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CHAPTER 2
Wealth and Power: The Bias of the System

A. Chapter Overview

This chapter introduces the reader to an analysis of U.S. social problems by looking at the political and economic realities (the political-economy) of the social structure described in Chapter 1. This chapter expands on the precepts of the introductory chapter and the authors explain how and why social structures are created. They contend that society, represented by the state, is not a neutral agent of a democratic process. It is, in fact, a biased policy maker and system that favors those with wealth and power—primarily the upper socioeconomic class and large businesses. The chapter also emphasizes the concepts of power, powerlessness, and dominance as forces of the interest groups. The authors state that their examination of wealth and power is not unpatriotic. They offer a healthy analysis of our social system for the purposes of exploring ways to make it representative of the ideals on which this country was founded. There are three main sections in this chapter. The first section examines the mechanisms that promote monopolistic capitalism and the consequences of each on a capitalist society. The second section discusses the political system and the relationship between wealth and political systems. The third section discusses the bias of the political system in greater detail and how the power elite (i.e., wealthy people and people who represent the wealthy) operates in the political system and uses power to their own advantages.

B. Learning Objectives

After reading Chapter 2, students should be able to:
2.1 Explain the mechanisms that promote monopolistic capitalism and the consequences of each on a capitalist society.
2.2 Understand the links among wealth, power, and the U.S. political system.
2.3 Summarize the consequences of concentrated power in the United States.

C. Detailed Chapter Outline

I. U.S. Economy: Concentration of Corporate Wealth
  A. Monopolistic Capitalism (See Suggested Assignment 3)
    1. Megamergers. Some of the largest mergers in U.S. history have occurred in recent years. The trend toward megamergers has at least five negative consequences:
      a. It increases the centralization of capital, which reduces competition and raises prices for consumers.
      b. It increases the power of huge corporations over workers, unions, politicians, and governments.
      c. It reduces the number of jobs.
      d. It increases corporate debt.
      e. It is nonproductive.

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2. Interlocking directorates. These are the linkages between corporations that result when an individual serves on the board of directors of two companies (a direct interlock) or when two companies have a director on the board of a third company (an indirect interlock).
    a. Interlocked companies reduce competition through the sharing of information and the coordination of policies.

B. Transnational corporations. U.S. corporations are globalizing to increase their power, increase profits, lower production costs, and avoid stricter regulations than found in the United States.
1. American companies are expanding in overseas markets because profits tend to be higher.
2. Multinational corporations tend to shift semiskilled and unskilled jobs from the United States to other countries, thus increasing both welfare costs and worker discontent in the United States.
3. Multinational corporations tend to wield control over the world's economy.
4. Multinational corporations tend to interfere in the internal affairs of other nations in order to protect their investments and maximize profits.

C. Concentration of wealth (See Suggested Assignment 4)
1. The wealth is centralized in a relatively few corporations and is increasing.
2. Concentration of corporate wealth can be seen in:
    a. Corporate wealth translates into enormous wealth for individuals.
    b. The increasing gap between the ultra-rich and everyone else is highlighted when examining earnings between CEOs and workers.
3. Concentration of private wealth and income—capitalism generates inequality.
4. Income inequality is increasing in U.S. society.
5. The difference in earnings between CEOs and the average workers in corporations is widening. By 2014, the average CEO of a Fortune 500 company was paid 303 times more than the average hourly worker.
6. The U.S. economy is no longer based on Competition among more-or-less equal private capitalists.
7. Huge corporations control demand rather than respond to the demands of the market.

II. Political System: Links Between Wealth and Power

A. The U.S. government is an oligarchy; that is, it is represented more by the privileged few than by the majority. (See Lecture Starter 1) (See Classroom Activity 2)

B. Government by interest groups
1. Special interest groups that attempt to deflect the political process for their own benefit violate the American principle of majority rule (i.e., democracy).
2. In 2014, lobbying was a $3.24 billion business, with 11,870 registered lobbyists.
3. The existence of lobbyists does not ensure that the national interest is served or that the concerns of all groups are heard. (See Lecture Starter 2)

C. Financing of political campaigns (See Suggested Assignment 1)
1. Campaign financing is one of the most undemocratic features of the U.S. political system.
2. Campaigns are expensive and funded by candidates and special interest groups.

