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The American Class Structure in an Age of Growing Inequality

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CHAPTER 8

Elites, the Capitalist Class, and Political Power

Those who hold and those who are without property have ever formed distinct interests in society.

James Madison (1787)

[Campaign finance has become] an elaborate influence peddling scheme by which both parties conspire to stay in office by selling the country to the highest bidder.

Senator John McCain (2000)

James Madison and Alexander Hamilton were political opponents. But these two signers of the Constitution agreed on this much: politics and social class are unavoidably linked. Why? Because there is an inevitable conflict between: those whom Madison, above, calls "the propertied and the propertyless" and Hamilton described as "the few and the many."[1]

Chapters 8 and 9 examine the connection between politics and social class. We see these chapters as complementary. In Chapter 8, we deal with power focusing on "the few," those at the top of the class structure and the apex of the political order. In Chapter 9, we take up class consciousness, concentrating on "the many, the mass of the people."

Our emphasis on the few in this chapter is typical in studies of power and might appear to be guided by the inherent logic of the subject. After all, those at the top have the best opportunity to exercise power. But "the many" are far from powerless, especially—and here is where class consciousness comes in—when they are united by a sense of common identity and shared interests.

Three Perspectives on Power

We may define power as the potential of individuals or groups to carry out their will even over the opposition of others. Here we focus on issues of national power, beginning with an examination of three competing theoretical perspectives: elite, class, and pluralist. The elite perspective makes a sharp distinction between an organized minority (the elite) that rules and an unorganized majority that is ruled. Elite theories often focus on specific institutional bases of power. The class perspective, which has its origins in Marxist theory, also focuses on a ruling minority, but class theory is more specific about the identity of the rulers and the structure that creates them: they are the owners of productive wealth, or the capitalist class. The pluralist perspective denies that power is concentrated in one group. It maintains that in democratic societies, there are multiple bases of power representing the interests of competing groups, and no minority can easily impose its will. Obviously, the first two approaches have much more in common with one another than with the third.

A final prefatory note: To avoid improper usage and conceptual confusion, we consistently use the term *elite* as a collective noun like class or jury. Such terms refer to groups rather than individuals. In this chapter, elite (singular) alludes to some notable group (business executives) and elites (plural) connotes two or more such groups (executives, military officers, and public officials). These terms should not be used to refer to individuals, as in, "three elites went to a movie."

Mills: The National Power Elite

We begin our discussion with C. Wright Mills's classic work, *The Power Elite* (1956). Critical of American institutions at a time of growing domestic prosperity and (like

[1]See Hamilton's observations in the epigraph at the beginning of Chapter 1.

our own) of perceived international threat, *The Power Elite* inevitably evoked controversy when it was published in the 1950s. Mills characterized this self-satisfied era in our national life as "a material boom, a nationalist celebration, a political vacuum" (p. 326). His description of national political arrangements suggested that the growing power of a few was undermining American democracy. Although *The Power Elite* is over 50 years old, it is worth examining in detail because the issues it raises are still relevant for contemporary students of national power.

Mills's conception of the national power structure centered on the growing significance of three major interlocking institutions: the modern corporation, the executive branch of the federal government, and the military establishment. He saw each of these institutions becoming enlarged and centralized. A few hundred major corporations were taking the place of thousands of smaller competing firms that had once typified the economy.

The federal executive had gathered enormous powers and resources previously nonexistent or scattered among other units of government. The military, once small and decentralized, had developed into a colossal bureaucracy, commanding a war machine of unprecedented scale and destructive power. As the corporations, the federal government, and the military grew, they eclipsed and subordinated other institutions:

> No family is as directly powerful in national affairs as any major corporation; no church is as directly powerful in the external biographies of young men in America today as the military establishments; no college is as powerful in the shaping of momentous events as the National Security Council. Religious, educational, and family institutions are not autonomous centers of national power; on the contrary, these decentralized areas are increasingly shaped by the big three in which developments of decisive and immediate consequence now occur. (Mills 1956:6)

The implication Mills drew from these trends was that the basis of national power had been reduced to control over the three key institutions. Those who sit at the "commanding heights" of the corporate, political, and military hierarchies make the critical national decisions. Who are they? In the corporations, an amalgam of very rich families with corporate-based fortunes, plus the ranking executives of the top national firms, whom Mills collectively labeled the "corporate rich"; in the federal government, the president, vice president, cabinet, heads of major agencies, and members of the White House staff; among the military, the generals and admirals. These three institutional elites together constitute Mills' *power elite.*

Mills argued that the emergence of a national elite undercut important traditional bases of power. Community elites decline in importance as the power of national institutions grows. Investment decisions that are crucial for a community may be made in a distant corporate boardroom. Even the significance of personal wealth as a power resource is reduced. Very sizable individual fortunes seem lightweight relative to the massive assets of any major national corporation. However, the largest family fortunes, such as those of the Rockefellers, Mellons, or Fords, are typically invested in national corporations, and in this form, personal wealth can retain its significance as a basis of power.

Mills conceived the national structure of power as consisting of three tiers (see Figure 8.1). The top tier is, of course, the power elite. The bottom tier, which Mills labels "mass society," encompasses the great majority of the population. Subject to large-scale national institutions beyond their control or comprehension and misinformed by media that are dominated by national elites, the members of the mass are passive participants in the political system. Between the mass society and the power elite are "the middle levels of power," comprising a multitude of competing interest groups from labor unions to the gun lobby, whose typical arena of conflict is the Congress. The middle levels of power are the source of most political news, but they are not, according to Mills, the locus of the most important political decisions. In the welter of competing interests, none can impose itself. This "semi-organized stalemate," as Mills characterized it, only reinforces the dominance of the power elite. The key decisions are, of course, reserved for the power elite. But, which are the key decisions? Mills is unambiguous on this point. Two issue areas are of sweeping importance: economic policy and national security. These matters unmistakably, often brutally, intrude into the lives of ordinary men and women as boom or bust in the economy and peace or war abroad.

In Mills's schema of national power, his conception of the military as a separate, more or less autonomous elite evoked the most skepticism, even among those generally sympathetic to his argument. Mills seems to have mistaken the militaristic direction of foreign policy in the Cold War era for the power of the military over policy decisions. But since George Washington led the revolutionary army, the American military has been subject to civilian elites, who are responsible for the major war/peace decisions that concerned Mills. This was demonstrated most recently in the Bush administration's fatal decision to go to war in Iraq.

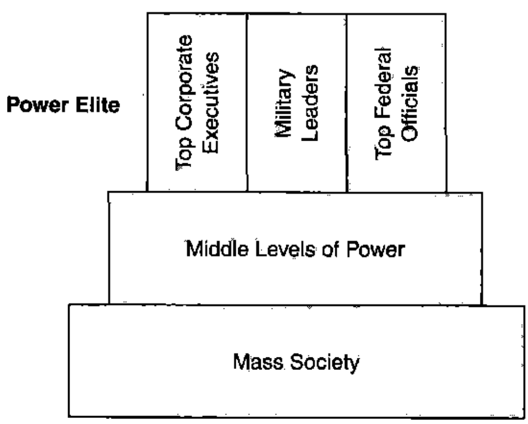

Figure 8.1 Mills's Conception of National Power

Mills, His Critics, and the Problem of Elite Cohesion

Mills's pluralist critics accused him of assuming what needs to be proven. If his elite was as powerful as Mills claimed, it should be able to impose its policy preferences in national decision making. But, pluralists noted, Mills had not tested the power of the elite by examining actual decisions. In this section, we focus on a related issue that has provoked extensive debate among Mills's readers: the problem of elite cohesion—that is, the extent to which the members of a hypothesized elite hang together in pursuit of common objectives and in opposition to other groups.[2]

The cohesion issue was effectively posed in a key essay by Robert Dahl, directed at Mills and other elites theorists, whom Dahl (1967) accused of "confusing a ruling elite with a group that has a high potential for control" (p. 28). To be politically effective, potential for control must be coupled with "potential for unity." The American military has the potential to impose a dictatorship on the nation, but that potential means nothing unless military leaders agree on that objective. Mills defined an elite in terms of key positions in organizations that possess vast resources (potential for control). But he failed, according to Dahl, to demonstrate a political consensus among the members of his elite (potential for unity).

Mills's pluralist critics are clearly predisposed to the belief that unity among power contenders is difficult to achieve, especially in contemporary America. This view found expression in David Riesman's *The Lonely Crowd* (1953), a pessimistic but influential book on American society and culture. Riesman asked two questions about power in America: "Is there a ruling class left?" and "Who has the power?" His answers were, respectively, no and no one. As the first question implies, Riesman believed that the country had a ruling class in the past. Early in the history of the republic, the ruling class consisted of the landed gentry and mercantile interests that constituted the Federalist leadership and, later, of captains of industry. But by the 1950s, the ruling class had been supplanted by an amorphous constellation of "veto groups"—organized representatives of specialized interests that included "business groups, large and small, the movie-censoring groups, the farm groups and the labor and professional groups, the major ethnic and major regional groups" (p. 246). The veto groups are distinguished from the powerful of previous eras by their inability to take positive initiatives to impose their own will. Feeling themselves powerless, chary of offending other groups, their function is largely defensive, "to neutralize those who might attack them" (p. 247).

