

Jacob S. Hacker & Paul Pierson

— Authors of *Off Center* —

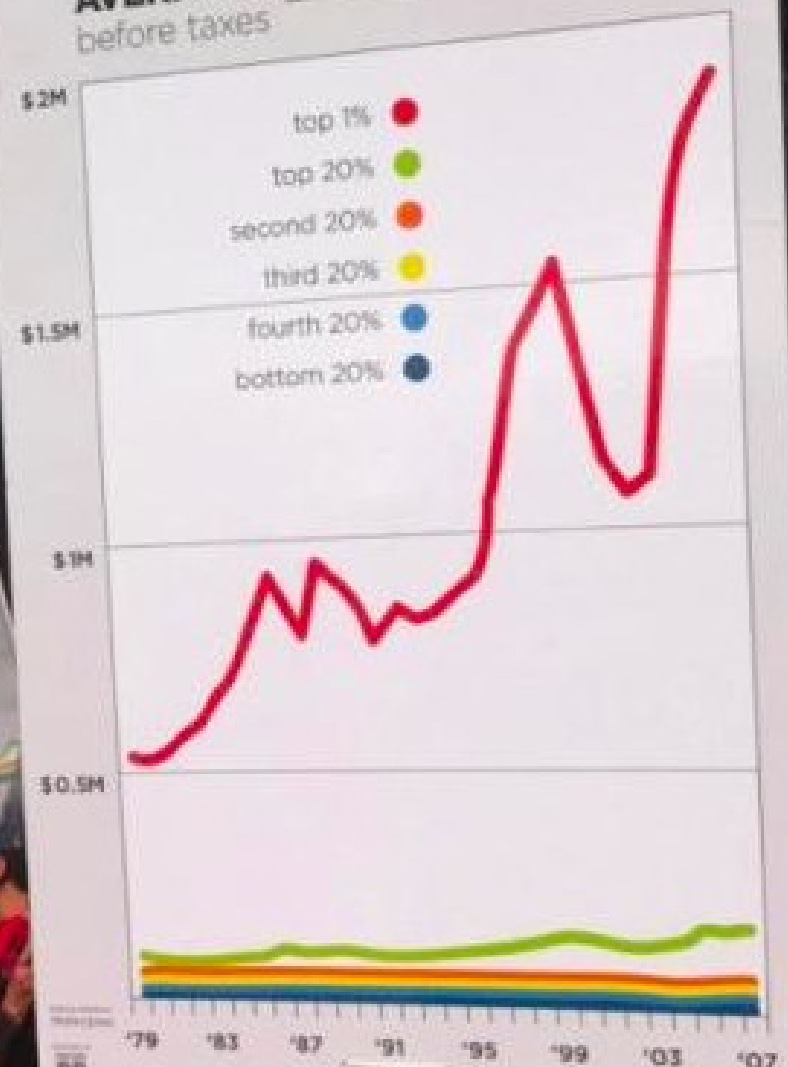
Winner-Take-All Politics

How Washington Made the Rich Richer—
And Turned Its Back on the Middle Class



AVERAGE HOUSEHOLD INCOME

before taxes



2007 dollars. Source: Congressional Budget Office

Average Income

(After taxes, including public and private benefits; 2007 dollars)



Top 1 % S Share (Excl. Capital Gains)

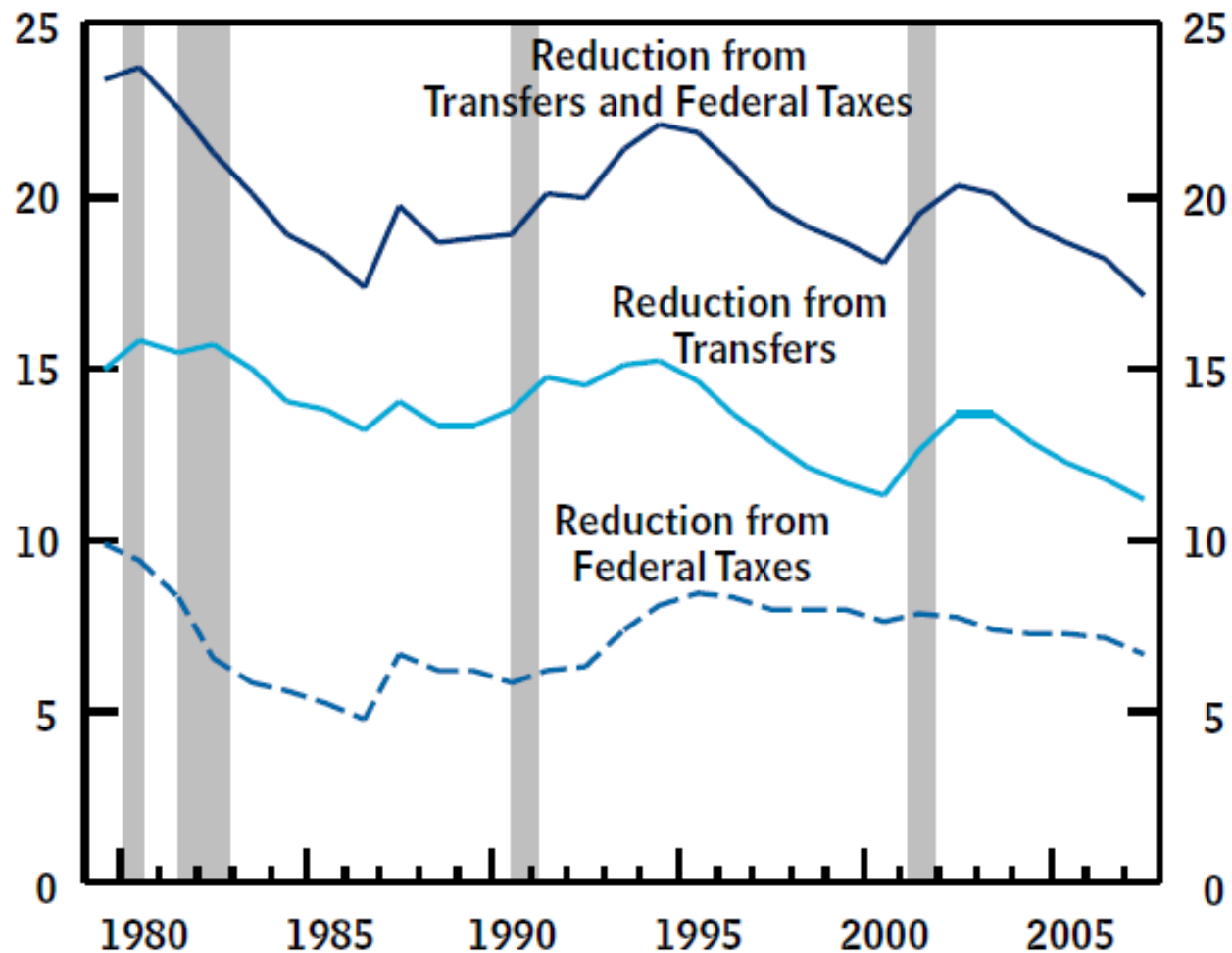


*1974 for Germany and Italy, 1975 for Portugal, 1981 for Spain

**2002 Australia, 2000 Canada, 2004 Finland, 2006 France, 1995 Germany, 2004 Italy, 1999 Netherlands, 2006 Norway, 2005 Japan, New Zealand, Portugal, Singapore, Spain, 2009 Sweden, 1995 Switzerland, 2005 U.K., 2008 U.S.

Reduction in Income Inequality from Transfers and Federal Taxes

(Percentage reduction in Gini index)



Source: Congressional Budget Office.

