

Business and Politics: Which Drives Which?

RESEARCH

Raghuram Rajan

Eric J. Gleacher Distinguished Service Professor of Finance
University of Chicago Booth School of Business

Have Capitalism and Democracy been Captured by the Elite: Business and Politics Before the Crisis

Across the industrial world, there is a sense amongst protesters that capitalism and democracy have been captured by the few, and policies stem from the moneyed and for the moneyed. The rising wealth of the “one percenters”, the bank bailouts, and the steady loss of manufacturing jobs with good benefits are all presented as prima facie evidence of elite capture, especially in the United States. Yet at the same time, the channels through which the public can get information and the means through which it can organize have multiplied in recent years. Is the power of capital really so strong? Is “labor” weak? Has democracy atrophied? I will argue that if we examine developments across industrial countries over the last few decades, focusing both on macroeconomics and the evolution of the corporation, the answer has to be no to all these questions. That is not to say there are no problems, only that they stem primarily from different sources than elite capture.

David Lazer

Associate Professor, College of Computer and Information Science and Department of Political Science
Northeastern University

What are the invisible networks of money in US politics?

Professor David Lazer, Political and Computer Science at Northeastern, will present findings from the mass of data accumulated by the FEC over the last generation to develop an understanding the processes by which money is mobilized for electoral purposes, mining for clues of coordinated contributions. A key puzzle in the understanding of this process is that the impact of an individual contributor on a specific campaign is very small relative to the scale of the financial of modern campaigns, suggesting a classic collective action problem. However, political mobilization plays an important role of geographic and corporate context in facilitating the emergence of otherwise ‘invisible networks’ that overcome the collective action issues inherent in fundraising in politics. The talk concludes with a discussion of the impact of Internet-based fundraising and the Citizens United Supreme Court decision on the importance of these invisible networks of money.

Jacob S. Hacker, Yale University

Stanley B. Resor Professor of Political Science
Yale University

Income Hyper-Concentration and American Governance

Skepticism about the role of money and lobbying often centers on the allegedly weak link between the hyper-concentration of income in the United States and what government has done or not done through public policy. Besides a general atrophying of government’s redistributive role since the 1970s, the skeptics ask, what evidence is there that those with substantial economic resources can and do benefit from government policies? Isn’t this overwhelmingly a story of exogenous economic change, driven by global economic and technological shifts? In my presentation, I will argue that it is not and present clues that suggest a much more central role for government – and for the influence of powerful economic interests on government—on economic outcomes (and, in particular, the hyper-concentration of income) than conventional wisdom suggests.

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Marianne Bertrand

Chris P. Dialynas Professor of Economics
University of Chicago Booth School of Business

What do lobbyists do? Do connections pay?

What do lobbyists do? Some believe that lobbyists' main role is to provide issue-specific information and expertise to congressmen to help guide the law-making process. Others believe that lobbyists mainly provide the firms and other special interests they represent with access to politicians in their "circle of influence" and that this access is the be-all and end-all of how lobbyists affect the lawmaking process.

I will give a descriptive analysis with more targeted testing to get inside the black box of the lobbying process and inform our understanding of the relative importance of these two views of lobbying. I will show that a pure issue expertise view of lobbying does not fit the data well. Instead, maintaining connections to politicians appears central to what lobbyists do. In particular, we find that whom lobbyists are connected to (through political campaign donations) directly affects what they work on. More importantly, lobbyists appear to systematically switch issues as the politicians they were previously connected to switch committee assignments, hence following people they know rather than sticking to issues. We also find evidence that lobbyists that have issue expertise earn an economic premium, but we uncover that such a premium for lobbyists that have connections to many politicians and Members of Congress is considerably larger. In other words, connections pay.

Brett Gordon

Class of 1967 Associate Professor of Business
Columbia Business School

Political Advertising and the Electoral College

Spending on political advertising has doubled across each of the last four presidential election cycles to \$2.6 billion in 2008. Although candidates lavish their attention on voters in battleground states, voters in non-battleground states—representing two-thirds of the nation's population—are often paid little heed. Voter turnout in non-battleground states is significantly lower and such voters may be less informed about their decisions. The explanation for candidates' strategies lies in the structure of the Electoral College: since states award their electoral votes on a winner-take-all basis, candidates have little incentive to campaign in states where they are either assured a victory or guaranteed a defeat. One commonly suggested alternative is a direct national vote which awards the election to the candidate with the most popular votes. Would candidates' allocations of campaign resources be more evenly distributed under such a system? Would overall spending on advertising increase or decrease? What about voter turnout? And would Al Gore still have won the popular vote in 2000? This discussion will present a summary of results from a model that explores what would have happened in the 2000 presidential election under a direct national vote.