How can any decision be made in such a political context? Is anyone in charge? Riesman's reply was that leadership may be needed to initiate something new or halt something in progress, but little leadership is needed to maintain the status quo. To the extent that anyone exercises power, it is over very specific and narrow issues. Power that might be effective over a broad range of issues or in the face of big questions that affect the nation as a whole is smothered by the action of the veto groups.

[2]For other lines of criticism, see Dahl 1961, 1967; Domhoff and Ballard 1968; Polsby 1970.

Mills (1956) characterized Riesman's amorphous power structure as "a recognizable although a confused statement of the middle levels of power, especially as revealed in congressional districts and in Congress itself" (p. 244). Power at that level is indeed a semi-organized stalemate. In Mills's view, Riesman was guilty of a mindless empiricism that equated all interest groups and all issues. Banks and organizations representing motorcycle riders are both concerned with national legislation. But to describe them as two veto groups misses the point. Some groups are more important than others because they have powerful resources at their command and because they deal with issues that are more vital to the nation. As we have seen, Mills was only interested in the big economic and national security questions and regarded as trivial most of the other issues that consume the attention of the middle levels of power.

But cohesion presented a particular problem for Mills. He had to demonstrate both that the three distinct elites are internally cohesive and that they are drawn together into a single power elite. Mills did present a series of mechanisms through which elite unity might be achieved. They fall into two categories: social-psychological and structural. The social-psychological mechanisms include similarities in origins, education, career, and lifestyles, which produce "a similar social type" and contribute to ease in informal association (Mills 1956:19). Mills presented evidence on these topics for each elite. He noted that elite men tend to be drawn from upper-class or upper–middle-class, urban, white, Protestant families and that they are likely to be educated in Ivy League schools. He found a significant overlap between the world of the power elite and upper-class "society," with its elaborate links among "proper" families, select prep schools, distinctive class values, and notions of style. (These commonalities, as Mills conceded, apply more to the civilian elites than to the military.)

In addition, members of the three elites have similar career experiences, even if they do not move through the same institutions. The corporate rich, the "political directorate," and the chiefs of the Pentagon share the experience of managing large organizations. The character of modern bureaucratic life has tended to blur the distinction between leadership in a large corporation, a civilian department of government, and an army. Mills contended that these shared elements of background and careers and the considerable material rewards attached to elite position tend to make members of the power elite conscious of the differences between themselves and the great mass of the population and to draw them together; they develop a form of upper-class consciousness, which leads them to view the world from a similar perspective.

The structural mechanisms of cohesion examined by Mills concern the more-or-less formal connections between institutions. One critical link is the interchange of personnel among the three institutions, especially the movement of representatives of the corporate world into and out of top political positions. Another tie between these two is the dependence of political candidates on financing from the corporate rich. The military is closely allied with the corporations, who are its suppliers, while the militaristic foreign policy pursued by the political directorate strengthens its ties to the generals and admirals. All three elites are, of course, compelled to consider each other by virtue of the inevitable interdependence of institutions operating on such a scale.

In sum, the pluralists are persuasive when they argue that Mills must prove that his power elite is cohesive. Otherwise, it is little more than a list of important people. In reply, Mills points to a series of factors that tend to unify the individual members of the power elite and draw the three major institutional sectors together: common social background, shared lifestyle and values, similar job experience, interchange of personnel, campaign financing, and institutional interdependence. In this chapter, we examine contemporary evidence on most of these topics.

Power Elite or Ruling Class?

If pluralists believe that Mills fails in his efforts to prove that his tripartite elite is cohesive, one Marxist critic contends that Mills is all too successful. In a perceptive essay on *The Power Elite,* Paul Sweezy contends that there is an unresolved tension in the book between two views of the elite. The first is based on social class: Mills provided evidence that "those who occupy the command posts do so as representatives or agents of a national ruling class which trains them, shapes their thought patterns, and selects them for their positions of high responsibility" (Sweezy 1968:123).

Much of the evidence Mills presented for elite unity seems to point in this direction—for example, his emphasis on the higher class origins of members of the power elite and the recruitment of capitalist-class leaders to key cabinet positions. The second view Sweezy finds in *The Power Elite* focuses on the bureaucratic elites at the top of three "major institutional orders"; here Mills treated the corporate, military, and political realms as distinctly separate domains with autonomous leadership, which come together to form the power elite. Sweezy was highly skeptical of the second view, particularly given the evidence that Mills presented for the first. The American military, Sweezy contended, is firmly under civilian control, and the political elite is dependent on the class that rules the corporations; thus, the justification for thinking in terms of three discrete institutional elites collapses.

Sweezy's criticism suggests an alternative to both the Millsian and the pluralist views of national power: the identification of power with the class that controls income-producing wealth, which he calls the ruling class. This approach—the last of the three theoretical conceptions of power we mentioned at the beginning of the chapter—proposes that Mills's "corporate rich" have largely subordinated competing elites to their will. Mills (1968) never dealt at length with this line of criticism, although in a breezy reply to critics on the left, he commented, "They want to believe that the corporation and the state are identical.... I don't believe it's quite that simple" (p. 224). It probably is not "quite that simple." But Mills appears to underestimate the power of wealth because he wants to fit it into a broader conception of elite power.

Who Rules?

The issues raised by *The Power Elite* have been reexamined in contemporary works by Dye (2002); Lerner, Nagai, and Rothman (1996); and Domhoff (2006), which we describe in this section. Dye's and Domhoff's contributions, it should be noted, are revised versions of books originally published around 1970.

According to Thomas Dye (2002), America is an "elitist" society. Citing writers from Alexander Hamilton to the Italian political theorist Gaetano Mosca, Dye asserts at the very beginning of his book that elite rule is inevitable in *all* societies, from the simplest to the most advanced. In particular, he stresses that a society such as the United States, which is dependent on large institutions, is ruled by those who hold the top institutional positions—the elite. Here he sounds like Mills, though his conception of the elite is much broader.

Much of Dye's book, *Who's Running America?* (2002), is devoted to defining the top institutional positions and describing the people who hold them. His elite consists of those who hold 7,314 leadership positions in 10 key sectors of American society. He emphasizes the concentration of the resources under their control:

> Individuals in these positions control more than one-half of the nation's industrial and financial assets, over half of the assets of private foundations and two-thirds of the assets of private universities; they control the television networks, influential newspapers and media empires; they control the most prestigious civic and cultural organizations; they direct the activities of the executive, legislative and judicial branches of the national government. (P. 139)[3]

Dye focuses on the phenomenon of "interlocking directorates." He notes that the 7,314 positions of elite power are held by only 5,778 individuals. In other words, some members of the elite hold multiple positions, sometimes five or more. These "interlockers" connect 32% of the positions. Corporations seem especially likely to be connected in this fashion, both with other corporations and nonbusiness institutions. From their vantage point, the interlockers are able to take broader view of common problems and contribute to elite consensus.

With his sprawling elite, Dye is compelled to address the problem of cohesion. He points to interlocking directorates and other bonding mechanisms, which, by and large, will be familiar to readers of Mills. Most members of the institutional elite, he finds, share upper–middle-class origins, though 30% are from upper-class families. (The current relevance of these figures is questionable, however, since they dates from the early 1970s [Dye 1976:152–153; Dye 2002:151].) Dye puts particular emphasis on the foundations, "think tanks," and policy planning groups that are discussed later in this chapter, as venues where the elite can explore problems and develop shared solutions. Although he describes internal factions within the elite, he seems to regard it as relatively cohesive.

In *American Elites* (1996), Lerner, Nagai, and Rothman are skeptical of claims for elite cohesion. They argue for a pluralist conception of national power based on differentiated elites. Note that the authors, unlike Mills or Dye, refer to elites in the plural. They see a division of national power among 12 "strategic elites" with distinct functional responsibilities. The leaders of business, the media, and the

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[3]It is, unfortunately, impossible to be sure of the time period Dye's data refer to. Sometimes he suggests 1980, sometimes 1990.

military are examples. This brand of pluralism does not deny that power is concentrated in the hands of a few, but denies that elites exercise much influence outside their own sectors. There is, in other words, no core elite like Mills's power elite.

American Elites is based on surveys conducted in the 1980s. Probably because it is difficult to obtain interviews with CEOs, four-star generals, and the like, the researchers adopted a broad conception of elite status. The corporate respondents, for example, were from "upper and middle management." The government officials were "high-ranking bureaucrats" not appointed by the president. The interviews focused on the social backgrounds and opinions of the members of the 12 elites, topics which are directly relevant to the question of elite cohesion. By showing that strategic elites differ in their origins and viewpoints, they expected to undermine the notion of a unified central elite.

A chapter titled "Room at the Top" describes a pattern of recruitment to elite positions that favors the children of privilege, but not exclusively. The great majority of respondents report that their families had average (33%) or above-average (38%) incomes when they were children. A little more than half had fathers who were professionals or managers, well above the national proportion of men in these categories during the years these leaders were growing up. (The researchers do not differentiate respondents of upper-class origin.) But many had fathers with less impressive jobs and below-average incomes. Almost all their elite respondents completed college, but surprisingly few (31%) graduated from highly selective institutions.[4] Most members of the strategic elites appear to be from upper–middle-class backgrounds, but there is enough diversity among them to doubt that shared background could be a critical basis of elite cohesion.