Declining Progressivity at the Top

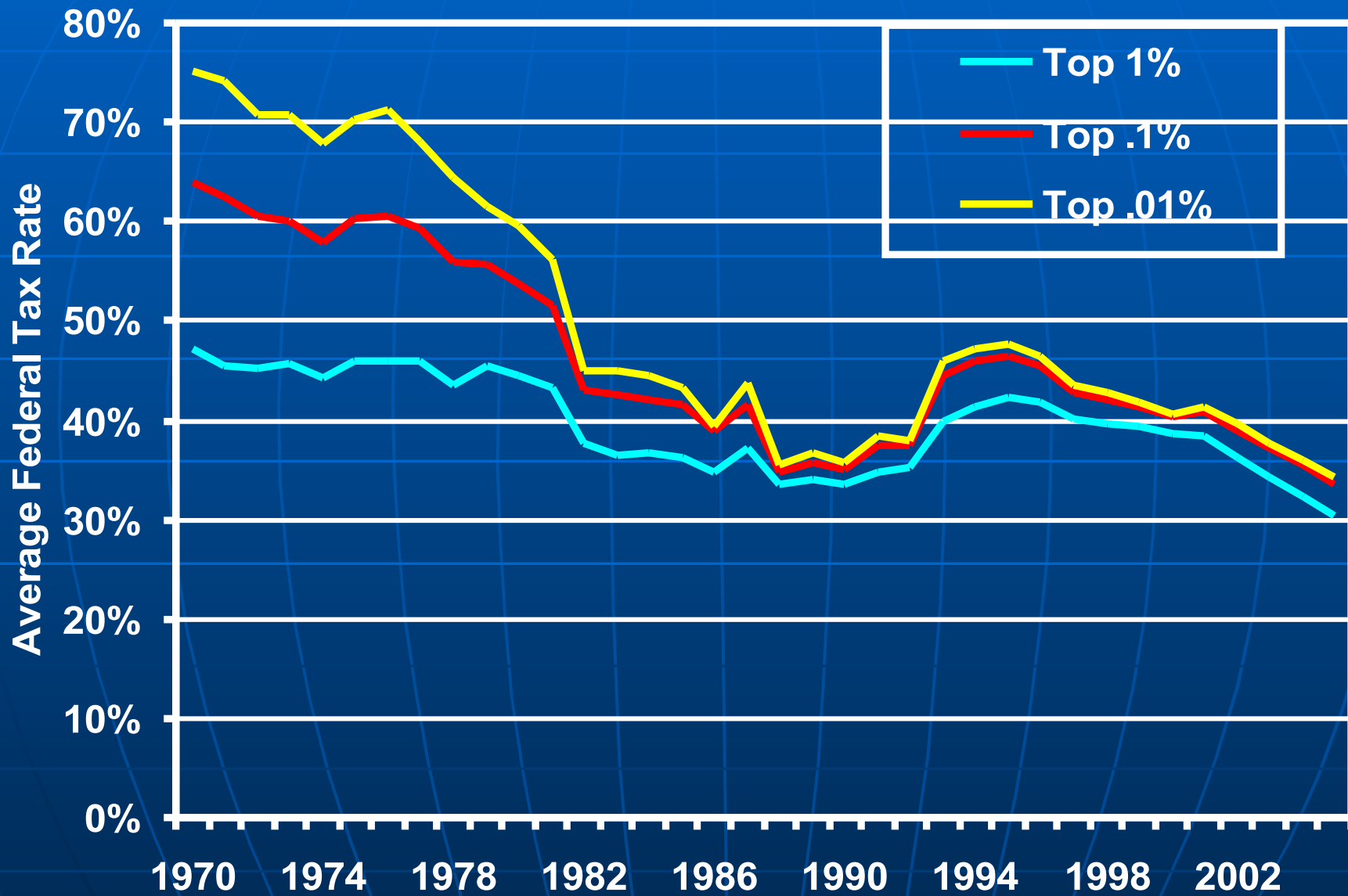
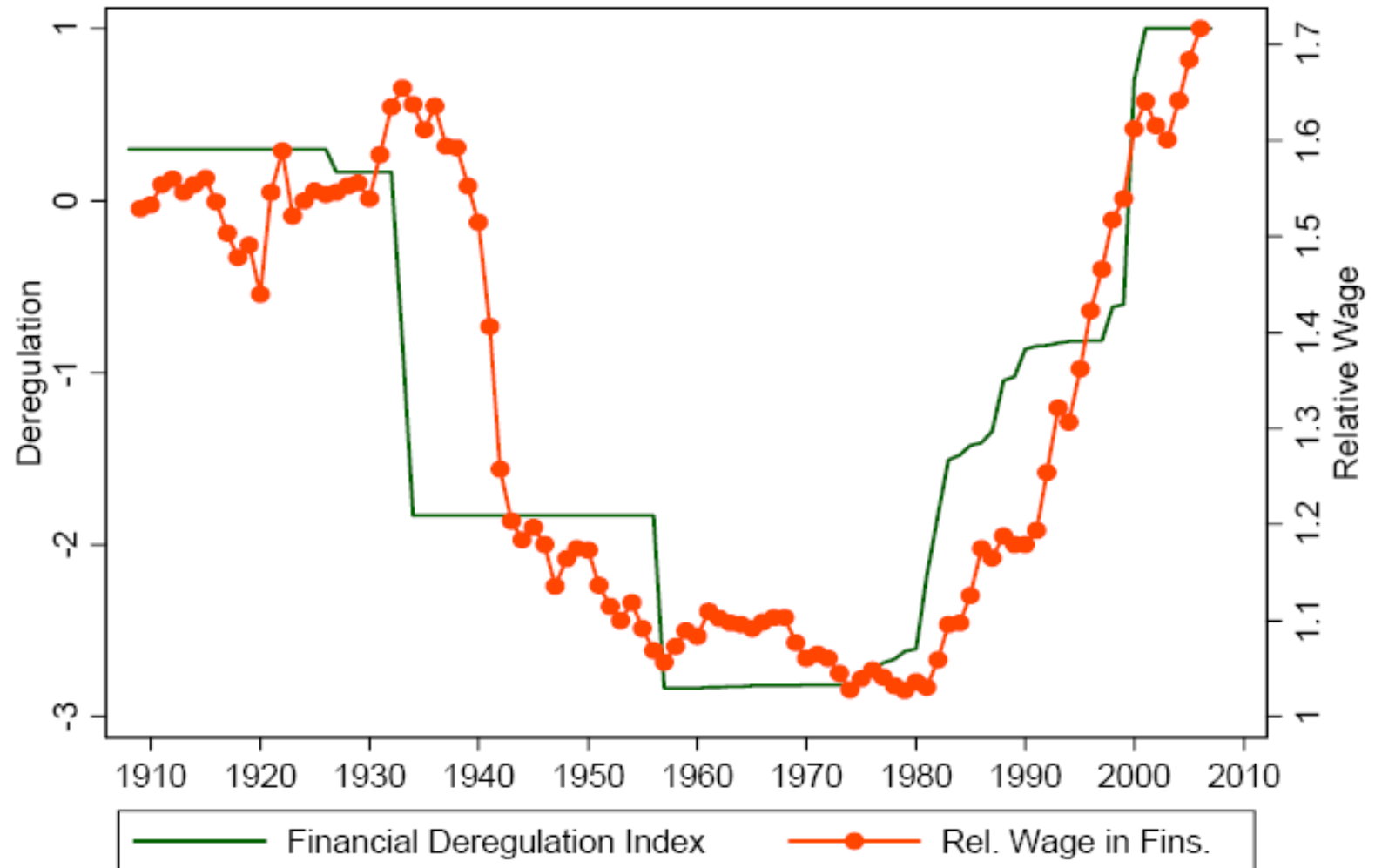
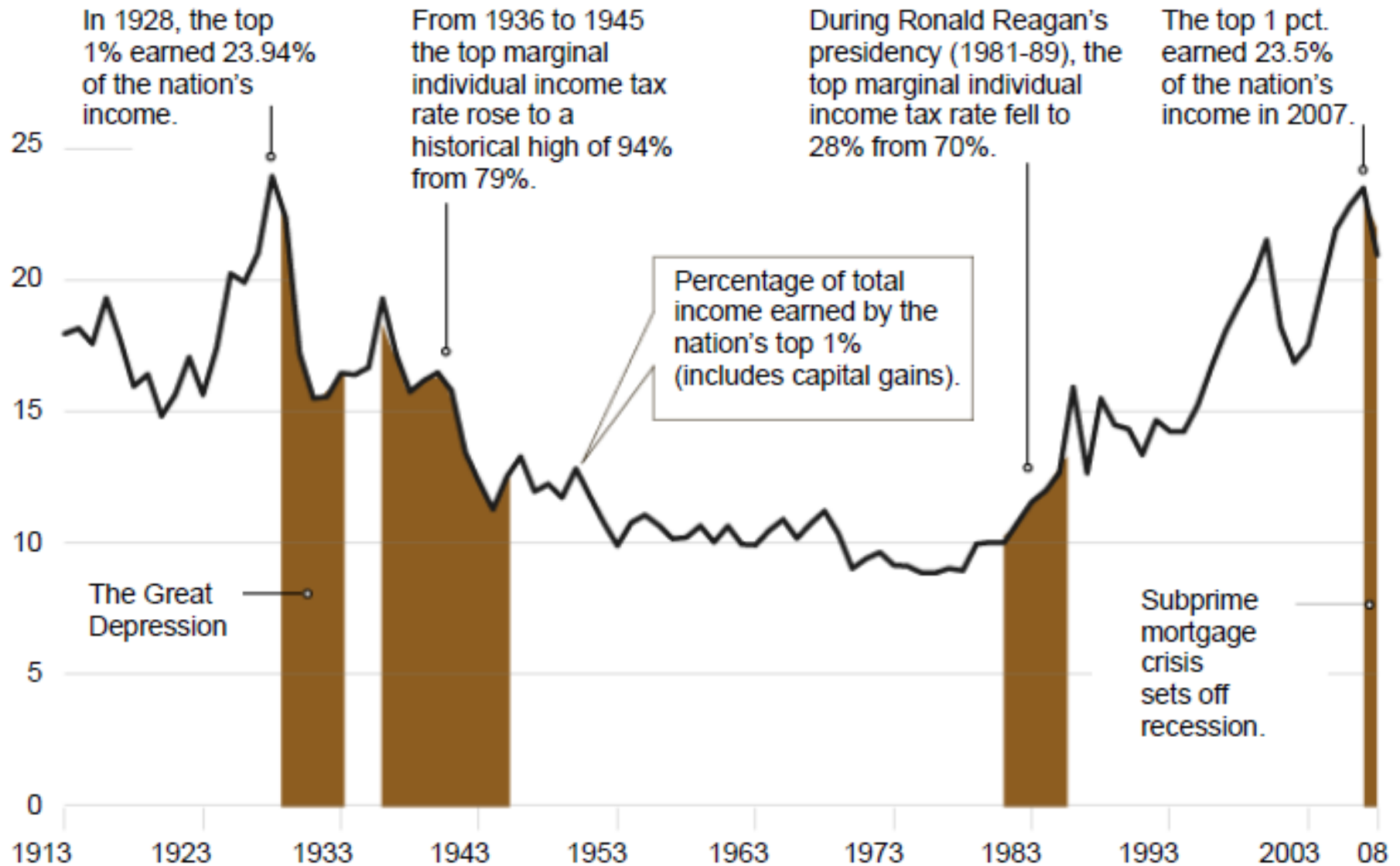