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3. Congress passed the Bipartisan Campaign Reform Act (the McCain-Feingold law) designed to limit the use of "soft money" in federal elections. Instead, it allowed organizations to give unlimited money to other groups that are technically independent of the candidates.
4. McCain-Feingold did wipe out "soft money" but it did not limit the giving of large sums to campaign elections. The 527 loophole allowed for the financing of political advertisements.
5. McCain-Feingold limited maximum contributions to $2,300 but it did not restrict the bundling or pooling of a large number of contributions.
6. Other ways to raise money for political campaigns include contributions to "foundations" sponsored by the candidate and contributions to the political conventions. In addition, there are contributions outside the federal law.
7. Campaign contributors gain access to, and possibly influence over, politicians.
8. In 2010, the Supreme Court struck down the laws of 22 states and the federal government. In a 5–4 ruling (*Citizens United v. Federal Election Commission*), they voted that corporations, labor unions, and other organizations can spend unlimited sums to help elect or defeat political candidates.
9. In 2014, the Supreme Court struck down caps on the total amount individuals can donate directly to federal campaigns and political parties.

D. Candidate selection process
1. Being wealthy or having access to wealth is essential for victory because of the enormous cost of the race.
2. The two-party system works to limit choices among candidates to those who have views congruent with the moneyed interests.

E. The power elite

1. Power in the United States is concentrated in a power elite that uses power for its own advantage. This bias occurs in three ways:

2. By the elite's influence over elected and appointed government officials at all levels
   a. By the structure of the system
   b. By ideological control of the masses

3. The power elite get what they want by systemic imperatives, that is, the institutions of society are patterned to produce prearranged results that promote the status quo. Some examples of systemic imperatives are:
   a. Institutional inertia
   b. Defense appropriations

4. U.S. schools, churches, and families possess the power to indoctrinate conservative values and achieve a consensus on the citizenry concerning the status quo that works to the advantage of the power elite.

III. Consequences of Concentrated Power (See Classroom Activity 1) (See Suggested Assignment 2)

A. The powerful control ideology
1. The media play an influential role in a democracy, as democracy hinges on an informed electorate.

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2. Just six corporations control 90 percent of what Americans read, watch, or listen to.
3. The media help define reality by determining what is important and what is not, which shapes our understanding of what is a social problem.
4. Because a few media giants control the content and distribution of programming, smaller companies with distinctive viewpoints are increasingly rare.
5. Reporting is sometimes compromised by conflict of interest when media outlets are owned by large corporate entities involved in other businesses.
6. Media giants may, through its subsidiaries, push a political stance.
7. Big stories such as wars and economy are often pushed aside in favor of "hot" stories such as murder and celebrity news.
8. The messages we hear and see tend to focus on problem individuals rather than on problems associated with structural origins.

B. Powerful corporations receive benefits (See Discussion Question 1)
1. State and local governments provide businesses with a variety of tax breaks, low-interest loans, infrastructure improvements, relatively cheap land, and other subsidies.
2. After September 11, 2001, Congress rushed through a $15 billion bailout of the airlines but provided no relief to airline workers or hotel industry jobs.
3. Congress gave broadcasters rights to broadcast high-resolution digital programs that deprived the Treasury and taxpayers of billions of dollars.
4. New technologies are developed at public expense and then turned over to private companies for profit.
5. Transnational corporations are permitted to set up tax havens overseas, sheltering profit from U.S. taxes.
6. The government installs price supports on certain commodities, increasing profits for industry, while increasing cost burdens upon consumers.
7. The federal government directly subsidizes the shipping industry, railroads, airlines, and exporters of key products.
8. The tax codes provide corporations numerous ways to avoid taxes, allowing business to benefit from government policies.
9. Foreign policy for corporate benefit
    a. The government has supported foreign governments that are supportive of U.S. multinational companies, even tyrannical governments.
    b. The U.S. government has intervened in the domestic affairs of foreign governments to protect U.S. corporate interests.

C. Trickle-down solutions disadvantage the powerless
1. One way government stimulates the economy is to spend money through unemployment insurance, government jobs, and housing subsidies.
2. Another way is for government to give subsidies directly to businesses, which encourages businesses to hire more workers, add to inventories, and build more plants. This is known as a "trickle-down" solution.
3. Some reasons for the popularity of "trickle-down" solutions:
    a. Government officials tend to come from the business class and share the ideology of this class.