The authors claim to have found a high-level ideological division among American strategic elites. But the evidence they present is not decisive. Asked to classify themselves as conservative, moderate, or liberal, respondents differed in predictable ways: corporate executives and military officers generally took the conservative label; majorities of labor leaders, movie makers, journalists, bureaucrats, and religious leaders described themselves as liberals. But answers to specific opinion questions reveal a more complicated picture. For example, responses to a series of questions about the desirability of liberal social and environmental policies show the bureaucrats quite close to the conservative thinking of business and the military. More liberal responses to these items came, as expected, from labor officials and public interest group leaders. Some questions revealed an unexpected degree of inter-elite consensus—agreement, for example, that the legal system favors the wealthy. Virtually no one thought that corporations should be publicly owned, and strong majorities in the various elites (except labor and public interest) agreed that business is "fair to workers." The right to abortion was strongly supported by all but the religious elite. In short, *American Elites* does not document a clear pattern of diverging opinion among the strategic elites.

[4]Detailed tabulations in the book show that these generalizations hold up fairly well for the 12 elites taken individually. The biggest exceptions were labor leaders, who are, as might be expected, largely from blue-collar backgrounds, and corporate lawyers and public interest group leaders, who come disproportionately from higher class backgrounds.

G. William Domhoff (2006) in *Who Rules America?* presents an interpretation of power in America that he describes as "a class theory." But he begins by examining an elite, the directors of major corporations. (A corporation's board of directors, as Domhoff explains, is its legal governing body, typically composed of officers of the company and so-called outside directors). Using recent (2004) data on the directors of almost 2,000 large corporations, Domhoff found that they linked firms in a loosely connected network he labels the corporate community. The average firm had 6.1 interlocks with others.

Domhoff's analysis also revealed an elite within the elite—15% to 20% of directors who sit on multiple corporate boards. These individuals tend to be associated with the largest corporations. They are also likely to be on the boards of nonprofit organizations, to participate in business leadership organizations, and to assume government positions. They are, concludes Domhoff, the "inner circle" of the corporate community.

The next step in Domhoff's (2006) argument is his claim that the corporate community is "closely intertwined with the upper class" (p. 49). Here his evidence is staler and weaker. Domhoff is referring to the upper class in a social rather than economic sense. In a 1960s version of this book, Domhoff (1967) had concluded that 53% of corporate directors could be considered upper class, based on social indicators (p. 51). Now he cites Dye's finding that 30% of the corporate elite is of upper-class origins, but this number is from Dye's (1976) early-1970s research (pp. 152–153). Domhoff notes that corporate directors are likely to belong to elite social clubs like the Links Club in New York and the Pacific Union Club in San Francisco. Here again, the evidence is from the 1970s. That aside, it is not clear whether membership in such clubs is simply recognition of the prestige of corporate position or an indication of broader participation in an upper-class status community. Domhoff's own recent research shows that the corporate community has been diversifying to include more minorities and women. But he writes that their presence in the boardroom does not change the atmosphere, since they tend to come from the same class and educational background as their white, male counterparts.

The third piece in Domhoff's theory is corporate participation, through funding and membership on relevant boards, in the same foundations and policy organizations that also interest Dye. Although the information he presents is dated, it is likely that these ties continue to be significant since such organizations need corporate financing and their work is of continuing interest to the corporate elite. Domhoff illustrates the relationship among the corporate community, the social upper class, and the policy-formation organizations with a diagram consisting of three modestly overlapping circles. Within this universe of partially overlapping groups, he defines what he calls "the power elite" as those who sit on the boards of corporations, the boards of corporate-controlled policy organizations, or both. Members of the upper class are only part of this power elite if they fall into one of these two categories. The power elite, suggests Domhoff (2006), "provides a leadership basis for the exercise of power on behalf of the owners of all large income-producing properties . . . those who have a stake in maintaining the current wealth and income distributions" (p. 103).

Although they define the structure of power differently, Dye, Domhoff, and the authors of *American Elites* all accept Mills's premise that power in this country is concentrated in the elites at the head of large organizations in key sectors of American society. All find that the members of their elites are from relatively privileged backgrounds, though they differ on the details. All deal, in one way or another, with the problem of elite cohesion. Dye finds a more or less unified elite of 5,000 leaders (a remarkably small number) of the dominant organizations in 12 key sectors. *The American Elites* authors describe multiple elites (plural) whose power is limited to their own sectors and whose divergent views limit collaboration. Domhoff finds one dominant elite, the leaders of an interconnected corporate community, linked to a social upper class and the network of policy organizations.

The National Capitalist Class: Economic Basis

We devote the remainder of this chapter to an examination of the capitalist class in its economic, social, and political aspects. This discussion touches on many of the issues that came up as we discussed elite theories.

We have defined the capitalist class as consisting of people who receive most of their income from invested wealth. Although such people exist at virtually all income levels, only at very high levels does dependence on property income become the predominant pattern. A traditional division within this class is that between local and *national capitalists*. The national capitalists are those who own or manage major national corporations; Mills collectively dubbed them "the corporate rich." The locals are affluent but community-oriented business people, such as local media owners, real estate investors, and large local retailers. In recent decades, this distinction has become less meaningful. Heirs to large local fortunes have tended to convert them into diversified national wealth. The community banks, newspapers, and other enterprises owned by their families are often sold to national corporations.

In Chapter 4, we found that households with the highest incomes derive most of their income from accumulated wealth, in such capitalist forms as interest, dividends, and rents or from lucrative family-owned businesses (see Table 4.3). We discovered that wealth—especially corporate wealth—is highly concentrated in the United States. Even after the stock market boom of the 1990s, the majority of American households owned no corporate stock or mutual fund shares (Cashell 2000:7). The richest 10% of households owns almost 80% of corporate stock. Within this stratum of wealth-holders, the top 1% of all households holds close to 40% of corporate stock, 60% of equity in private businesses, and close to half of investment real estate equity (Table 4.7).

Our data on the top 1% come from government surveys. But this source tells us relatively little about the largest American fortunes at the top of the capitalist class. For that purpose, we turn to the list compiled annually by *Forbes* magazine of the 400 wealthiest individuals in the United States. The net worth of the 400 individuals listed by *Forbes* in 2006 ranged from $1 billion to $53 billion. As recently as 1991, the list ran from $275 million to $5.9 billion. Table 8.1 contains a sampling of the *Forbes* 400, with information on the size and source of their fortunes. The list begins with Microsoft founder Bill Gates (*Forbes* 1991–2006).

Table 8.1 Large Fortunes

Personal Fortunes	*Estimated Net Worth (Billions)*	*Primary Source of Wealth*
William Gates III	53.0	Microsoft
Steven Ballmer	13.6	Software
Barbara Cox Anthony	12.6	Newspapers, Radio, TV
Jacqueline Mars	10.5	Candy
John Kluge	9.1	Metromedia
Philip Knight	7.9	Shoes
Edward Crosby Johnson III	7.5	Mutual Funds
Donald Newhouse	7.3	Publishing
Samuel Newhouse, Jr.	7.3	Publishing
Michael Bloomberg	5.3	Financial News
Micky Arison	5.0	Carnival Cruises
Lester Crown	4.1	Investments
Ralph Lauren	3.9	Fashion
Richard DeVos	3.5	Amway
Paul Milstein	3.5	Real Estate, Banking
Joan Tisch	3.4	Loews
Edgar Bronfman, Sr.	3.2	Seagram Co.
Donald J. Trump	2.9	Real Estate
Riley P. Bechtel	2.7	Engineering
Amos Hostetter, Jr.	2.6	Cable Television
Henry Kravis	2.6	Leveraged Buyouts
David Rockefeller, Sr.	2.6	Inheritance (oil)
Perry Bass	2.5	Oil, Investments
Gordon Getty	2.3	Inheritance (Getty Oil)
Carl Lindner	2.3	Insurance, Investments
Herb Allen	2.0	Investment Banking
Irwin M. Jacobs	1.7	Qualcomm
James France	1.6	Banking
Thomas Siebel	1.5	Siebel Systems
Arthur Blank	1.3	Home Depot
John Sperling	1.3	Apollo Group
Hope Van Beuren	1.3	Inheritance
Roy Disney	1.2	Walt Disney
David Duffield	1.2	Peoplesoft
Robert Fisher	1.2	Gap
Jerome Kohlberg	1.2	LBOs, Investments
James Clark	1.1	Netscape
Frederick A. Krehbiel	1.1	Molex
Alexander Spanos	1.1	Construction
Julian Robertson, Jr.	1.0	Money Management

SOURCE: *Forbes*, Oct. 9, 2006.