Figure 6: Relative Financial Wage and Financial Deregulation



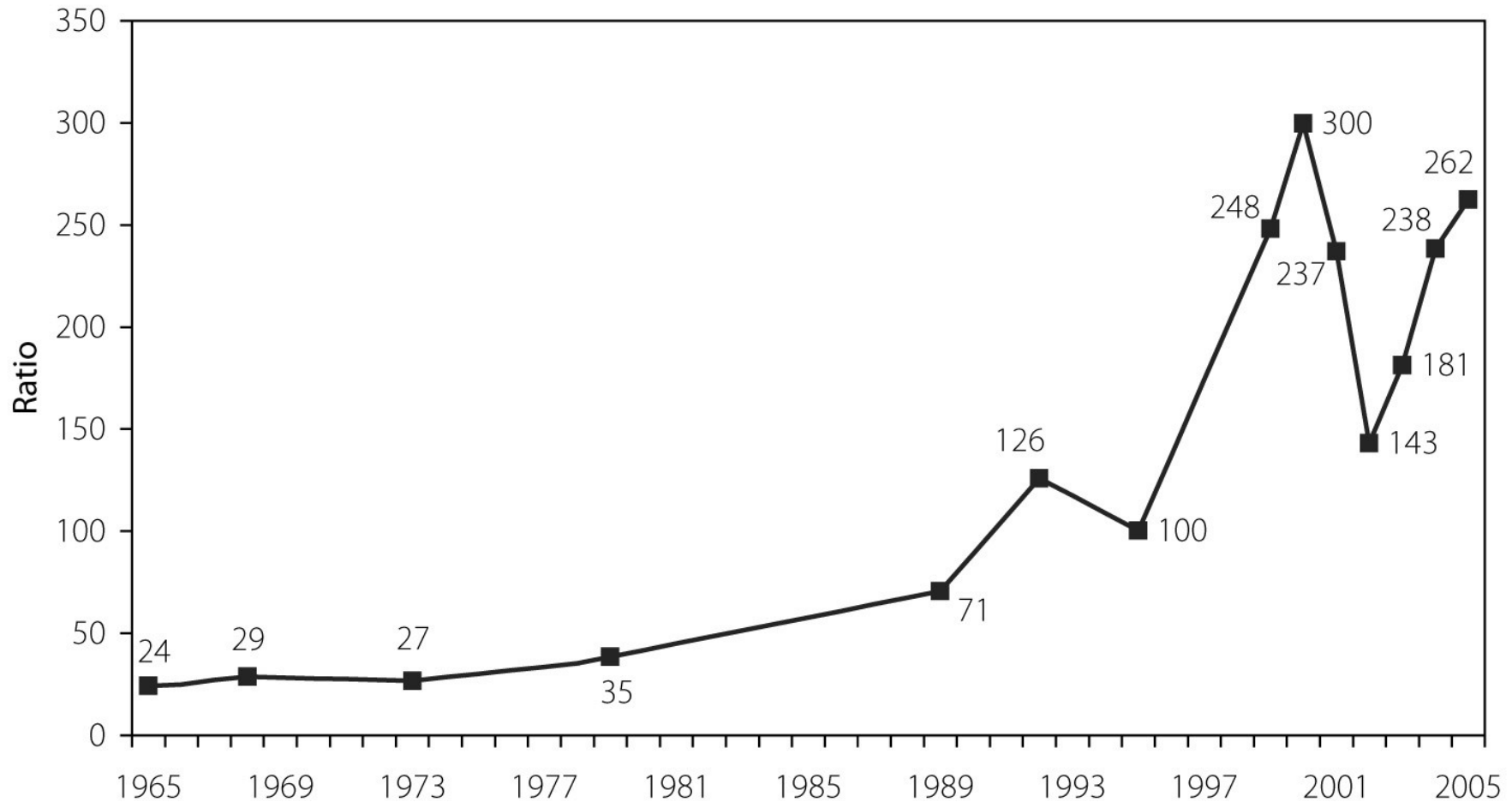
Source: Thomas Philippon and Ariell Reshef, "Wages and Human Capital in the U.S. Financial Industry: 1909-2006, December 2008

Share of the Nation's Income Earned by the Top 1 Percent



Sources: Thomas Piketty and Emmanuel Saez; Urban Institute, Brookings Institution

Ratio of CEO to average worker pay, 1965-2005

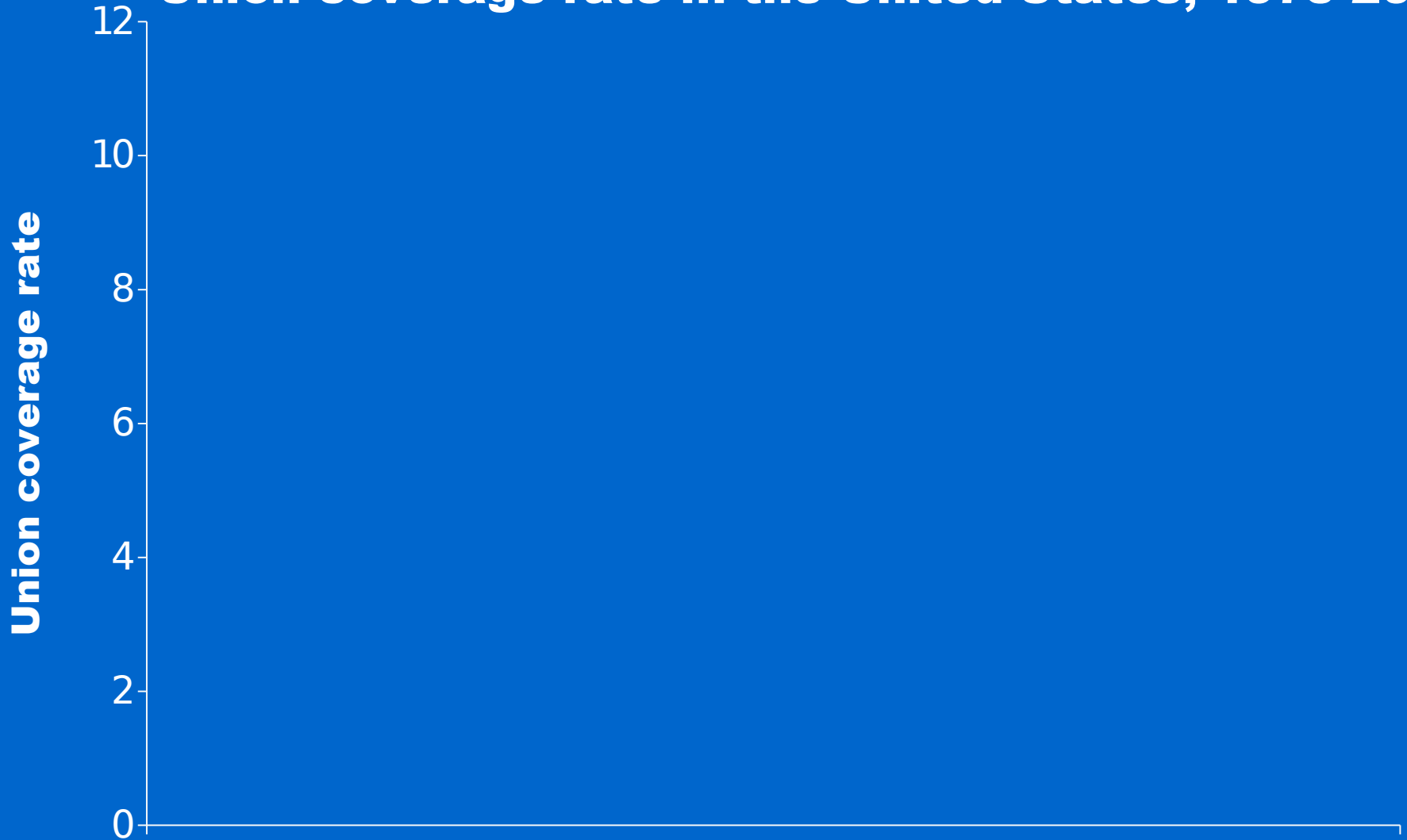


Source: Authors' analysis of *Wall Street Journal*/Mercer (2006).

Figure 3Z from: Mishel, Lawrence, Jared Bernstein, and Sylvia Allegretto, *The State of Working America 2006/2007*. An Economic Policy Institute Book. Ithaca, N.Y.: ILR Press, an imprint of Cornell University Press, 2007.

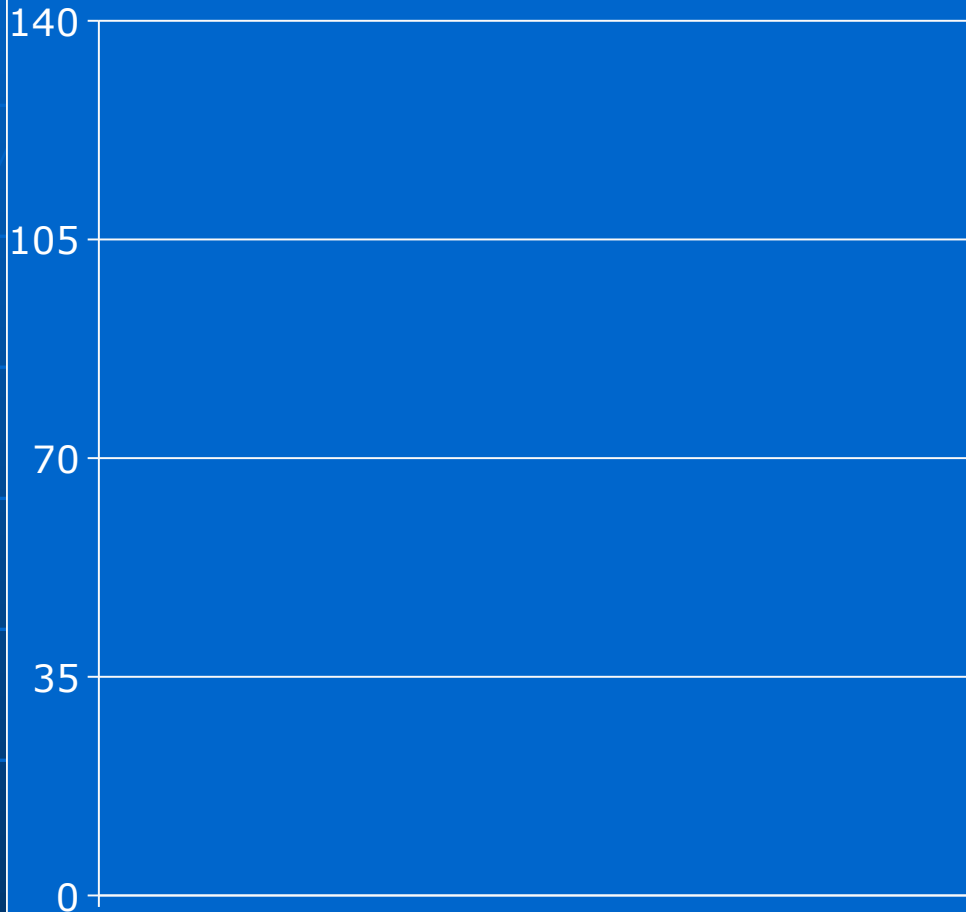


Union coverage rate in the United States, 1973-2000



Source: Hirsch and Macpherson (2010). <http://unionstats.gsu.edu/>

Cloture Filings to End Senate Filibusters, 1921-2010



“In all cases where justice or the general good might require new laws to be passed, or active measures to be pursued, *the fundamental principle of free government would be reversed.* It would be no longer the majority that would rule: the power would be transferred to the minority.”

