Negative effects of money in politics

If war is politics in other ways, political spending is economic war in other ways. Runaway campaign spending and lobbying don't just stand in the way of a fair political system. They also stand in the way of an economy that works for the middle class. After all, why do corporations and the super-rich throw money into campaigns and lobbying? Sometimes political beliefs are at stake. But far more than small-scale donors are investing the biggest spenders in favorable policy outcomes. Money doesn't just give big spenders the chance to express a view or support a candidate; it gives them leverage to reform the American economy in their favor. And as the wealthiest have pulled away from the rest of America, the policies they want — extremely low tax rates on the wealthy at a time of record deficits, commonly underinvestment in our future, are special treatment for corporations that impose huge environmental costs and financial risks on our society — increasingly at odds with the policies the country desperately needs. Of course, money has always been part of American politics. William McKinley's political fixer, Mark Hanna, famously said, There are two things that are important in politics. The first is money, and I can't remember what the second one is. But Hannah spoke at the end of an era, the Curled Age of staggering inequality and government corruption. In the decades that followed, reformers acted on the calls of Theodore Roosevelt (the highest political task of our day... is to drive the special interests out of our public life) and Franklin Roosevelt (we now know that government through organized money as dangerous as the government is by organized gang) to clearly revitalized an empire of civic life from the differences and imbalances of the market. The goal wasn't just greater political equality. It was also to prevent the government's capture through powerful economic interests and create space for economic policies that would promote the interests of broad multi-entities citizens. New rules for Wall Street prevented the destabilizing financial crises that were endemic under the practical regime demanded by the financial industry. Provision for workplace safety and economic security meant workers were better protected and more productive. Raising taxes on the richly funded investments in education and infrastructure, which provide long-term benefits to society and the economy. Today, however, the flood walls between the market and democracy have been gone, and both sides of the barrier are being reformed by the new streams of influence. It's not just the sheer volume of dollars driving the change. At least as important is the growing gulf between those on the order commanding heights of our economy and the rest of Americans. The part of national income goes to the richest 0.1 percent got roughly roughly since the 1970s. At the same time, as our economy has become more globalized and finances have increased in importance, many of the wealthiest companies have increasingly separated themselves from the plight of ordinary American workers. The interests of today's corporate titans are not as well aligned with the interests of the American middle class as they were a generation ago. The effects of these growing divides are visible all around us: a tepid response to the housing and jobs crisis, even as Wall Street received a generous rescue; a recovery that was far better for the wealthiest 1 percent (who received 93 percent of pre-tax income gains in 2010) than for the rest of Americans; and rates of unemployment and unemployment that remain tragically high. Over the last generation, the middle class has faced rising health and education costs, weakening job and retirement security and s stoking opportunities for advancement. Still, the government too often failed to respond, or responded in ways that actually made the problems worse. A big reason is the debilitating political clout of the middle class in a more money-centered political world. Winners Write The Rules Two players in the market for political power have gained the most ground: the super-rich, and corporate and financial lobbies. To be sure, these are overlapping groups. Six in ten of the wealthiest 0.1 percent of Americans are corporate or financial executives. The Koch brothers, for example, are both large individual donors and leaders of an industry juggernaut. Nevertheless, it is useful to consider the groups separately. According to a recent survey of the super-rich by a team of enterprising political scientists, the wealthy are primarily concerned about taxes and deficits. Corporations also care about these things, but their primary focus is industry-specific regulations and subsidies. And while the super-rich focus heavily on contributions to campaigns (while also funding advocacy), corporations are putting most of their money into lobbying (while also funding campaigns). The main thing to keep in mind about the super-rich is that they are more conservative than average. In fact, much more so: While most voters rank to create jobs a much higher priority than reducing the deficit, the wealthy express the exact opposite preference — which may explain why work isn't such a high priority in Washington. And unlike voters of more modest means, the wealthy seem to support cutting even highly popular economic security programs rather than raising taxes to close the budget gap. As the authors of the survey conclude, If wealthy Americans have an extra degree of influence on policy making and public discourse, then their focus can on and budget cut helps explain why elite pundits and Washington politicians are currently have deep cuts in many social welfare programs that are most popular among ordinary Americans. For those at the very top, the personal game is potentially huge: A study of the top 400 tax households showed that just reducing effective individual income tax rates between 1995 and 2007 (from averages of 30 percent to 16.6 percent) was worth an average of $46 million a year for each of these lucky 400 The flip side of the aggressive pursuit of lower taxes by the wealthy is chronic deficits and inadequate funds for public goods such as infrastructure, education, and job training areas where we quickly fall behind global competitors. Wealthy conservative voters make for well-funded Republican campaigns. Right-wing super PACs flourished not only because conservatives were the first to embrace them, but also because the super-rich are mostly Republicans. In the early part of the last election cycle, Karl Rove's Crossroads GPS disclosed that nearly 90 percent of its funds came from less than a few dozen donors, with two donors giving $10 million each. According to a joint report by Demos and the American Public Interest Research Group, more than half of the $230 million raised by super PACs from individuals in the first two quarters of 2012 came from just 47 people giving at least $1 million. That's one of the reasons the GOP has moved so far to the right over the past generation: The rising sway of lobbying and major donors has generally bolstered their policy leanings. For Democrats, the consequences were less happy. Caught between traditional commitments and the ever more intense scramble for money, they faced pressure to moderate their views on economic issues, as well as seeking supportive pools of money—whether in trial law or entertainment or finance—with policy interests that cannot benefit the middle class. For corporations and Wall Street, campaign finance is only one weapon. The other is direct spending to influence policy. Indeed, for most organized interests, spending on elections is just the training season; the actual