Forbes touts the 400 list as evidence of America's open class structure. In recent years, the list has been invaded by younger, often technology-oriented, entrepreneurs. According to *Forbes,* about half the people on the list are, like Gates, "self-made millionaires." An independent analysis of the 1997 *Forbes* list paints a more complicated picture, with four levels of inherited wealth:

1. *Inherited 400 Status*—42% of the *Forbes* 400 inherited wealth worthy of a place on the list. Examples are David Rockefeller, grandson of the founder of Standard Oil, and the Newhouse brothers, who inherited a large newspaper-magazine empire, including such properties as *Vogue* magazine.
2. *Inherited Significant Wealth*—13% of listees inherited more than $1 million or a substantial enterprise, or received equivalent start-up capital from a family member. Edward C. Johnson, for example, inherited Fidelity investments; Forest Mars, Sr., inherited his parents' candy business.
3. *Inherited Lesser Wealth or Advantage*—14% were from affluent or socially upper-class backgrounds, probably below the $1 million level. Bill Gates fits here. His father was a successful lawyer. Gates attended a private school.
4. *No Inherited Advantage*—31% began their careers with no apparent financial or social advantage. For example, John W. Kluge, an immigrant raised by his mother in a Detroit tenement, built a media empire after World War II (Collins and Yeskel 2000:64–67).

Obviously, many of the superrich got their fortunes the old-fashioned way: they inherited it. Ironically, Steve Forbes, the publisher of the magazine and sometime presidential candidate, is himself in this category.[5] But 45% (categories 3 and 4) of the listees accumulated 400-level fortunes more recently, beginning with modest advantages or none at all. This suggests a new wave of fortune building, comparable to developments a century earlier.

By focusing on individual net worth, the *Forbes* 400 and similar listings underestimate the concentration of wealth at the top. *Many of the largest fortunes are held in common by members of extended families.* These clans are based on descent from a founding ancestor, who typically accumulated the initial fortune during the rapid expansion of American capitalism in the late-nineteenth and early-twentieth centuries. Some are represented among the current 400. But in many cases, shares in these established family fortunes are sufficiently dispersed after two or three generations that no individual controls the $1 billion now needed to earn a place on the *Forbes* list.

Forbes has sometimes published lists of large family fortunes. A 1998 article listed 50 families, all with fortunes in excess of $1 billion (Forbes 1998). Among those included were the Grahams, publishers of the *Washington Post;* the Coors brewery family; and the Duponts, who control a large share of the chemical company. This short list did not reach down to families with fortunes in the hundreds of millions, like the Sulzbergers, who control the *New York Times,* and the politically prominent Kennedys, whose collective fortune *Forbes* estimated at $350 million in 1991.

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[5]Forbes probably belongs on the list himself, but the magazine has never included its publisher/owner.

The concentration of personal wealth is paralleled by the concentration of wealth in the corporations themselves. The dominant position of the largest corporations seems to have been further consolidated since Mills wrote. In 1950, shortly before the publication of *The Power Elite,* the 100 largest U.S. industrial corporations (among nearly 200,000) already controlled approximately 40% of all industrial assets; by the 1990s, their share had grown to 75% (Dye 1995:15, 19).

Mills observed that even the largest personal fortunes were small, relative to the assets concentrated in large corporations. Economic power, he contended, belonged to those who controlled the corporations. But who controls the corporations? Mills's answer, as we have seen, was "the corporate rich": top corporate executives and extremely wealthy families like the Fords with substantial stakes in major corporations.

But as major corporations have grown larger, their stock has become more dispersed, and their relationship to even the largest stockholders has grown more distant. The biggest corporations have hundreds of thousands of stockholders; individual holdings of even 5% (enough to give the owner significant influence over management) are relatively rare. At the same time, many wealthy families have sought to reduce the risks to their fortunes by spreading investments across different corporations and sectors of the economy. Today, owners are rarely seen at helms of major corporations.

Small and medium-sized corporations are still likely to be controlled by their owners—typically families or small groups of stockholders, including many of the *Forbes* 400 listees.[6] But by 1980, only 22 of the 100 largest industrial corporations were controlled by owners. Most are run by professional managers, generally free of owner influence (Herman 1981:61). The current exceptions to this rule tend to be relatively young corporations, like Jeffrey Bezos's Amazon or Lawrence Ellison's Oracle, that have experienced spectacular growth in new sectors of the economy.

The displacement of owners at the top of major corporations set the stage for the spectacular rise in executive compensation of recent years. In 2006, a typical CEO of a major corporation earned $15.2 million—in real terms, six times the average of 1980. At the same time that executive compensation has reached unprecedented heights, it has become more dependent on the financial performance of the corporation. Incentives, including yearly bonuses and long-term stock purchase plans (called stock options), are added to base pay to reward executives who enrich their stockholders. For senior corporate officers just below the rank of CEO, the pattern is similar: high and rapidly climbing rewards, with total compensation more dependent on return to investors (DeCarlo 2007; *New York Times* 2001; Useem 1996:243–250).

Although top executives seldom hold even modest shares of the billions of dollars of outstanding stock in corporations they run, they often accumulate millions of dollars of stock and stock options in their companies. For this reason, we did not

[6]*Forbes* also publishes an annual list of the 500 largest privately owned (not publicly traded) companies. Most have few stockholders. Included are some large corporations such as Levi Strauss, Gallo Winery, and Fidelity Investments. In 2001, all had revenues in access of $600 million. Many were owned by individuals included in the *Forbes* 400 list (*Forbes,* 2001b).

hesitate to include them in our capitalist class, along with the owner-managers of smaller corporations.

The National Capitalist Class: Social Basis

Parallel to the economic basis for a national capitalist class in the corporate economy, there is a social basis in an upper-class social world built on prestige and exclusive patterns of association. Among the institutions identified with this world are the select prep school, the *Social Register*, and the elite metropolitan social clubs. These three have been widely used by researchers as formal indicators of membership in a socially defined upper class.

We have already described the appearance of the *Social Register* in early industrial America, when the new rich were being socially merged with the established upper classes. Although occasionally capricious in its inclusions and exclusions, a century after its creation, the *Social Register* remains, as Mills (1956) once described it "the only list of registered families . . . the nearest thing to an official status center that this country, with no aristocratic past, no court society, no truly capital city, possesses" (p. 57).

A small circle of prestigious prep schools, such as St. Paul's (New Hampshire), Hotchkiss (Connecticut), Foxcroft (Virginia), and Chapin (New York), traditionally draw most of their students from upper-class families. These day schools and boarding schools tend to be concentrated in the Northeast, but they draw many students from throughout the country. They are secular or nominally Episcopalian (the religious affiliation most common in the upper class) and traditionally single-sex institutions, although many have become coeducational in recent years. A few are older than the republic, but most were founded or experienced their major expansion around the time the *Social Register* appeared. They have, moreover, traditionally served a similar function: the integration of old prestige and new money (Baltzell 1958:292–319; Domhoff 1970:9–32).

Prep school graduates are informally referred to as "preppies," a term with mixed undertones of admiration and derision, which is used more loosely to refer to various aspects of an upper-class lifestyle (Birnbach 1980). The extension of the term is not inappropriate. The style and values the prep schools inculcate in their students equip them for participation in an upper-class social community. The network of personal ties that develop among prep school students and their families will serve them well in their subsequent careers and social lives. Prep schools contribute to a pattern of upper-class endogamy by bringing students and their siblings into contact with potential marriage partners, both directly and through upper-class social functions to which prep school students are likely to be invited. Among the latter are the debutante balls, the traditional events at which young women of the upper class are presented to society.

Most major metropolitan areas have one or two elite social clubs, such as New York's Knickerbocker, San Francisco's Pacific Union, or Philadelphia's Philadelphia Club, with generally upper-class memberships. The clubs provide an informal setting where upper-class associations can be developed and maintained and, on occasion, important business or political matters can be discussed free from outside scrutiny (Baltzell 1958:336-354; Domhoff 1970, 1974).

The prep schools and elite metropolitan clubs draw not only from their own regions but from a broader upper-class population. In this sense, they perform a national integrating function. It is not surprising that George W. Bush's upper-class family sent him from Texas, where he grew up, to study at Andover in Massachusetts, or that years later his father used San Francisco's exclusive Bohemian Club to introduce him to a group of friends who might be useful to the son's own presidential ambitions (Domhoff 2006:58).

As we saw in earlier chapters, social scientists have long emphasized the affinity between the worlds of wealth and prestige. Weber noted that the rich tend to draw together into upper-class "status communities," with common lifestyles, values, and patterns of association. Just such a social upper class developed around the wealthy "X family" in newly industrialized Middletown, as described by the Lynds (see Chapter 3). On a national level, industrialization brought a social merger of the traditional upper class and the owners of new industrial fortunes. By 1940, virtually all the founders of great fortunes in the late nineteenth or early twentieth centuries had traceable descendants listed in the *Social Register.*

Studies in the 1960s and 1970s pointed to the continuing link between national wealth and prestige. Domhoff (1967) and Dye (1976), in research reviewed earlier in this chapter, traced the upper-class connections of corporate leaders. For a study of "society" weddings, Blumberg and Paul (1975) tabulated occupational data on the fathers of brides and grooms; nearly 60% of the men whose occupations they identified were corporate executives.

For the student of national power arrangements, the significance of a link between upper-class society and corporate wealth is related to the problem of cohesion raised earlier. The achievement of consensus on specific policy issues and, more generally, the maintenance of class solidarity are made easier when those who own and control the major concentrations of national wealth encounter each other in a private sphere of informal relations. The schools and clubs are merely the outer manifestations of this realm whose deeper meaning resides in shared experience, intimacy, and the bonds of friendship and kinship that produce a consciousness of common identity and common values.