—James Madison,
Federalist #58

http://www.leadrutman.com/uploads/2/3/0/1/2301208/explaining_the_growth_of_corporate_political_activity.pdf

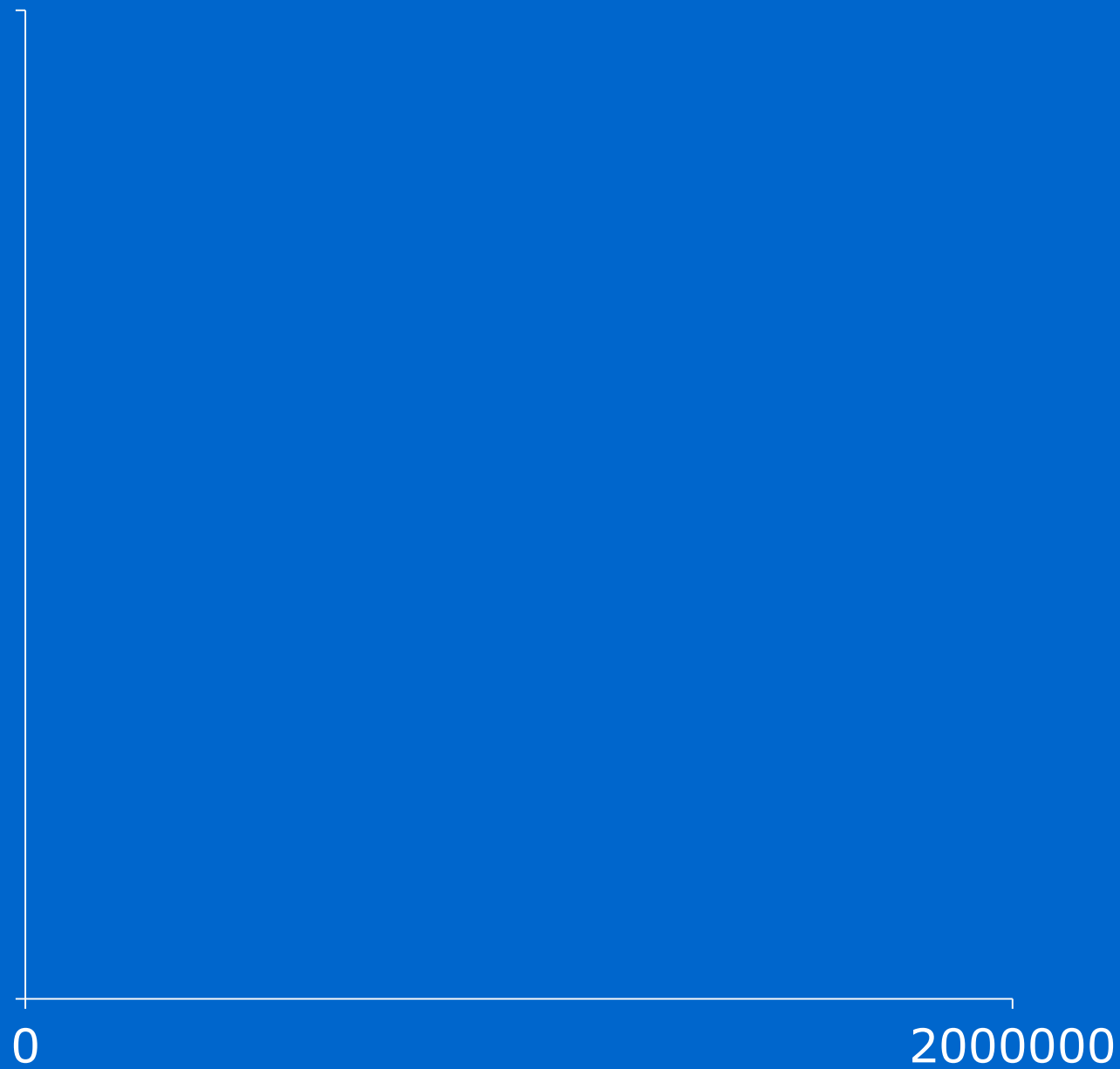
“Unequal Polarization,” 1975-2010



Source: D-W Nominate Scores (1st dimension), www.voteview.org

Actual vs. Ethical Inequality (ISSP 1999)

	Gini Index of Perceived Earnings Differences (How Much Inequality Is There?)	Gini Index of Normative Earnings Differences (How Much Inequality Should There Be?)
U.S.	0.43	0.35
Europe	0.47	0.34



TAX CUTS...