games begin once elected officials start governing. David Koch put it bluntly: Our main interest doesn't participate in campaigning.... Our main interest is in policy. This from a man who, combined with his brother and the political network he leads, spent more in the 2012 election cycle than the entire campaign of John McCain in 2008. One wonders what he would spend if campaigns were his main interest. Activist financiers like the Kochs frame their efforts in terms of ideology. But one should not miss out on the heavy element of self-interest. Koch Industries, which is involved with industries ranging from manufacturing to benefit enormously from subsidies for great energy, as well as from the malign neglect of climate change – a status quo the Kochs have aggressive to preserve. And for most corporate lobbies, there's not even a screen of ideology. Their overriding goal is to protect or expand their market advantage. The financial industry lobbied to erase the New Deal-era rules that reduced systemic risks — but also operating profits. The pharmaceutical and hospital lobbies have repeatedly killed threats to high medical prices, paddled their pockets and driven up public and private spending. The oil and gas industries are using their heft in Washington not only to oppose climate change policies, but to protect valuable land leases through which they can exploit public resources for pennies on the dollar. Companies are lobbying not only for poor regulations and direct subsidies, but also to keep other pesky challenges from making profits at bay. Workers' demands for unions could be headed for new laws as well as anti-union drives within companies. Corporate taxes could be brought down with lobbying as well as smart tax planning: Of the eight companies that lobbied most aggressively between 2007 and 2009, seven saw their tax rates fall from 2007 to 2010, and six saw declines of seven percentage points or more, even if the median company among 200 companies saw its tax rate fall by just 0.2 percent. The savings were worth an estimated $11 billion - which, if entirely due to lobbying, would indicate a return on investment of more than 2,000 percent. Competitors can be beaten in the political arena as well as the market. The consolidation of the financial industry—in 2010, the five largest banks held more than half of total bank assets, up from 30 percent in 2001—reflected not only economies of scale, but also the implicit federal backstop that big banks enjoyed because of their size and lobbying clout. Lower taxes or no taxes, favorable regulations or no regulations — each group comes with its own agenda, investing where the yield is highest. In recent years, those investments have often been the form of hiring members of Congress or executive branch officials and their staff for lobbying or other positions. An upcoming study in the U.S. Economic Review suggests that staff's biggest attraction to lobbying stores is their connections: Revolving door lobbyists experience a massive, immediate drop in lobbying income when a former boss leaves office. Hiring former public servants is a win-win deal: You win when your newly hired guns use their expertise to shape public policy, and you win when all public servants start thinking about their next, highly lucrative job. Establishing the effect of any one lobbying foray or major campaign check is difficult. But the net effect is easy to see: an economy in which market winners write the rules contribute to their benefits and delay other priorities. All this undermines public confidence in government, breeds public cynicism, and makes the economy economy less good for those without the clout to invest in politics. The danger is that the cycle will become self-affliction—which is why taking steps to break it is so important. Starting Reform right now wealthy individuals and large corporations are making financial investments in politics hoping to improve their economic position. Politicians demand money because it helps win elections and ensure their power. Any attempt to curb the influence of concentrated economic interests should address both the supply of and demand for political money. Most reforms focused on the former. Current First Amendment jungle, however, holds major hurdles to spending regulations. Voluntary public financing will always be fragile in a system where some candidates can benefit from unlimited spending. Forging the legal basis for more significant regulation of campaign finance would require laying new intellectual foundations, while gradually shifting the composition of the Supreme Court — the work of many years. But while supply is a long-term problem, we can start reducing demand right now. Take lobbying: Members of Congress and agency officials depend in part on lobbyists because lobbyists provide genuine policy expertise and political information. The average member of the House has about eight staffers working on all policy issues, from trade to financial regulation to education policy, most of them twenty-something fresh out of college. The number and technical expertise of congressional staff should be increased, and sources of unbiased analytical information - such as the Office of Technology Assessment, which Congress killed in 1995 - created and expanded. Similarly, improving the quality, resources, pay and staffing levels of staff in key regulatory agencies such as the Securities and Exchange Commission will help reduce the sway and influence of special interests — not only by increasing the capacity of the regulators, but also by making agency work more attractive than a long-term career. Demand for political donations is a comparable problem. Why do politicians need so much money? Because it wins elections. If money didn't matter, politicians wouldn't want it. Money is needed for campaign staff, direct mail, get-out-the-vote operations, and, most expensive of all, television ads. If we can reduce the importance of advertising, demand for money will be significantly reduced. Free airtime for candidates can be a good step, especially if combined with voter outreach and education. Above all, our money matters can make less if our more equally distributed political resources matter more. To encourage voting by various means – from same-day registration to national voting holidays – is one approach. More importantly, however, is the building of political organizations that have the traditional but dwindling role of labor and large-scale membership groups. Whatever the strategy, the starting point is to have the right conversation. Today, reformers emphasize the injustice of unequal political resources — and surely that injustice is real. But, as we argue in our recent report, Prosperity Economics, the arguments that sound loudest in the current debate concern not broad values but hard economy. Middle-class Americans are losing their jobs and their economic security, and they believe the government isn't looking out for them. Asked in mid-2010 what helped the government a lot during the downturn, 53 percent of Americans said banks and financial institutions. Forty-four percent pointed to large corporations. Just 2 percent thought federal policies helped the middle class a lot. Reformists need to explain how campaign donations and lobbying are not only undermining a healthy democracy that broadly spreads political influence, but also a healthy economy that broadly spreads economic rewards. Money to gain strength, strength to protect money was the motto of the Medici family. That, unfortunately, seems relevant to American politics today. That powerful elite has ruled Florence for centuries. We can't wait that long. Long.

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