Domhoff (1974) points to group dynamics research in social psychology, which has established that physical proximity among the members of a group, frequent contact, a group reputation of high prestige, and an informal atmosphere all contribute to group solidarity. These are characteristic features of the upper-class world we have been describing and prepare us for another basic conclusion of the same research: "Members of socially cohesive groups are more open to the opinions of other members and more likely to change their views to those of other members" (pp. 89–90, 96). E. Digby Baltzell (1958), in his earlier study of upper-class Philadelphia, made a related point, which he phrased in terms of social control: An upper-class community inculcates and sustains "a mutually understood code of conduct" in its members. Upper-class people are especially subject to the "norms and sanctions of their peers. A man caught in an act of dishonesty or disloyalty fears, above all, the criticism of his class of lifelong friends" (p. 61).

In the 1950s, when Mills and Baltzell were writing, and as late as the 1970s, it was still possible to speak of the Protestant (or WASP)[7] "Establishment": an informal network of wealthy, powerful men who (1) were drawn from the upper-class social world described here; (2) held many of the key positions in industry, finance, and law; and (3) often served in high government office and, in or out of office, influenced national policy, especially economic and foreign policy. Never a formal organization, much less an elite conspiracy, the Establishment was more a set of personal relationships among people bound by social background, common values, and shared experiences.

The social world that produced the Establishment has not disappeared. The traditional prep schools are thriving, young women are still presented at debutante balls, the exclusive social clubs still function in major cities, and the *Social Register* is still published. The people who grow up in this privileged world certainly have much better than average chances for successful careers. But there is no longer an Establishment, in the sense we have described.

The Establishment faded away in part because recruitment to positions of power in business and government has become more open and meritocratic. In the past, graduates of exclusive prep schools could expect more or less automatic admission to Ivy League colleges, leading to top positions in business, finance, or law. But in the 1960s, the Ivies and other selective colleges broke this key link between social position and career success when they began to depend on the new SAT exam and began to give more emphasis to academic potential than family background in admissions. The change worked to the advantage of ambitious middle-class and upper-middle class students with public school educations.[8]

At the same time, both colleges and businesses came under pressure to eliminate discriminatory practices that severely restricted the access of those who did not fit the establishment's WASP-male profile to top positions. Today, women, Jews, Catholics, and blacks, though still underrepresented, are much more likely to serve on corporate boards, in the president's cabinet, and in other elite positions than they were in the 1960s.[9]

Economic change also contributed to the demise of the Establishment. There are fewer family-dominated companies, like the former Chase Manhattan Bank, long led by David Rockefeller, a quintessential Establishment figure. On the other hand, the postindustrial economy has given rise to large new fortunes in areas such as information technology, media, and communications, much as the new industrial economy did a century ago. These developments raise interesting, unanswered questions. Will the new money merge socially with old money, as it has in the past, to produce a renewed upper class? Will the social upper class become more diverse

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[7]WASP, connoting White Anglo-Saxon Protestant, but meaning something like adult "preppie."

[8]It remained possible for very wealthy families to buy places for their sons and daughters at selective institutions through donations to university endowments. But this mechanism did not require upper-class credentials, just money.

[9]See D. Brooks 2000; Davidson, Pyle, and Reyes 1995; Judis 1991; Lemann 2000; Zweigenhaft and Domhoff 1998.

in religious and ethnic terms, reflecting the diversification of national elites?[10] We cannot even begin to answer such questions with the existing, dated literature on upper-class society. Perhaps future research will satisfy our curiosity.

For now, we can say that there is significant overlap—though probably a good deal less than in the past—between the upper-class social world and the national capitalist class and that the social institutions of the upper class provide some of the glue that binds the members of the capitalist class together.

The National Capitalist Class: Participation in Government

In December 1960, at a time when the Establishment was still very much alive, President-elect John F. Kennedy was selecting his cabinet. One of the people he turned to was a quintessential Establishment figure, Robert Lovett, a Wall Street investment banker with impeccable social credentials and extensive corporate connections (Halberstam 1972:16). In a perceptive book on the Kennedy-Johnson years, journalist David Halberstam relates their conversation, in which Kennedy artfully flattered Lovett, a Republican who had voted against him, and offered him a major cabinet post.

> Lovett declined regretfully . . . explaining that he had been ill. . . . Again Kennedy complained about his lack of knowledge of the right people, but Lovett told him not to worry, he and his friends would supply him with lists. Take Treasury, for instance—there Kennedy would want a man of national reputation, a skilled professional, well known and respected by the banking houses. There were Henry Alexander at Morgan, and Jack McCloy at Chase [Manhattan Bank], and Gene Black at the World Bank. Doug Dillon too. Lovett said he didn't know their politics . . . (their real politics of course being business). At State, Kennedy wanted someone who would reassure European governments: They discussed names, and Lovett pushed . . . young fellow Dean Rusk over at [the] Rockefeller [Foundation]. He handled himself very well, said Lovett. The atmosphere was not unlike a college faculty, but Rusk had stayed above it, handled the various cliques very well. A very sound man. (Pp. 16–17)

The three top cabinet appointments made by Kennedy, a liberal Democrat, reflected the advice of Lovett and other Establishment conservatives like him. For secretary of the treasury, he chose C. Douglas Dillon, an investment banker connected with Dillon, Read, and Company, a major Wall Street firm started by Dillon's father; for secretary of defense, Robert McNamara, who had just been made president of Ford Motor Company; and for secretary of state, Dean Rusk, then

[10]Graham (1999:51, 59–61) notes that some members of the black upper class now participate in traditionally white debutante balls and attend traditional WASP boarding schools.

president of the Rockefeller Foundation, a man with many admirers in corporate circles (Burch 1980:175–177).

Cabinet recruitment studies show that Kennedy's appointments followed a pattern inherited from his predecessors and maintained by his successors. Although the Establishment and figures like Lovell are phenomena of the past, presidents continue to appoint the kind of sound, reassuring men he recommended to Kennedy. Contemporary cabinets are more ethnically diverse and more likely to include women, but cabinet officers are still overwhelmingly drawn from the top of the class structure, most notably from the national capitalist class and the national prestige class we have been describing.

Beth Mintz (1975) and Burch (1980) examined the social and occupational backgrounds of people who served in the cabinet between 1897 and 1980. Their work shows that at least two-thirds of cabinet officers have been corporate officers, investment bankers, or corporate lawyers, often with clear upper-class social connections. The prominence of investment bankers and corporate lawyers among cabinet officers is notable; these two groups have long played a crucial mediating role between business and government, akin to the coordinating roles they play within the corporate world. Our own, more focused survey of the people who have held the top cabinet posts (State, Defense, and Treasury), from Kennedy's inaugural cabinet in 1961 through Bush's in 2001, produced similar results: 65% of these cabinet officers were drawn from major corporations, financial institutions, or corporate law firms.[11]

If business is well represented among top federal decision makers, there is no parallel representation of labor. Since 1913, only six men have served in the cabinet who were in any way connected with the labor movement. Most served for short terms and were secretaries of labor (Burch 1980:377; *Statesman's Yearbook* 1979–1990).

Ironically, modern presidents have generally come from lower levels in the class structure than have their own top cabinet secretaries. Many grew up in modest circumstances and made careers in politics, rather than accumulating fortunes in business. Lyndon Johnson, Richard Nixon, and Bill Clinton fit this mold. Two recent exceptions are George H. W. Bush and his son George W. Bush, descended from an affluent, socially prominent Connecticut family. Both made considerable fortunes on their own before entering politics.

What can be said of the class background of Congress? Evidence going back to 1906 indicates that most members of Congress come from business or the professions. They have typically been lawyers, executives, or small business owners (LTV Corporation 1990; Nagle 1977). According to the financial disclosure forms that members of Congress file annually, at least two-thirds of senators and 40% of House members are worth a million dollars or more, a status they share with the

[11]For this purpose, we have drawn on Brunner 2001; Dye 1995:81–85; *Who's Who in America* 1980; and *Who's Who in American Politics* 1979.

top few percent of American households. Almost 20% of senators and 10% of House members are worth $10 million or more.[12] The late Senator Daniel Patrick Moynihan was close to the truth when he observed, "We've become a plutocracy.... The Senate was meant to represent the states; instead it represents the interests of a class" (*New York Times*, Nov. 25, 1984).

Congress, then, is recruited from the upper levels of the class structure, although often from strata a notch or two below that of the top cabinet officers. Members of the House and Senate are also more likely to be career politicians rather than top executives or corporate lawyers on temporary assignment, as are many cabinet officers. The law and business backgrounds of many members of Congress suggest a smaller scale, more localized version of the corporate world so amply represented in the cabinet. If the cabinet is recruited from the national capitalist class, the Congress draws on local upper–middle and capitalist classes.

What do cabinet and congressional recruitment patterns tell us about national politics? It certainly cannot be argued that class position allows us to predict the political behavior of individual decision makers. For example, Edward Kennedy, a liberal Democrat, and John Warner, a conservative Republican, who seldom vote together, are among the wealthier members of the Senate. But we have already seen that the behavior and opinions of people in the aggregate are shaped in important ways by class; in the next chapter, we will see that this generalization can be applied to politics. Moreover, we have noted how informal association shapes receptivity to opinions. The senator or representative whose personal associations are largely capitalist class or upper-middle class is likely to be more open to viewpoints common at the top of the class structure than to those prevalent toward the bottom.