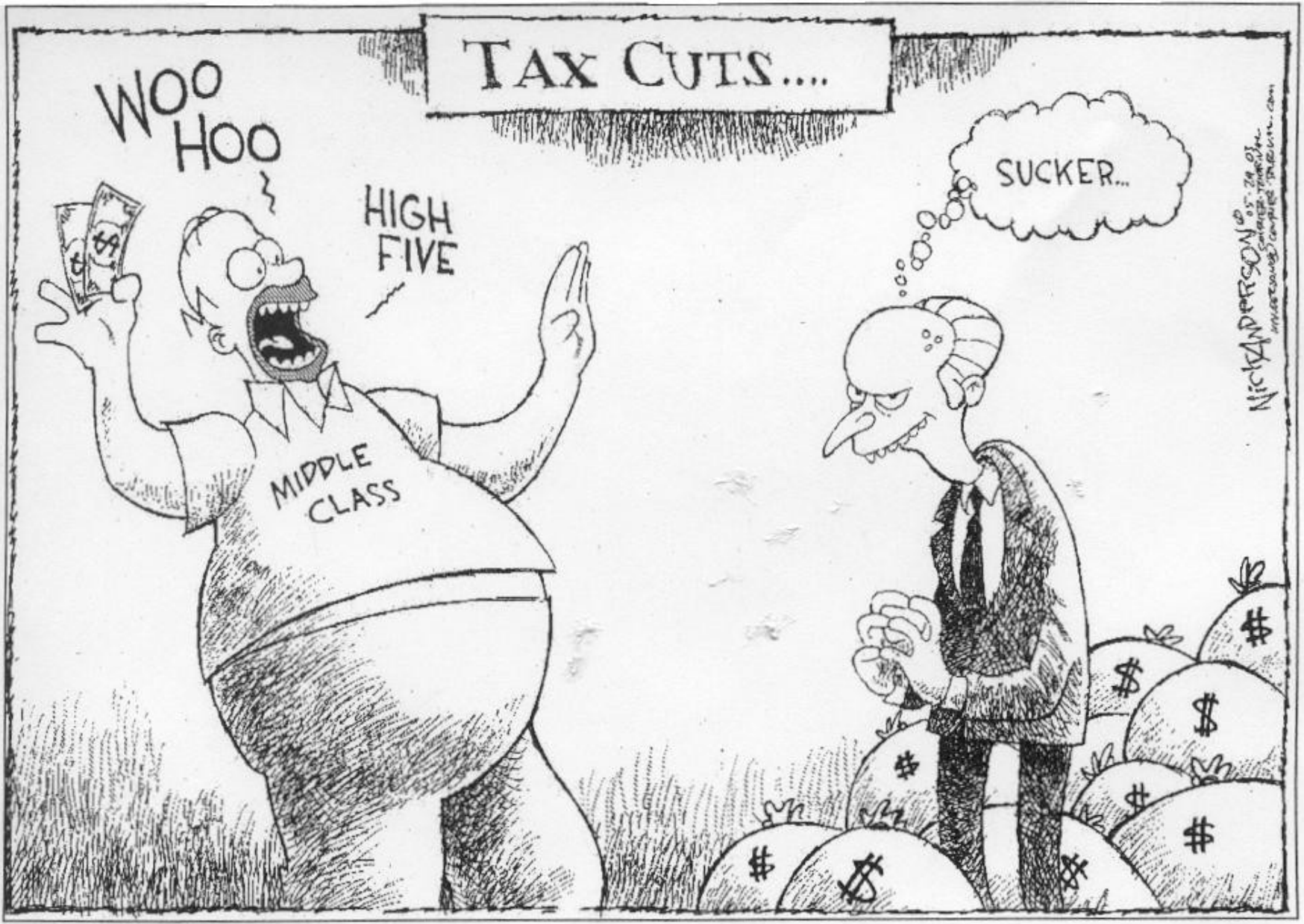
WOO
HOO

HIGH
FIVE

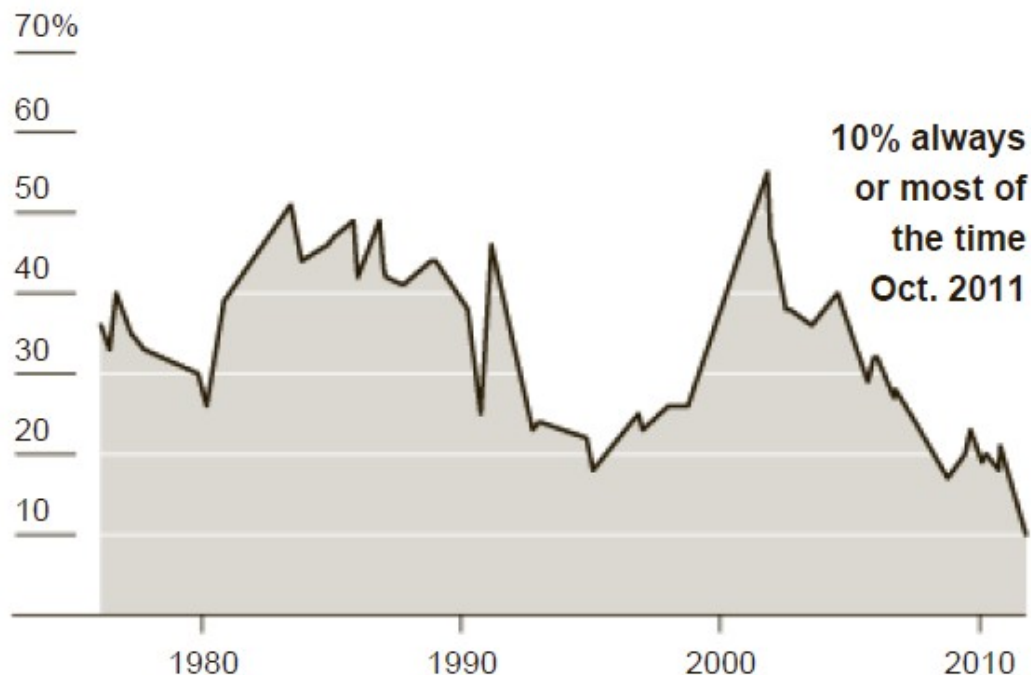
MIDDLE
CLASS

SUCKER...

NICK ANDERSON © '05 '06 '07
www.nickanderson.com



How much of the time do you think you can trust the government in Washington to do what is right?



Do you think the views of people involved in the Occupy Wall Street movement generally reflect the views of most Americans?



Source: NYT/CBS News Poll, October 19-24, 2011, n=1650



Supplemental Slides

How much more (or less) would each income group have received in 2005 if income had grown at the same rate for all groups from 1979 to 2005? (Negative numbers in red.)

Income group	Difference in average income <u>per household</u> (actual income minus income assuming equal growth)	<u>Total income difference for group</u> (difference in average income times number of people in group)
Bottom fifth	\$5,623 richer per household	\$136 billion richer as a group
Second fifth	\$8,582 richer	\$189 billion richer
Middle fifth	\$10,100 richer	\$224 billion richer
Third fifth	\$8,598 richer	\$194 billion richer
Next tenth	\$3,733 richer	\$43 billion richer
Next 5 percent	\$4,912 poorer	\$29 billion poorer
Next 4 percent	\$29,895 poorer	\$140 billion poorer
Top 1 percent	\$597,241 poorer	\$673 billion poorer

Rising inequality “is simply an economic reality, and it is neither fair nor useful to blame any political party.”

—Henry Paulson

What accounts for rising inequality?
Some pundits are tempted to look inside the Beltway for a cause, but the case is hard to make. Government policy makers do not have the tools to exert such a strong influence over pretax earnings, even if they wanted to do so.

—Greg Mankiw

I can't see the mechanism by which changes in government policies bring about such huge swings in pre-tax income distribution.

—Brad DeLong

“The government of the democracy is the only one under which the power that votes the taxes escapes the payment of them.”

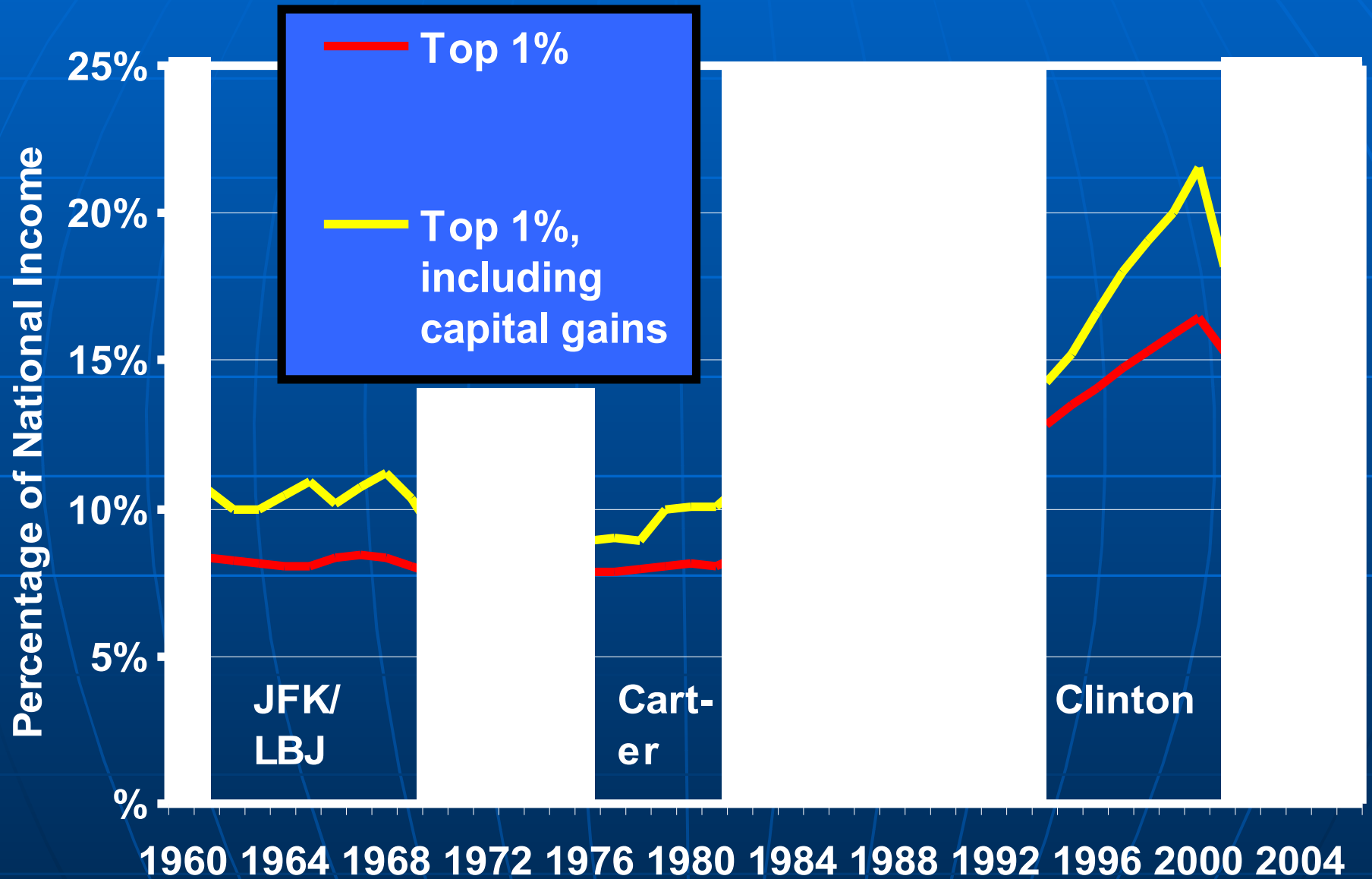
—Alexis de Tocqueville
Democracy in America

“Wherever there is great property, there is great inequality....Civil government, so far as it is instituted for the security of property, is in reality, instituted for the defence of the rich against the poor, or of those who have some property against those who have none at all.”

