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## The Political Power of Economic Elites in Contemporary Western Democracies

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**Overcoming Inequalities in a Fractured World:  
Between Elite Power and Social Mobilization**

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## Acronyms

ISSP	International Social Survey Program
MP	Member of Parliament
OECD	Organisation for Economic Co-operation and Development
PAC	Political action committee
SESA	Survey of Economically Successful Americans
TINA	There Is No Alternative
USD	United States dollar

## Abstract

This paper employs a multidisciplinary social sciences approach to analyse the political power of contemporary economic elites in the political sphere of Western democratic countries. Economic elites are defined as the wealthiest members of society characterized by their disproportionate access to or control over economic resources, and their ability to convert them, directly or indirectly, into power or influence. This paper makes use of the classical concepts of structural and instrumental power to explain the sources of their influence in democratic decision-making processes. I claim that a powerful and distinctive trait of elites lies in their high internal cohesion in the steadfast defense of their interests. Connecting different streams of literature, I contrast elites' awareness of their power in the political struggle around inequality and redistribution, interpreted as an element of cohesion, with misperceptions about inequality on the part of average citizens, a common finding in recent research on this issue. Hence, I propose this cognitive divide between average citizens and economic elites as an innovative angle to look at the classical puzzle of high inequality combined with low demand for redistribution.

The paper then reviews the political science literature on the ability of the wealthy to obtain their political objectives and influence the democratic legislative process. The income and wealth bias in political representation has been empirically demonstrated in the United States and, preliminarily, in some European countries. The findings show that the preferences of average citizens have little or no effect on the policy changes enacted in many Western mature democracies. The paper carefully surveys the possible explanations proposed for this relevant finding.

Finally, I argue that economic elites constitute a cultural hegemony by creating and reinforcing institutions and beliefs that shape or maintain the extremely unequal distribution of political and economic resources. Effectively, the richest part of society has been able to impose its ideas through a long-term agenda-setting approach that entails the formation of networks of cultural organizations to sustain the legitimacy of inequality. Today's highly unequal status quo has been facilitated by this process, together with a series of feedback effects from political decisions that have simultaneously further increased inequality and corroborated public opinion about its inevitability. Policies that have increased inequality from the 1970s onwards have shaped the perception of inequality, creating social acceptability around the idea of individual freedom and delegitimizing government welfare expenditure. This change in public attitudes has enabled the policy space for even greater inequality, in a cyclical mechanism that is very hard to break.

## Keywords

Cultural hegemony; economic elites; inequality; neoliberalism; perceptions; power

## Bio

Alberto Parmigiani is a PhD student at the London School of Economics and Political Science, Department of Government. His primary research interests are economic and political inequality and the relationship between media and politics. His dissertation investigates the links between economic inequality and campaign contributions in the United States.

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*I assume that a key characteristic of a democracy is the continuing responsiveness of the government to the preferences of its citizens, considered as political equals.*  
(Robert Dahl 1971:4)

## Introduction

This paper explores a key aspect related to the rise of inequality over the last three decades in the Western world: the political power of economic elites. Covering several highly diverse fields, this analysis is not an easy task. The study of economic elites requires an effort to bridge inputs from different streams of research in social sciences, often distinct from each other. In addition, elites are not a monolithic group in developed democratic countries, and a process of further diversification has occurred in tandem with the increased financialization of the global economy in recent years. The very word “elite” is used with a highly nuanced range of different meanings, but most often referring to political elites.<sup>1</sup> Even the research methods used to study elites are highly diverse: elite surveys, social network analysis, political ethnographies, comparative historical analysis, in-depth interviews and content analysis have all been used.

Following Khan (2012), I define economic elites as a group composed of the richest members of society, characterized by their vastly disproportionate access to or control over power, obtained directly through economic resources, or indirectly through the conversion of wealth into other resources. Members of economic elites belong to this group because of their income, their wealth, or both. While individuals employed at the top of corporate hierarchies usually constitute part of the economic elite thanks to their income, many of the richest persons in the world have inherited a huge amount of wealth. This definition includes these two overlapping groups. Economic elites wield extensive power over political decision making in Western democratic countries, as different literatures surveyed here will show.

While focusing on a specific group of elites—economic elites—and a specific type of power—political power—this paper nevertheless shares the ambition of Cousin et al. (2018), calling for a “truly interdisciplinary approach” in research on elites, combining different areas of social science scholarship. To be sure, talking about economic elites and their power over the process of policy making entails an understanding of the basic principles of socioeconomic inequality, since “elites are the engines of inequality” (Khan 2012:362). The number of different, sometimes divergent, frameworks linking these two topics from a social science perspective is legion and unfortunately these accounts often do not speak to each other. For example, many economic models of inequality neglect the role of political decisions, making economic elites’ political influence invisible. However, the rising concentration of income and wealth in the hands of a very small section of society has revitalized the study of the role economic elites play in modern political economy.<sup>2</sup>

This paper offers a synthesis of the research on contemporary economic elites and a review of the most recent literature in political science on misperceptions of inequality and unequal political representation. In addition, it aims to suggest potentially innovative connections between social science literatures that are not usually linked.

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<sup>1</sup> Scott (2008:27) complains about the fact that “any powerful, advantaged, qualified, privileged, or superior groups, or category” as diverse as “bishops, intelligent people, aristocrats, lawyers, and successful criminals” has been described as an elite.