The precise effect of these tendencies is not easy to gauge, but we can point to certain issues, such as health care, that are of much greater concern to working-class people than to people of higher class rank. The failure of the United States to develop a national health care system may be related to the recruitment patterns of cabinets and congresses. On the other hand, when Senator Diane Feinstein, a relatively liberal California Democrat, voted in 2001 to eliminate the estate tax, she was doing her heirs a big favor. Feinstein, who grew up in a wealthy family, is worth tens of millions, according to her financial disclosure statement. Like many senators, she moves in an affluent social milieu, where she is likely to encounter people who regard the estate tax repeal as a vital issue (Graetz and Shapiro 2005:105).

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[12]Estimate based on data from 2005 financial disclosure filings provided to us by the Center for Responsive Politics (CRP). The filings by senators and representatives exclude the value of their residence(s), the major asset held by most Americans. Filers specify a range (e.g., $15,000 to $50,000) for each asset or liability. Summing the item-by-item range limits, CRP calculated a minimum and maximum net worth for each member of Congress. We took the midpoint between these two figures as the member's estimated net worth.

Money and Politics

- Included in a bill that passed the Senate in late 1996 was a provision of particular interest to Frederick Smith, founder and chairman of Federal Express Corporation. Smith, whose fortune would climb to $2.2 billion by 2006 (*Forbes* 2006), personally lobbied senators for the provision, which makes it nearly impossible for FedEx workers to form unions and gives the company a distinct advantage over its unionized competitor, UPS. Federal Express has long been generous to lawmakers and their campaign treasuries. In 2006, campaign donations from company affiliated sources totaled almost $2 million.[13]

- Legislation signed by President Bush in 2001 placed the federal estate tax on a gradual path to extinction in 2010 (though the fate of the tax after that year was left in doubt). The *campaign to repeal* the inheritance tax, which affects only the top 2% of estates, was promoted by the Tax and Policy Group, a low-profile organization amply funded by several dozen national capitalist-class families, including heirs to the Mars (candy), Gallo (wine), and Campbell (soup) fortunes. With virtually limitless funding available to them, the proponents of repeal hired some of Washington's best lobbyists, pollsters, and public relations people and financed sympathetic policy research. Among their backers were some of the most generous contributors to political campaigns (Graetz and Shapiro 2005).

- In July 2007, the federal minimum wage, much eroded by inflation, was raised, for the first time in over a decade. The increase was resisted by business interests, among them some generous campaign contributors. Like the 1996 law mandating the last increase, the 2007 legislation was sweetened for opponents with several billion dollars in business tax relief.

These three cases illustrate the power and limits of political money in the hands of wealthy individuals and organized business interests. Labor unions lobbied hard against the Federal Express provision, but were overwhelmed by the company's well-financed efforts. The capitalist-class proponents of estate tax repeal hired Washington's best political talent to help them transform the way Congress and the public view what they relabeled "the death tax." With meager resources, their opponents could not respond in kind.[14] In contrast, business interests failed to block the minimum wage increase, a generally popular measure, once the Congress returned to Democratic control in 2007. But they retained sufficient influence to extract compensatory tax relief for themselves.

Money is not the only significant *political resource*. But it is the one resource that the rich have in abundance. This fact has long excited popular suspicion and encouraged periodic attempts to regulate political money. In the wake of the

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[13]All figures on campaign donations cited in this section, unless otherwise noted, are from the Center for Responsive Politics Web site (www.opensecrets.org).

[14]The legislation did not, however, quite settle the issue, which must be contested again, sometime before 2011.

Watergate scandals, which drove Richard Nixon from office in 1974, Congress passed campaign funding reform legislation. The Nixon campaign had solicited enormous contributions from corporations; accepted illegal donations; and, in at least one instance, changed federal policy in exchange for a campaign donation.

The Watergate-era reform laws imposed strict limits on individual campaign donations to federal candidates and parties; regulated group donations, which must now be made through registered Political Action Committees (PACs); provided for federal financing of presidential campaigns on a matching basis for candidates who accept limits on campaign expenditures; and required public disclosure of campaign donations and expenditures. The legislation prohibits corporations and labor unions from contributing money from their treasuries to political candidates. But they can use their resources to run PACs that solicit donations from union members, corporate executives, or stockholders.

Perhaps the most significant benefit of the new campaign finance laws was transparency: We now have a better idea of who is contributing, how much they are giving, and how the money is being spent. Initially, the major effect of the reform legislation was to check the influence of very rich individuals on candidates, while increasing the political weight of certain organized groups, especially corporations. In the 1972 campaign that produced the Watergate scandals, some donors had given hundreds of thousands of dollars to candidates for federal office. Direct contributions to candidates on that scale became illegal under the 1974 reforms. As a result, the wealthy contributor became less important than the corporate PAC.

Currently, an individual contributor can give an aggregate total of approximately $100,000 to all federal candidates, PACs, and party organizations during a 2-year election cycle. But the contributor can only give a few thousand dollars to any single candidate. These amounts are high from a middle-class perspective, but modest enough to compel political fund-raisers to broaden their class focus. Congressional candidates who still depend on individual contributors for the greater part of their campaign money typically spend long hours on the phone and at fund-raising events chatting with the relatively affluent. They cannot depend on a few extremely wealthy people (Corrado et al. 2005; Malbin 2006).

Who makes campaign contributions? Studies going back to the 1920s indicate that contributors are, not surprisingly, better educated, higher in occupational status, and richer than the average American. A 1997 study of donors to congressional campaigns revealed that 81% had incomes over $100,000 and almost half had incomes in excess of $250,000, which would place them in the top 1% of households (Brown et al. 1995:7; Kevin Phillips 2002:328; Sorauf 1992:3, 34). Even as candidates learned that they could raise large sums in small contributions ($50, $250) via the Internet, their campaigns remained heavily dependent on the larger donations raised by more traditional methods.

The 1974 legislation, though strengthened by the 2002 McCain-Feingold law, was not wholly successful in eliminating very large donations of the magnitude associated with the Watergate scandals. Over time, interpretation by the courts, weak enforcement, and aggressive testing of legal limits by candidates and parties weakened the effect of campaign finance laws. Individuals cannot make large contributions directly to candidates or parties, but can make limitless donations to so-called "527s," politically motivated organizations named for a provision of the tax code, that are presumed to operate independently and do not explicitly endorse candidates. (In fact, they are only semi-independent and the campaign ads they sponsor typically support candidates or attack their opponents without quite saying vote for or against candidate X.) During the 2004 election campaign, 113 individuals donated $250,000 or more to such groups, including 25 who gave at over $2 million each. Most of the latter were on the *Forbes* list of the wealthiest Americans (CRP Web site; Weissman and Hassan 2006).

Courts, moreover, have ruled that no limit can be placed on the amount that candidates or their families can spend on their own campaigns.[15] Self-financing is especially important for nonincumbents. Many spend hundreds of thousands, even millions of dollars. The impulse is understandable. Many U.S. House and Senate elections are no contest at all, because the incumbent has raised many times more than the challenger. Although millionaires who finance their own campaigns typically lose, some wealthy individuals appear to have bought their way into the U.S. Senate, including Jay Rockefeller, Herb Kohl, Bill Frist, Maria Cantwell, and Jon Corzine. Wall Street millionaire Corzine invested $63 million in his successful Senate campaign. After Corzine left the Congress to become governor of New Jersey, Frank Lautenberg spent $1.5 million of his own money to win the same Senate seat.

Most campaign money comes from business sources, such as individual corporate executives and corporate PACS. As Table 8.2 indicates, business contributions far exceed labor contributions and tend to favor the Republicans. They account for nearly three-quarters of the approximately $2 billion in regulated campaign contributions covered by the table.[16] Another $424 million—more than half of

Table 8.2 National Campaign Contributions, 2004

	Millions of Dollars			*Percent*	
	Individuals	*PAC*	*Total*	*Rep.*	*Dem.*
Affiliation					
Business	1,267.8	240.3	1,508.1	55	45
Labor	1.3	60.1	61.4	13	87
Ideological	21.1	52.2	73.3	51	49
Others/Unknown	384.4	1.1	386.0	46	54
TOTAL	1,674.6	354.2	2,028.8		

SOURCE: Data from Center for Responsive Politics Web site www.opensecrets.org.

NOTE: Ideological includes proponents of gun control, right-to-life, and other political causes.

[15]The only exception is for presidential candidates, who voluntarily accept the limits that come with public financing—something major party candidates are no longer doing.

[16]The *business proportion* of individual contributions may, however, be somewhat overstated in the table because of the way donors are classified by the Center for Responsive Politics, the source of these campaign statistics.

which came from individual contributors who gave $100,000 or more—was given to "527" organizations (Weissman and Hassan 2006:81, 92).