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b. Government officials are more likely to hear arguments from the powerful.

4. Some problems of "trickle-down" solutions:

a. Corporations tend to use the subsidies to increase dividends to stockholders rather than to hire new workers.
b. Even when the subsidies are reinvested in the company, businesses tend to use them to purchase labor-saving devices rather than create new jobs.

D. The powerless bear the burden

1. In periods of economic downturn, social programs for the disadvantaged and for large social systems like education are targeted, but not subsidies for businesses.
2. When threatened by war, the government institutes a military draft, which disproportionately affects the poor.
3. The poor absorb the costs of societal changes such as industrialization and urbanization.
4. Economic problems are "solved" when the poor pay higher prices or unemployment increases.
5. Unemployment is maintained as governmental policy:
   a. With unemployment high, people are willing to work at humble jobs for low wages.
   b. The children of the middle and upper classes avoid military service as the unemployed join the volunteer army.
   c. When unemployment is high, the unions are less demanding.
   d. When unemployment is high, workers are less likely to demand costly safety equipment.
   e. Corporations are given tax concessions by local governments to move to areas of high unemployment.
   f. The existing wide differentials between White males and less powerful groups are retained.

E. Reprise: The best democracy money can buy

1. The flood of money in elections sabotages democracy in several ways:
   a. It makes it harder for government to solve social problems.
   b. The "have-nots" of society are not represented among decision makers.
2. The money chase creates part-time elected officials and full-time fundraisers.
   a. The money chase in politics discourages voting and civic participation.
   b. Big money in politics means that special interests get special access to decision makers and receive special treatment.

D. Lecture Suggestions

i. Lecture starters

1. Power Elite

Use the website www.theyrule.net to open a larger discussion about the power elite. The data here might be a little old, but if you look at the Popular Maps, you'll find some interesting connections that students will identify with. (See Lecture Outline Point II.E) (L.O. 2.1)

2. Democracy and Capitalism

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Some theorists have suggested that global capitalism undermines global democracy and makes government by the people irrelevant. Ask students how this premise could be defended as a way of diving into the connection between power and money. (See Lecture Outline Point II.C) (L.O. 2.1)

ii. Classroom activities

1. Lobbying

Show a film clip from the movie *Bulworth* that centers on the insurance lobbyist who is sure that Senator Bulworth will support legislation of the industry's behalf. This makes for a good discussion of how those who are given favorable access promote and expect a reciprocal response from the legislative body that works in their favor.

Possible Questions for the Class to Consider:

A. How do you feel when someone gives you something just to listen to them talk about their product?
B. How sympathetic are you to the notion that "the business of America is business?"
C. Are jobs more important than what a company produces? Where do you draw the line between principle and profit?
D. How much of lobbying is covered under the category of "free speech," which is protected by the First Amendment?"
E. What beliefs, values, and norms relate to lobbying?
F. Who is defining lobbying as a problem?
G. What social structures contribute to lobbying and the influence lobbyists have over politicians?

(See Lecture Outline Point III) (L.O. 2.3)

2. What Is the Purpose of Government?

A fundamental question such as this is rarely discussed. Usually a government's purpose is taken for granted. Try having small groups grapple with this question. Core beliefs, values, and attitudes usually make up the foundation of whether individuals believe a minimalist government (laissez-faire or libertarian) or a welfare state (socialistic government) is most beneficial for society.

A. What societal problems are the result of the structure and purpose of each type of government?
B. How does a government become an oligarchy if it starts with democratic principles?
C. What beliefs, values, and norms can we identify that relate to what the purpose of government should be?
D. Who is defining the role of the government as a problem?
E. What social structures contribute to the making of an oligarchy versus a democracy?

(See Lecture Outline Point II.) (L.O. 2.2)

iii. Discussion questions

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1. *Politics and the Economy*

Proponents of free enterprise think that capitalism performs the greatest good for the greatest number of people in terms of individual self-fulfillment and the general material progress of society. Do you agree? Democracy and capitalism are often treated as being the same. Are they really equal types of systems? Explain the differences and similarities between them. Why would corporations, who believe in free enterprise, support a government policy of intervention?

This set of questions is aimed toward getting students to question some taken for granted assumptions about the connection between our politics and our economic system. We clearly don't live in a pure capitalist system. The answers to these questions should unfold a conversation about the ways this system has been altered through our democracy in both positive and negative ways.