—Adam Smith

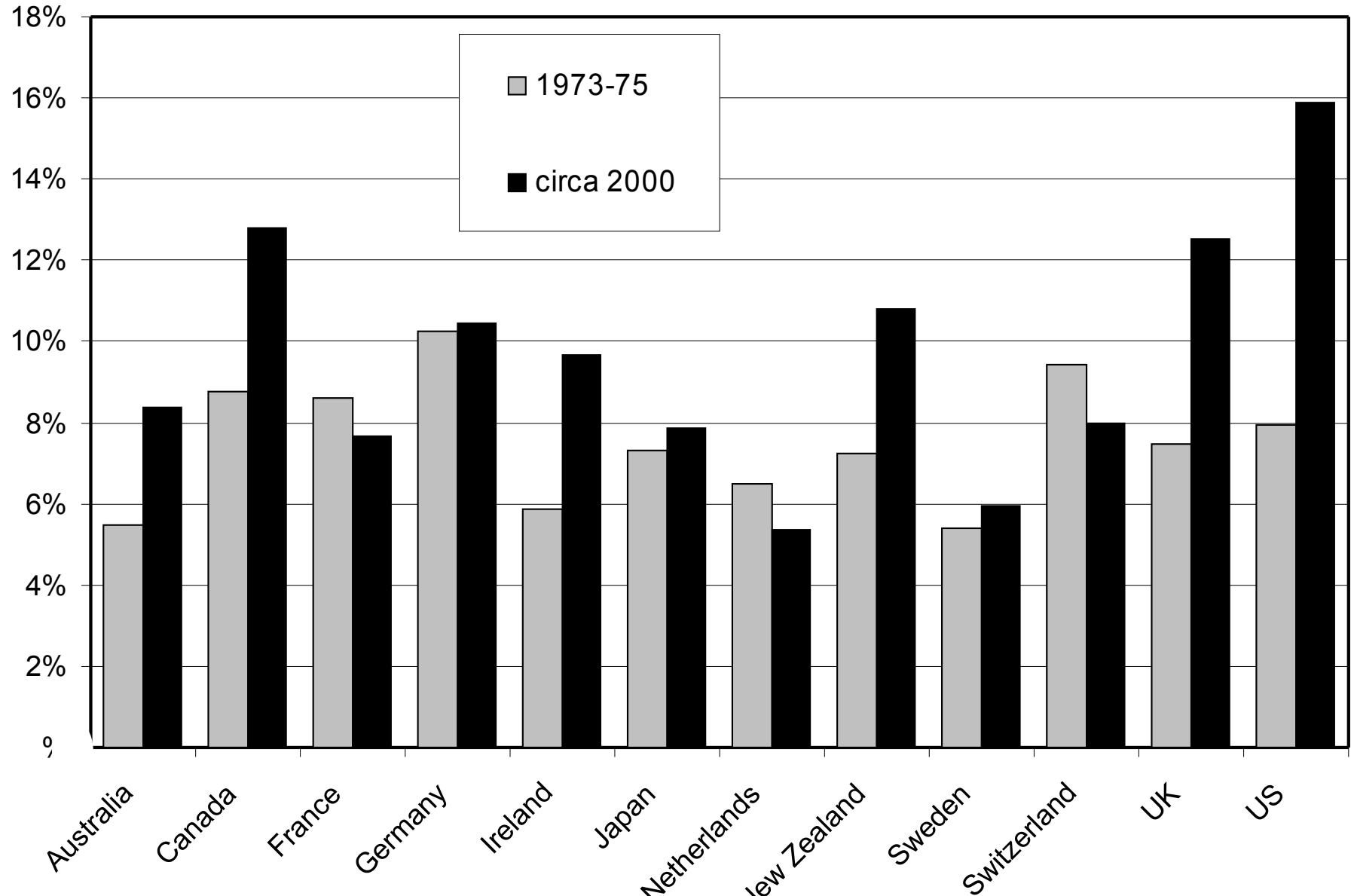
The Wealth of Nations

The Rise of the Top 1%, 1960-2006



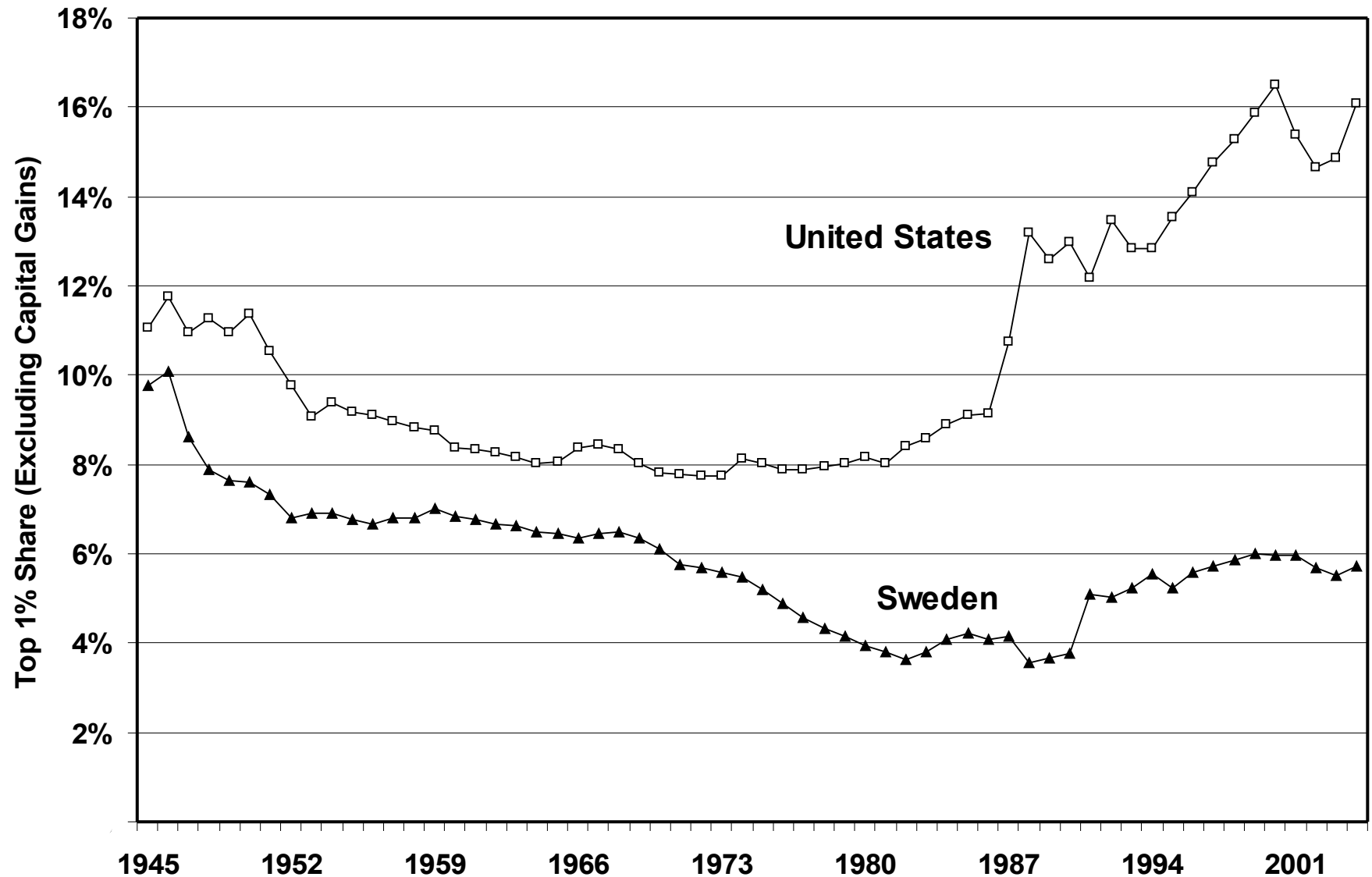
The Top 1%* in Affluent Democracies

* excluding capital gains

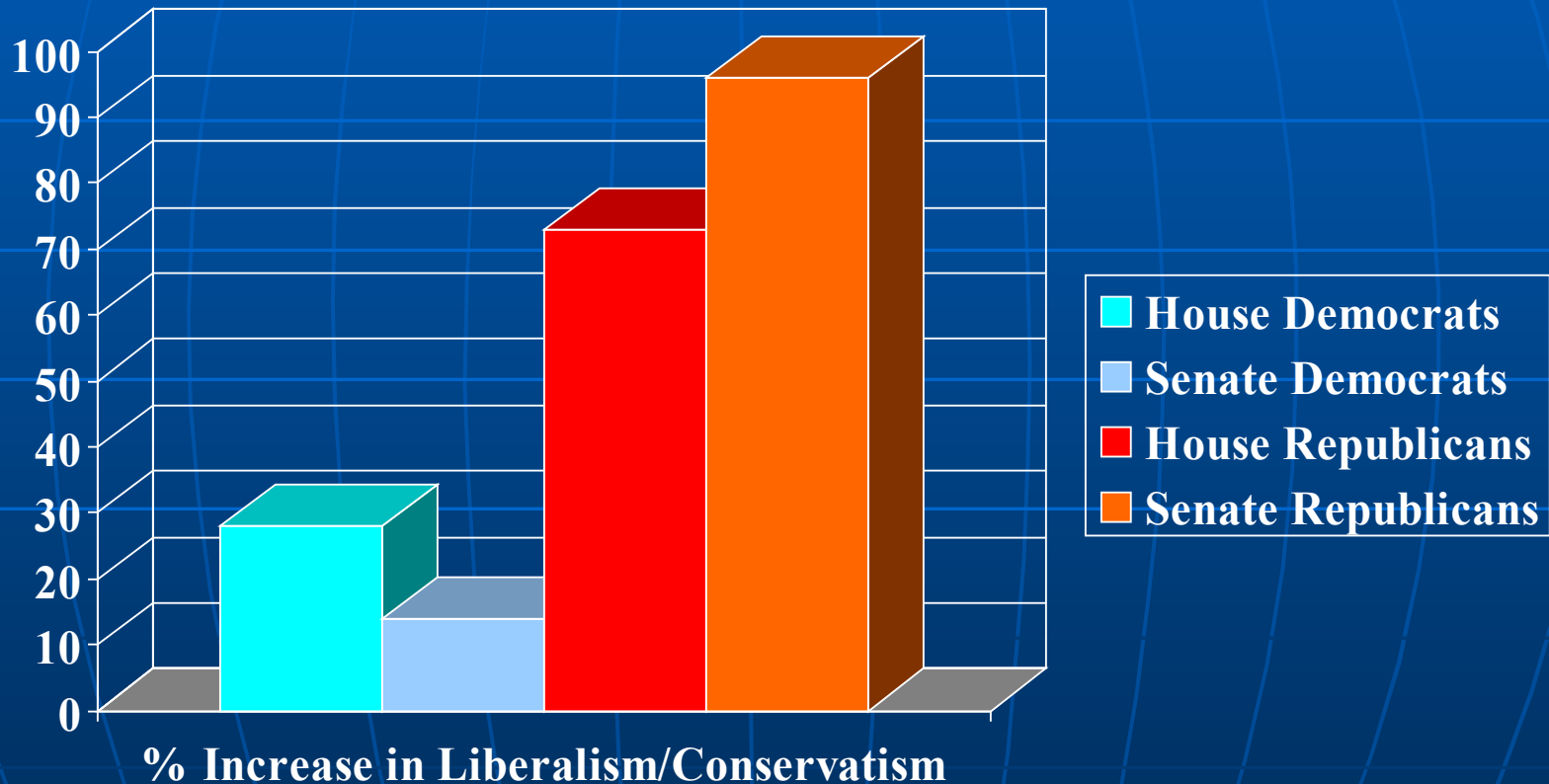