The campaign finance landscape shifts from election to election with changing fund-raising strategies, jurisprudence, regulations, and legislation. What has remained constant is the predominance of the affluent and business interests in campaign giving. To the degree that efforts to regulate campaign finance have been successful, they have reduced—by contribution limits and disclosure requirements—the capacity of individual donors to buy political favors for themselves or their companies. Contributors are thus more likely to exercise influence by joining with others who share their class interests or ideological preferences.

Business Lobbies

We have examined the political influence of the capitalist class exercised through direct participation in government and through campaign finance.

We now turn to a third channel of influence: directly persuading public officials to adopt (or abandon) particular policies. Especially since the emergence of the modern corporate economy, business representatives have actively lobbied the Congress and the federal departments and regulatory agencies that carry legislation into practice. In the late nineteenth and early twentieth centuries, corporate lobbies—backed by abundant flows of cash—moved Congress with dependable ease. For example, a lobbyist for the National Association of Manufacturers (NAM) publicly acknowledged that he had bought legislative favors with bribes and influenced House leaders to appoint congressmen favorable to NAM to House committees and subcommittees (*Congressional Quarterly* 1976:654, 662). In recent decades, major business lobbies have generally employed more subtle methods, partly because competing interests are better organized and the possibilities of unfavorable publicity are greater.

Currently, the principal business lobby organizations in Washington are the U.S. Chamber of Commerce and the Business Roundtable. Also important are the National Association of Manufacturers, which speaks for smaller industrial corporations, and the increasingly influential National Federation of Independent Business, representing small business. The Chamber gains special strength from its ability to mobilize pressure on individual members of Congress through local affiliates. The local capitalist class, which dominates the affiliates, is likely to include important elements of the power structure in a legislator's home district, as well as people who belong to the same social networks as the legislator. When the Washington office wants to pressure senators or representatives on a vote, it can systematically mobilize letters, phone calls, and personal visits from a local business owner, a legislator's former law partner, or a fellow member of the local country club.

The Business Roundtable consists of the CEOs of approximately 200 of the largest corporations. Its power is based on the formidable resources controlled by these corporations and the prestige of those who lead them. The Roundtable typically operates more quietly than the Chamber does. Its stock-in-trade is the personal visit from a CEO and the carefully crafted economic study or legal brief supporting its position. The leaders of the Roundtable have access to members of the

House and Senate and even to the president—entree that no ordinary lobbyist could hope to duplicate. A congressional aide commented, "A visit from a CEO has an unbelievable impact, as perhaps it should. It shows a commitment" (Green 1979:29).

All these business lobby organizations and many smaller business groups collaborated to defeat plans for a national health care insurance system introduced by the Clinton administration in 1993 (Johnson and Broder 1996:194–224, 601–636). Bill Clinton's promise to establish universal coverage helped elect him in 1992. National polls consistently showed that approximately 70% of adults agreed with the proposition that health insurance should be guaranteed to all. Despite this remarkable consensus, the administration's plan never even came to a vote in Congress, and alternative plans to extend coverage were equally unsuccessful.

Organized business spent more than $100 million to fight the administration—enough to finance a national presidential campaign (Johnson and Broder 1996:212). In fact, the opponents hired political professionals experienced in electoral politics and employed the sophisticated tactics of a national election campaign. They mobilized targeted campaign donations, a well-staffed lobbying effort on Capitol Hill, regular public opinion polling, a large-scale television advertising campaign, phone banks, and field operations in key states and Congressional districts. Supporters of national health care (including labor unions) simply did not have the resources to operate on the same scale as the opponents.

The administration's inept political strategy, divisions among Democrats in Congress, and controversial aspects of the Clinton plan itself undeniably contributed to the administration's defeat. But, given popular support for universal health care, a compromised plan might well have emerged from Congress without massive opposition from organized business.

The health care debacle of the early Clinton years can usefully be compared with the major legislative accomplishment of the new Bush administration 8 years later. During his first months in office, Bush pushed through Congress substantial reductions in income and estate taxes over a 10-year period (see Chapter 4). The tax proposals never attracted the broad popular support that national health care had initially enjoyed. Many feared that the loss of tax revenue would undermine important federal programs and understood that the blessings of the tax legislation would mainly flow to the rich. But opponents of the tax bill did not have the resources to mount the kind of campaign that defeated national health care.

The class element in U.S. politics becomes clearest when issues arise, like health care and taxation, that pit a liberal lobby alliance often led by labor unions against a conservative lobby alliance led by business groups. Since the late 1970s, the business alliance has tended to win such confrontations.

Policy-Planning Groups

A step removed from the conflictual world of political campaigns and legislative battles is a quieter and less visible realm of organizations dedicated to formulating and disseminating broad proposals for national policy. Groups such as the Council on Foreign Relations, the Council for Economic Development, and the Business Council are created and financed by the corporate elite, which plays a prominent role in their activities. Corporations have long participated in such organizations through funding and board membership. Domhoff's (1975) unfortunately dated social network analysis of the boards of major corporations, memberships of exclusive social clubs, and participants in policy-planning organizations revealed an elaborate pattern of interconnections.

Similar to the policy groups, both in their functions and their links to the national upper class, are the major charitable foundations and the policy research "think tanks." Foundations such as Rockefeller, Ford, Lilly, and Kellogg (all named for the wealthy families that endowed them) fund research and pilot projects to test policy ideas. Many of the best-known think tanks are clustered in Washington, where they can feed their research findings and policy recommendations to sympathetic politicians, lobbyists, and journalists. Among the best-known think tanks are the Brookings Institution, which has particularly influenced Democratic policy makers, and the Heritage Foundation and the American Enterprise Institute (AEI), which are influential among Republicans. One key function of the policy groups, foundations, and think tanks is to back the careers of public policy intellectuals, many of whom are channeled into government positions.

Indirect Mechanisms of Capitalist-Class Influence

Capitalist-class influence over government is not limited to the direct means we have been describing (recruitment to decision-making positions, campaign financing, lobbying, and domination of policy-planning institutions). The capitalist class can also affect government policy indirectly, through its control of the economy and the mass media. A defining characteristic of a capitalist society is the existence of a relatively small class that controls most productive wealth and therefore independently makes investment decisions that can decisively affect the welfare of other classes. Although governments in capitalist societies have limited control over what business leaders do, their political fortunes are closely linked to business decisions. The connection is often described in terms of a "business confidence." If business leaders lack confidence in a government or its policies, they are not likely to risk their capital in new investments. The resulting decline in aggregate level of investment will soon be reflected in a rising level of unemployment, which, in turn, will subject the government to pressure from an electorate dissatisfied with the state of the economy.

If the government wants to rectify the situation without making basic changes in the capitalist economic order, it must find a way to regain the confidence of investors. What sorts of government policies are likely to alienate business confidence? Basically, any that threaten business profits, from "excessive" taxation of corporate income to the imposition of expensive regulations designed to reduce pollution or guarantee worker safety. The precise factors that lead to a loss of confidence are less important than the essential fact that this mechanism gives the capitalist class an indirect veto over government policy.

Two implications of the business-confidence veto are particularly worth noting. One is that it can influence a government without actually curtailing investment. The mere risk of such action is enough to persuade decision makers to reconsider a proposed policy or the appointment of a cabinet officer whose opinions might sound threatening to business. The possible effect of government action on investor behavior is frequently raised as an issue in public policy debates. The other implication is that the veto mechanism does not require conscious, concerted action by members of the capitalist class to be effective. Individual investment decisions, based on objective assessment of potential risk and profitability, can collectively produce a downturn in business activity and subject a government to popular pressure (Bloch 1977).

Governments are also subject to the limits imposed by private control of the mass media, through which people receive information about public affairs. In the United States, virtually all significant media are owned by the local and national capitalist classes (though they might just as well be organized as cooperatives, like the respected French paper *Le Monde;* as semiautonomous public bodies, like the British Broadcasting Company; or as organs of political parties, like a number of European papers). Control of the media has become highly concentrated, and the principal media organizations are *themselves typically major corporations* or are owned by major corporations. The most notable exception to this rule is the Public Broadcasting Service (PBS) and National Public Radio, which only have a small portion of the resources or audience of the commercial networks.

In a world of multiplying information channels, most Americans who pay any attention to national and international affairs are still likely to receive their news from one of five TV networks: ABC, CBS, NBC, CNN, and Fox. All are owned by large media conglomerates, except NBC, which is owned by General Electric. The companies that publish the two most influential daily newspapers, the *New York Times* and the *Washington Post,* and the two major news magazines, *Time* and *Newsweek,* are also among the country's largest corporations. A dozen or so newspaper chains account for more than half of the country's daily newspaper circulation. Most American newspapers get their national and international news from a single source, the Associated Press (AP), a cooperative owned by the media it serves (Dye 1995:113).

Capitalist-class influence over the media is not limited to the power of ownership. Because the media are operated for private profit and most of their income comes from corporate advertising, media managers are sensitive to pressure from advertisers. The networks are also subject to the influence of the affiliated stations that broadcast their programs to local audiences. Early in the history of television broadcasting, Edward R. Murrow's brilliant and controversial current affairs program *See It Now,* carried by CBS, was forced off the air after its corporate sponsor withdrew and no regular replacement could be found. In the 1950s, programs that dealt with the issue of racial discrimination or employed black actors could not appear on network television because corporate sponsors refused to be associated with them, and some affiliates (particularly in the South) refused to carry them. Today, there are few confrontations between advertisers and networks. These early confrontations established unwritten standards that continue to guide commercial television broadcasting. As an executive of a major advertising agency explained, direct interference by the advertiser is rare "because the producers involved and the writers involved are normally pretty well aware of what might not be acceptable" (Barnouw 1978:54; see also Tuchman 1974).

