute a visible minority at whom the wealthy can point to "justify" treating them as less than worthy, less then deserving, less than full citizens, and they exist in such numbers that they pose a drag on the communities where they live.[18] To sum it up, many people whom economic events have squashed will stand up and make their way again, most, I think; some will cave in and wither, but none of them will have the same belief in The American Dream. None of them will have the faith in democracy they once had. And none of them will be naïve enough to believe that the USA is working for them in anything like the way they expected it to do. . . And, they should not. Having a segment of the population which controls events to the extent that it does makes a mockery of any notion of the equality which is one of the pillars of democracy; poverty among many in a society makes an equal mockery of freedom, another pillar, and then, of course, there's the last pillar, fairness. Put one way, if it's fair, someone cannot take advantage of you; if it's fair, you are getting what you pay for; you work hard; you pay your taxes, you get a return. To care, you have to have power. Democracy can't exist if people don't care about it. Keeping democracy alive means that you have to have enough people who care about it, or you lose it.

And, finally, can the trends depicted be combatted/reversed, or had we better accept what seems likely to happen and either mold democratic practice or create some new form which can handle a wage-discrepant society and a global economy?

[18] If you wish, read more of this in Murray, Charles, *Coming Apart*: The State of White America. New York: Crown Forum, 2012.

Part 5. Some Other Related-Topic Sources

*[19]1. **Inequality for All**

https://www.youtube.com/watch?v=q-rpkZe2OEo

Bill Moyers talks with Economic analyst Robert Reich about the film "Inequality for All". The discussion reveals the way that extreme wealth inequality affects and endangers democracy.

*2. **Saving Capitalism: For the Many Not the Few**

https://www.youtube.com/watch?v=Jk4VCT5fo7M&t=663s

The following YouTube contributes to the primary discussion and adds to understanding the phenomena under consideration. It is not included as a political statement.

*3. **America Is Not a Democracy**

https://www.theatlantic.com/magazine/archive/2018/03/america-is-not-a-democracy/550931/

4. **Truth as a Common Good with Robert Reich**

https://www.youtube.com/watch?v=Axkvo0PHIa0

Economist Robert Reich served in the administrations of three U.S. presidents and is now a professor at U.C. Berkley as well as a roving speaker. At this UC Berkeley's Goldman School of Public Policy's Board of Advisors Dinner held in March 2017 (recorded on 03/29/2017), he gives a rousing talk on how the intersection of politics and economics led to the rise of Donald Trump and describes the concerns he (Reich) shares with Republicans who fear that Trum+p's way of governing is harming American institutions.

5. **Wall Street vs. the Regulators: Public Attitudes on Banks, Financial Regulation, Consumer Finance, and the Federal Reserve**

https://www.cato.org/survey-reports/wall-street-vs-regulators-public-attitudes-banks-financial-regulation-consumer

Results from the Cato Institute 2017 Financial Regulation Survey

Finally, a very important article that Carol recommends reading by Ackerman-Rose "Political Corruption"

https://drive.google.com/file/d/1_wT86TPrONC1xe6XjO3SHS6zuNJX8acz/view

[19] * Most central to this discussion's issues.