The Top 1%* in the U.S. and Sweden

* excluding capital gains

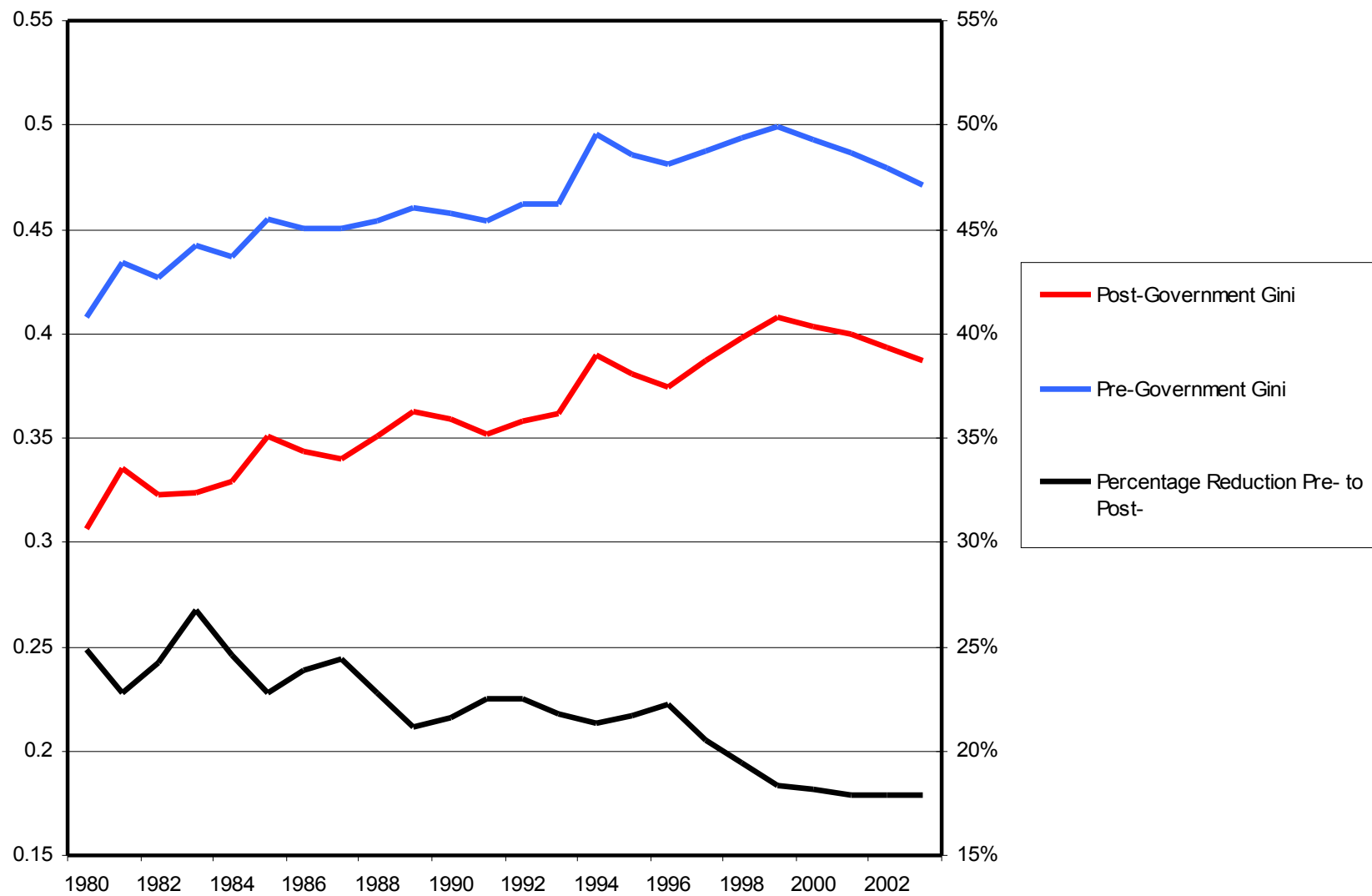


“Unequal Polarization,” early 1970s-early 2000s



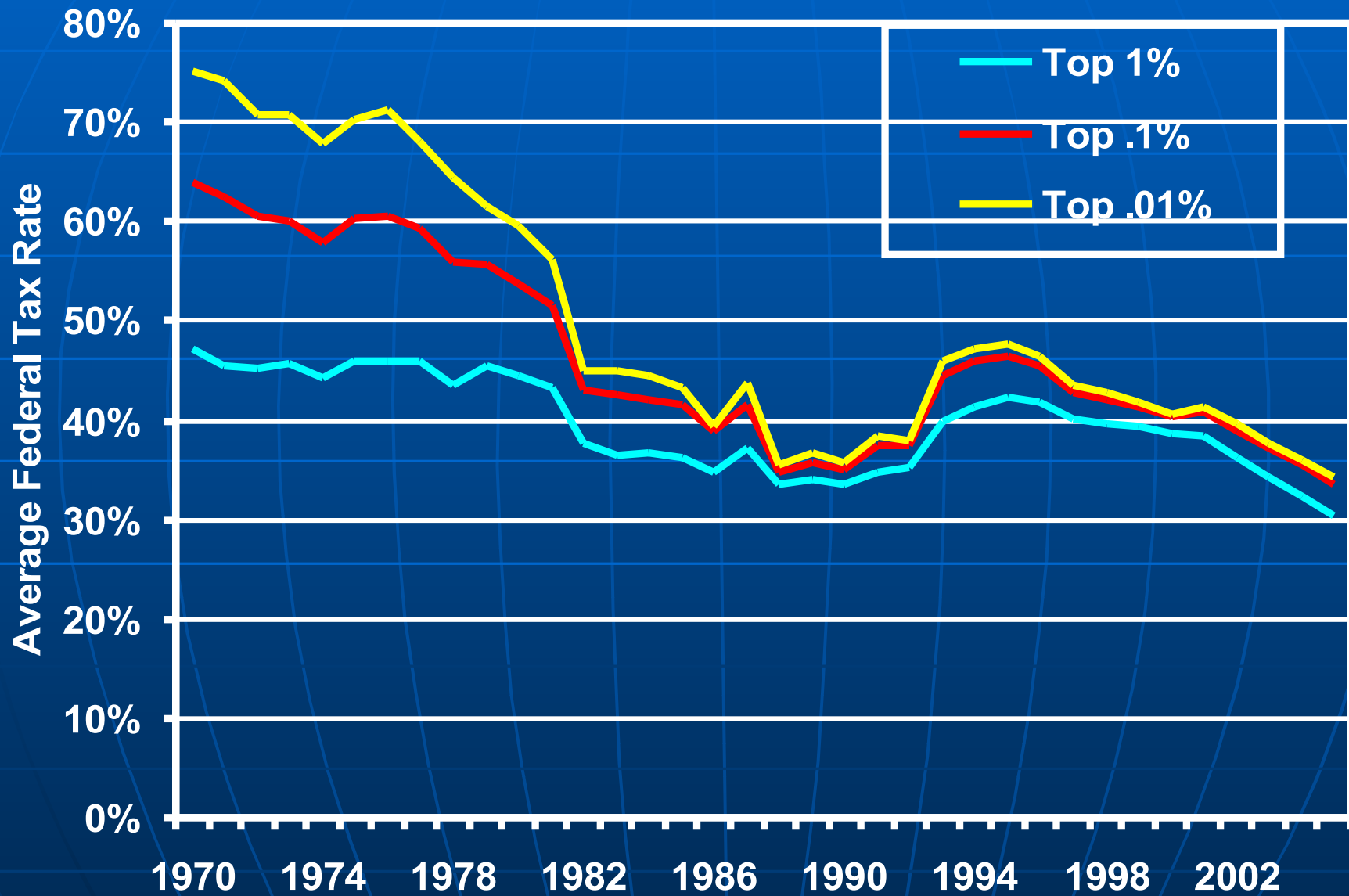
Source: Poole-Rosenthal, D-W Nominate Scores