Of course, to sell advertising, commercial media must attract an audience, and they are reluctant to offend or bore that audience with unattractive content. But as the ad man's comment suggests, the main power that the capitalist class exercises over the media is the power to impose implicit limits on what is "acceptable." The media, in turn, operate on their audiences, not by imposing specific ideas but by defining the subjects that are appropriate for consideration and delineating the range of reasonable opinion. In other words, they help define the public agenda. Their ability to do so is increased by the concentration of media control. Thus, until the late 1950s, racial inequity was not a national issue, though it was most certainly a serious national problem. For decades the issue of national health care was invisible, though it certainly was a serious problem for many Americans.

The Capitalist-Class Resurgence

Who has the power? This is the question that pluralists, elitists, and class theorists are trying to answer in the debate we examined at the beginning of this chapter. The question assumes that the distribution of power is stable—it does not vary over time. But this is probably not a safe assumption. It seems clear, for example, that the capitalist-class and business interests in the United States have gained at the expense of other competitors for power during what we have called the Age of Growing Inequality.[17]

In the early 1970s, there was a growing sense of vulnerability and declining power in capitalist circles. The economic system was changing in ways that seemed threatening and unpredictable. Wages had been rising, profits had been stagnating, and productivity had been declining. The international economy, dominated by the United States since the end of World War II, was becoming much more competitive. The U.S. economy was twice shaken in the 1970s by abrupt leaps in the world price of oil. Increasing government regulation in areas from environmental practices to consumer protection and workplace safety seemed to be raising the cost of doing business. Many business leaders felt politically isolated. John Harper, then chairman of Alcoa, recalled the period from the happier perspective of the 1980s:

> We [corporate leaders] were not effective. We were not involved. What we were doing wasn't working. All the polls showed business was in disfavor.
>
> We didn't think that people understood how the economic system works. We were getting short shrift from Congress. I thought we were powerless in spite of the stories of how we could manipulate everything (quoted in Blumenthal 1986:77).

[17]See Blumenthal 1986; Blumenthal and Edsall 1988; Edsall 1984; Ginsberg and Shefter 1990.

Since the early 1970s, business leaders have taken a more direct and aggressive role in national politics. Corporations, as we have seen, seized the opportunity presented by the PAC provisions of the post-Watergate reforms. Business lobbyists perfected the upscale "grassroots" campaign—mobilizing local business leaders, stockholders, depositors, suppliers, or dealer networks to influence Congress. In 1972, Alcoa's Harper joined other top corporate leaders to found the Business Roundtable. About the same time, the Heritage Foundation was started, with the help of a $250,000 donation from Colorado brewer Joseph Coors, and the American Enterprise Institute began its transformation from an inconsequential research center into a key player in public policy. Both received financial backing from major corporations and foundations endowed by wealthy families such as the Mellons, the Pews, and the Olins (Blumenthal 1986; Edsall 1984:Chapter 3).

These efforts to reassert the power of the privileged have paid off. In the late 1970s, business won a series of key legislative battles—for example, defeating both the consumer protection agency bill and labor reform legislation that would have made it easier for unions to organize workers. In Chapter 4, we saw that federal taxes on high incomes, inherited wealth, and corporate earnings have been sharply reduced since the early 1970s. The real incomes of workers have declined, and the distribution of income has become more concentrated. In the next chapter, we will see that the power of organized labor declined as the power of business grew.

The power shift that began in the 1970s contributed to Republican victories in five out of seven presidential elections from 1980 to 2004, and the election of conservative Republican majorities to both houses of Congress from 1995 to 2006, for the first time in decades. However, there is no reason to assume that the new power structure is unalterable. The changes that have taken place might themselves set off further change, in directions we cannot now imagine.

Conclusion

We began this chapter by defining elite, pluralist, and Marxist perspectives on power. We then took a close look at C. Wright Mills's *Power Elite*, his pluralist and Marxist critics, and some recent elitist conceptions of the structure of power in America. Mills emphasized the growing scale of corporate, government, and military organization and the corresponding concentration of national power in the "corporate rich," top government officials, and the leaders of the military. Much of the criticism of Mills centered on the question of "elite cohesion." Do the members of a putative elite act together in pursuit of common objectives and in opposition to other groups? Mills did point to mechanisms that tended to unify the members of his power elite, including similar social backgrounds, shared elite education, association through upper-class society, movement of personnel between elites, and the common experience of managing large organizations. But the pluralists were unconvinced. Where Mills saw one cohesive elite, the pluralists saw many competing veto groups.

On the other hand, Marxist critics of *The Power Elite* thought Mills had been altogether too successful in demonstrating cohesion, but the key unifying force was the dominant corporate sector within the elite. America was not ruled by a power elite but by a corporate-based capitalist class. The contemporary writers on elites we reviewed agreed with Mills on one thing: power is concentrated in large organizations and the elites that control them. Beyond that point, their accounts of the system diverged, especially on the issues surrounding cohesion.

Our extended examination of the national capitalist class established the following: A small class controls most corporate stock, and although major corporations are typically run by their top executives, the interests of corporate stockholders and top managers are aligned. We therefore consider these executives part of the capitalist class. There is apparently—our information on this is somewhat dated—a significant overlap between the national capitalist class and the national upper class represented by such institutions as the *Social Register* and exclusive social clubs and prep schools; the upper class provides at least some of the social glue that binds the members of the capitalist class together. Finally, the national capitalist class has powerful means to shape national politics; these include placement of its members in top decision-making positions, campaign financing, lobbying, creation of policy-planning organizations, exercise of the business-confidence veto, and control of the public agenda through the mass media. Looking back over the lasts three decades, we concluded that the power of the capitalist class has grown, relative to other classes.

A pluralist would be quick to point out that neither the formidable array of political resources available to the capitalist class nor recent indications of growing capitalist-class power are definitive proof of domination by that class. We make no such claim. But we are committed to examining how social classes participate in the political system and how the balance of power between them has shifted in the Age of Growing Inequality. With those goals in mind, we amplify the picture we have painted here in the next chapter, which deals with class consciousness and conflict between classes in electoral and industrial contexts.

Key Terms Defined in the Glossary

capitalist class
chief executive officer (CEO)
class perspective (see elite; pluralistic perspective)
elite
elite cohesion
elite perspective (see pluralist perspective)
endogamy
Establishment, the
pluralist perspective
political action committee (PAC)
power
privileged classes
soft money

Suggested Readings

Bottomore, Tom. 1966. *Elites in Modern Society.* New York: Pantheon.
Short, lucid survey of elite theory.

Cookson, Peter and Caroline Hodges Persell. 1985. *Preparing for Power: America's Elite Boarding Schools.* New York: Basic Books.
How the upper class is educated.

Domhoff, G. William and Hoyt B. Ballard, eds. 1968. *C. Wright Mills and the Power Elite.* Boston: Beacon.
Excellent set of critical essays on Mills's power elite thesis.

Dye, Thomas R. 2002. *Who's Running America? The Bush Restoration.* 7th ed. Englewood Cliffs, NJ: Prentice Hall.
The national elite, sector by sector.

Frank, Robert. 2007. *Richistan: A Journey Through the American Wealth Boom and the Lives of the New Rich.* New York: Crown.
A well-informed examination of the fortunes, lives, and politics of the new rich, by a reporter who has covered them for the Wall Street Journal.

Graetz, Michael J. and Ian Shapiro. 2005. *Death by a Thousand Cuts: The Fight Over Taxing Inherited Wealth.* Princeton, NJ: Princeton University Press.
How a small, well-financed group turned the estate tax into the death tax and promoted legislation to abolish it.

Graham, Lawrence Otis. 1999. *Our Kind of People: Inside America's Black Upper Class.* New York: HarperCollins.
A sophisticated insider's account of the black upper class.

Johnson, Haynes and David Broder. 1996. *The System: The American Way of Politics at the Breaking Point.* Boston: Little, Brown.
An engaging, thoughtful account of the Clinton administration's failed attempt to create a national system of universal health care.

Judis, John B. 1991. "Twilight of the Gods." *Wilson Quarterly* 5 (Autumn):43–57.
Intriguing account of the rise and fall of the "American establishment" of bankers, corporate lawyers, and scholars who once made U.S. foreign policy. Helpful annotated bibliography.

Malbin, Michael J., ed. 2006. *The Election After Reform: Money, Politics, and the Bipartisan Campaign Reform Act.* Lanham, MD: Rowman & Littlefield.
A useful guide to recent changes in campaign finance laws and their effects.

Ostrander, Susan. 1984. *Women of the Upper Class.* Philadelphia: Temple University Press.
The lives of upper-class women and their roles in the maintenance of their class.

Phillips, Kevin. 2002. *Wealth and Democracy: A Political History of the American Rich.* New York: Broadway Books.
Concentrated wealth, democracy, and the tensions between them in American history since colonial times. Compares current era of concentrated wealth and power with previous gilded ages.