(See Lecture Outline Point III.B) (L.O. 2.3)

E. Suggested Assignments

1. Short Assignment—Politician Research

Have students choose a couple of senators each and research their business, media, and political connections. (See Lecture Outline Point II.C) (L.O. 2.2)

2. Short Assignment—Election Participation

Have students gather data from among their friends about whether they have participated in elections ranging from student government to presidential. Gather the results as a class and analyze them together. (See Lecture Outline Point III.E) (L.O. 2.3)

3. Long Assignment—Music Clip

Have students select a song that illustrates one of the key issues of wealth and power and come to class ready to present their findings. (See Lecture Outline Point I.A) (L.O. 2.1)

4. Long Assignment—Lobbying

Have students work in groups to lobby a member of congress about an issue that they care about either in person, with a letter, or with phone calls. Have students track the number of responses and the ultimate outcomes. (See Lecture Outline Point II.B) (L.O. 2.2)

F. Annotated Suggested Films/TV Shows

Toxic Sludge Is Good for You: The Public Relations Industry Unspun (45 min., Media Education Foundation, 2002) Exposing the invisible—but all-pervasive—public relations industry, this helps viewers understand the tools PR professionals use to shape public opinion, "sell" war, and manage corporate crises. It reveals how a lot of what the public sees as factual, unbiased news and information has its origins in corporate boardrooms.

An Inconvenient Truth (96 min., Paramount Films, 2006) Director-producer Davis Guggenheim captures former vice president Al Gore in the midst of waging a passionate campaign, not for the White House, but for the environment. Laying out the facts of global warming without getting political, Gore makes a sobering impression in this Oscar-winning documentary on the audiences

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who hear his message, urging them to act "boldly, quickly, and wisely" before it's too late to act at all.

Social Class Issues in the USA (60 min., Insight Media, 2001) Focusing on the plight of people who are homeless, this video questions what, if anything, society can do to alleviate the problem. It features the commentary of students who probe the impact of social economics on the lives of families and individuals in the United States.

The Corporation (145 min., Big Picture Media, 2003) This documentary focuses on the social pathology of the modern corporation.

The One Percent (80 min., HBO films, 2006). This documentary focuses on the lives of the wealthiest one percent long before the term became a social touchstone.

G. Annotated Suggested Book/Journal Articles

Clawson, Dan, Alan Neustadtl, and Mark Weller. (1998). *Dollars and Votes: How Business Campaign Contributions Subvert Democracy*. The authors investigate corporate political action committees to demonstrate the relationship between politics and corporate interests.

Domhoff, G. William. (1998). *Who Rules America? The Corporate Community and the Upper Class*. In this selection, Domhoff argues that a cohesive upper class controls the economic and political decision making in America.

Lewis, Michael. (2011). *The Big Short: Inside the Doomsday Machine*. There is probably no better chronicle of the global financial meltdown than this book by Michael Lewis.

Taibbi, Matt. (present, www.rollingstone.com/politics/blogs/taibblog). Matt Taibbi writes for Rolling Stone about political and economic issues. His articles documenting the financial crisis address the lack of accountability built into the financial sector.

Xu, Bin. (2013). *Mourning Becomes Democratic*. This article in *Contexts* magazine shows how we maintain the guise of democracy while obscuring status hierarchies.

H. Annotated Suggested Websites

United for a Fair Economy (www.ufenet.org) organizes people to advocate for a just economic system for everyone. What is their vision of a fair economy? Based on their policy statements, what kinds of things need to change?

They Rule (www.theyrule.net) is a website helps to explore the connections between powerful people, the economy, and the government.

The Occupy Wall Street movement (www.occupywallst.org) became a worldwide phenomenon in 2011. This website details the concerns of the protestors and how the movement has evolved over the years.

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The World Bank (www.worldbank.org). The World Bank has been both praised and criticized in numerous ways. Their own website gives a sense of what things they are trying to accomplish and helps to open a discussion about politics, wealth, and power on a global scale.

Money, Power & Wall Street (www.pbs.org/wgbh/pages/frontline/money-power-wall-street/). This PBS frontline website, in addition to carrying the documentary, has a plethora of resources for students looking to explore various aspects of this issue.

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