Declining Redistribution

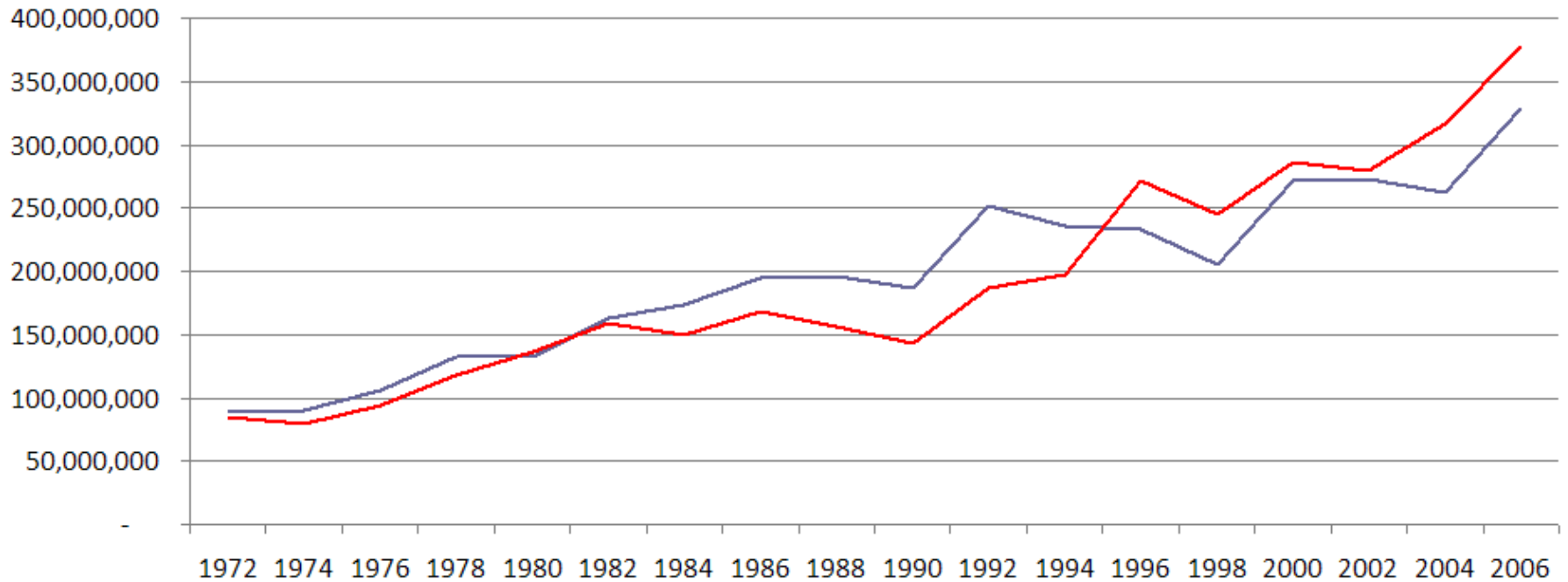


Source: Thomas Hungerford, CRS; PSID and CNEF

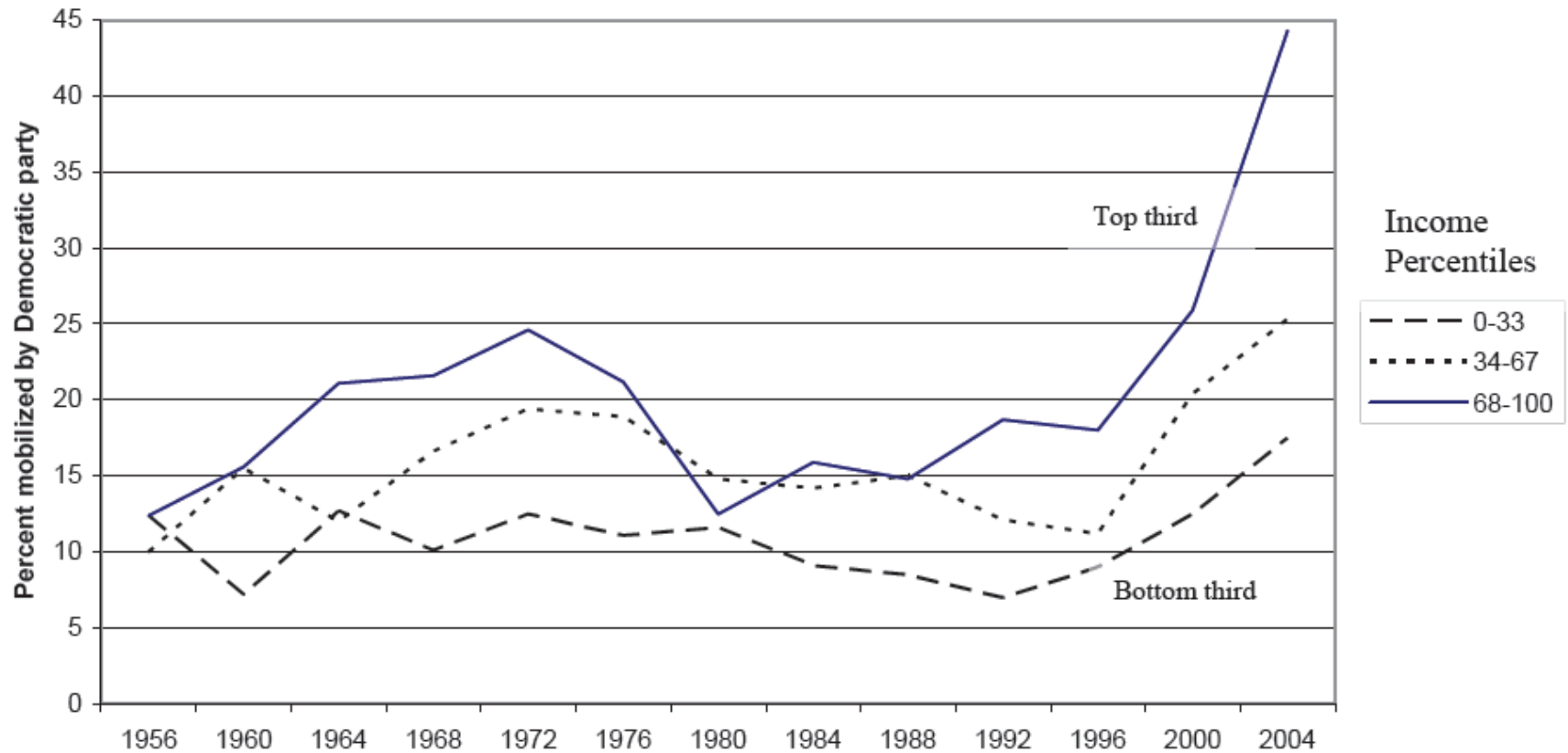
Declining Progressivity at the Top



Total Expenditures for the Dems and GOP on Congressional Elections 1972-2006 (Adjusted for Constant 2004 Dollars)



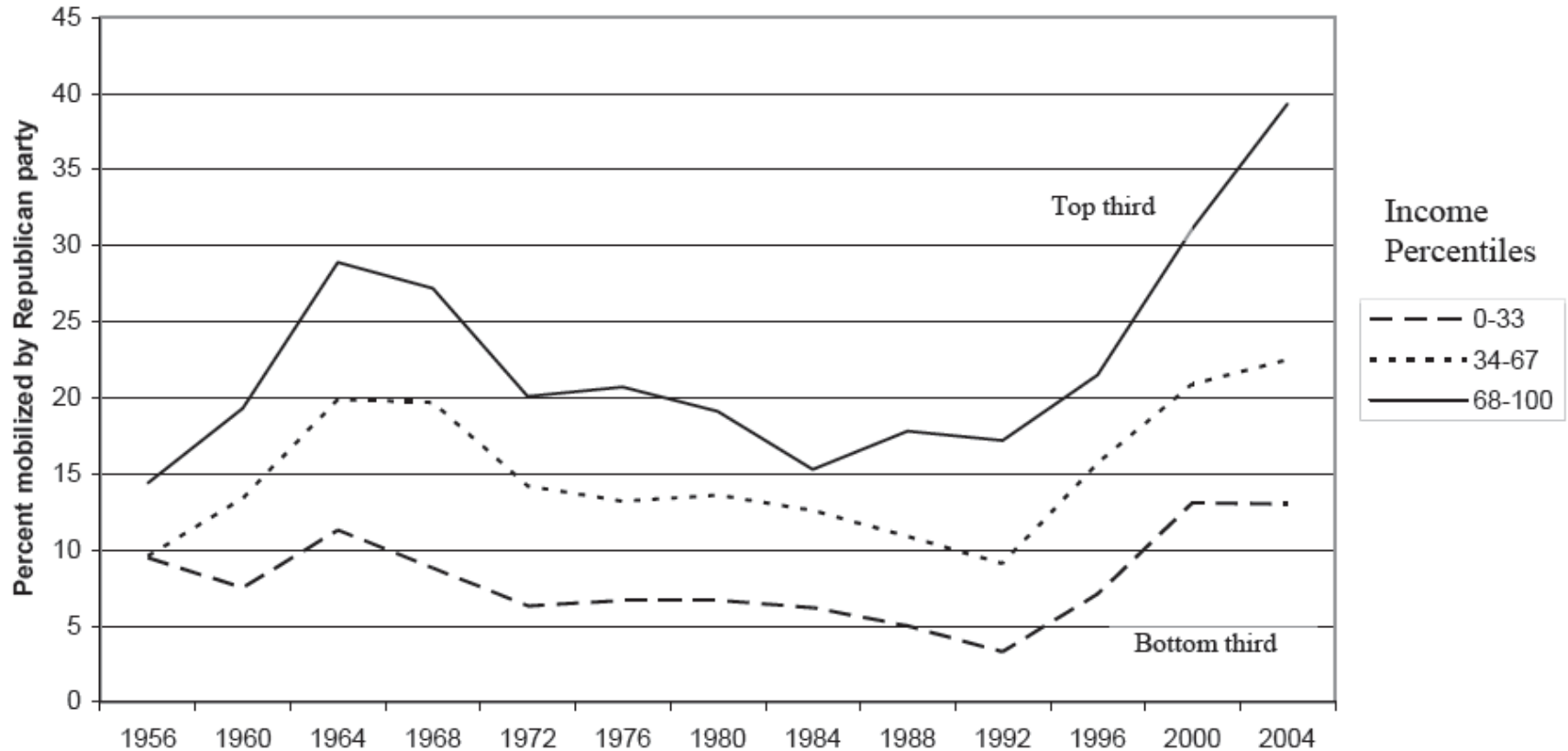
Contacting by Democratic Party



Source: Andrea Campbell, "Parties, Electoral Participation, and Shifting Voting Blocs," in *The Transformation of American Politics* (Princeton, 2007).

Contacting by Republican Party

Republican



Source: Andrea Campbell, "Parties, Electoral Participation, and Shifting Voting Blocs," in *The Transformation of American Politics* (Princeton, 2007).

Support for Redistribution vs. Security

		Attitude Toward Government Redistribution	
		Oppose	Favor
Attitude Toward Government Providing Economic Security	Oppose	36.7%	5.0%
	Favor	21.4%	13.2%

Support for Redistribution vs. Security (Information Given About Current Distribution of Income)

		Attitude Toward Government Redistribution	
		Oppose	Favor
Attitude Toward Government Providing Economic Security	Oppose	22.9%	23.5%
	Favor	19.9%	33.7%