<sup>2</sup> In an important review, Jacobs and Soss write: “Stark economic disparities and lopsided political advantages are mutually reinforcing” (2010:352).

While this paper is surely ambitious in breadth, many important facets of the relationship between economic elites and the politics of inequality obviously remain outside its reach. While cognizant, for example, of the role that dramatic socio-economic changes transcending national boundaries, like the IT revolution and the formation of the “knowledge economy” (Iversen and Soskice 2015), have also played in the development of economic elites’ political clout, this paper makes a conscious decision to focus on democratic decision-making processes at the national level. These may seem less relevant due to the increasing significance of global patterns of governance, but I argue that such cross-border socio-economic changes have been influenced, if not regulated, by policy decisions at the national level. For this reason, this paper intends to concentrate on the power of economic elites over national legislative processes, in connection with the broad topic of the politics of inequality.

The structure of the paper is as follows. Section 2 defines economic elites and justifies the focus on contemporary Western democracies. Section 3 describes the concepts of structural and instrumental power and explains why the strength of economic elites depends on a combination of these two forms. Section 4 focusses on the internal cohesion of economic elites, arising from a natural alignment of interests, and connects this characteristic to the political science literature on inequality misperception by the general public. Section 5 examines some features of political inequality in the Western world connected to economic elites: unequal political representation, political campaign finance and politically connected firms. Section 6 describes the cultural hegemony of economic elites, achieved over the last three decades through the creation of a system of organizations such as think tanks and foundations. Section 7 explores the link with policy feedback effects to help explain the persistence of the current highly unequal status quo. Section 8 concludes.

## Elites and Economic Elites: Definition and Relevance

Scholars have long debated two issues related to elites: how to define them and how they exercise political power. In this paper, I use as a starting point the modern definition of elites, as the social group defined by their disproportionate control over economic, cultural or political resources and their ability to translate them into power or influence (Khan 2012). Collective organizations such as clubs, schools and universities are crucial for the creation and distribution of such resources and favour the formation of personal ties and networks based on cultural and social similarities. Indeed, elites constitute specific social relationships, distinct from the rest of the population. In addition, elites possess the capacity to influence institutional structures even if these settings change: after they have contributed to creating them, they remain able to shape their evolution even during periods of political transition (Khan 2012).<sup>3</sup> In other words, elites are always able to find a way to benefit from ruling institutions, even during political transformations. Consequently, this paper reviews the social science literature with a focus on contemporary Western democracies, without addressing the role of elites during regime changes.

The study of elites as a multidisciplinary field has at times received greater attention and at others been neglected in social science research. In fact, different conceptions of power lead to diverse interpretations of the role of elites in democracies; for example, the post-structural account of

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<sup>3</sup> Indeed, this mechanism of institutional adaptation by ruling elites is perceived as key for the preservation of the status quo in regime change theory (North 1990). The ability of elites to adjust to different institutional settings explains the choice of not including in this paper a discussion of the role of political institutions in the Western world.

power as a “machinery that no one owns” (Foucault 1980) has undermined the idea of elites as crucial actors in the structure of power in sociology. While a thorough synthesis of this debate is beyond the scope of this paper, revisiting Mills’ classical theory could be useful. In his famous book *The Power Elite* (1956), Mills describes a pyramid of power composed of socially homogenous individuals occupying government, military and corporate positions. They wield major influence over policy decisions through the exercise of power via these “institutional hierarchies”. Informal networks favour the cultural unification of the elite, which nonetheless creates stable relationships mainly through formal organizations. Drawing on Mills, Domhoff (1967) refers to the power elite in the US, composed of members of the social upper class, the corporate community, and what he calls the “policy-planning network”, a complex system of foundations, think tanks and policy discussion groups (see section 6). Recently, elite scholarship has adopted the Weberian notion of power as the ability to implement one’s will over the will of others, as Lopez (2013) notes. In this view, elites must possess material and/or symbolic resources in order to acquire power. The dramatic increase of inequality in recent times has provoked renewed interest in the power of the wealthiest parts of society (Khan, 2012). The success of Piketty’s (2013) seminal book *Capital in the Twenty-First Century* has reinforced the trend, providing a wealth of new historical data on income and wealth inequality in Western democracies.

In this paper, I focus on the role that a specific group of elites—economic elites—has played in the political sphere in developed democratic countries in the last three decades. I will briefly motivate the choice of this group with two arguments. First, I believe that this narrower approach captures a substantive part of elite power in the twenty-first century. Economic elites clearly display an eminent position among elite groups, in both critical and functionalist scholarship (Hartmann, 2018). Indeed, “in a capitalist society, money is king” (Khan 2012:362), dominating other types of resources.<sup>4</sup> Moreover, elites in general today are wealthier than they have been since World War II, and the share of the financial sector in the composition of the elite group is constantly increasing. Second, the typical idea of a single power elite unified by a standardization of class and values, found in both classical and critical scholarship, requires updating in modern Western democracies. The financialization of the global economy has largely increased the diversification of elite groups (Savage and Williams 2008). Effectively, it has multiplied the number of influential financial roles and it has created room for power relations outside the classic accountability tools of democracy (Wedel 2009). Indeed, the little available data records an increase in self-made elites in the last decades (Khan 2012), a phenomenon that confirms the obsolescence of the classical framework of standardized elites with common cultural and social

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