The Iron Law of Oligarchy Returns

From the Archive: The death of Danny Schechter, “the News Dissector,” at age 72 from cancer marks a sad moment for independent journalism. Schechter’s was a strong voice against the empty platitudes and blatant hypocrisies that have come to define modern American media and politics, as he explained in an article last year.

By Danny Schechter (Originally published on April 25, 2014)

The word “Oligarchy**”** has finally come home. For years, it was a term only used in connection with those big bad and sleazy Mafioso-type businessmen in Russia. Russia had Oligarchs; we didn’t. That became a big difference between the official narrative of what separated our “land of the free and the home of the brave” from “them” in the post-Soviet period.

Actually, I first heard the term “oligarchy” when I was studying labor history at Cornell half a lifetime ago. We were taught about something called the “Iron Law of Oligarchy.” It was a concept coined by Robert Michels, a friend of sociology guru, Max Weber, way back in 1911.

Here’s how it was defined in that relic of another age: *The Encyclopedia Brittannica:* “Michels came to the conclusion that the formal organization of bureaucracies inevitably leads to oligarchy, under which organizations originally idealistic and democratic eventually come to be dominated by a small, self-serving group of people who achieved positions of power and responsibility. This can occur in large organizations because it becomes physically impossible for everyone to get together every time a decision has to be made.”

So, oligarchies have been with us seemingly forever. It’s an “iron law,” says Michels, but in current usage the term references the small elite the 1 percent of the 1 percent that dominates economic and political decision-making.

Everybody on the liberal left is now discovering information spelled out in a number of studies that caught the attention of Bill Moyers and his writing colleague Michael Winship. They discuss the way governments become partial to oligarchs and insure that the rich rule:

“Inequality is what has turned Washington into a protection racket for the one percent. It buys all those goodies from government: Tax breaks. Tax havens (which allow corporations and the rich to park their money in a no-tax zone). Loopholes. Favors like carried interest. And so on. As Paul Krugman writes in his New York Review of Books essay on Thomas Piketty’s *Capital in the*

Twenty-First Century, 'We now know both that the United States has a much more unequal distribution of income than other advanced countries and that much of this difference in outcomes can be attributed directly to government action.'"

According to the AFL-CIO, "CEOs of major companies earn an average of 331 times more than their employees!" The New York Times reports America's middle class is "no longer the world's richest."

Asking if democracy can "tame" plutocracy, Bob Borosage of the Campaign for America's Future, cites another study: "A recent exhaustive study by Martin Gilens and Benjamin I. Page found that elites got their way not often, but virtually all of the time." [emphasis mine] I guess the answer to his question regarding the possibility of "taming" plutocrats is, in the current moment, a thundering "NO."

Even the barons of business news admit that wealth is concentrated as almost never before, Here's Bloomberg News: "Just today, the world's 200 richest people made $13.9 billion." In one single day, according to Bloomberg's Billionaires Index.

This is the Fed's "wealth effect." It's a construct that Alan Greenspan's Federal Reserve conjured up out of thin air and presented to the incredulous American people as a valid economic theory. Greenspan's successor, Ben Bernanke, then promoted it to the Fed's stated raison d'Ãªtre. His theory: if we immensely enrich the richest few thousand people in the world during years of bailouts, money-printing and interest-rate repression, everyone would be happy somehow.

Adding critical firepower to this perspective, Eric Zuesse, cites the study to appear in the Fall 2014 issue of the academic journal Perspectives on Politics, that finds that "the U.S. is no democracy, but instead an oligarchy, meaning profoundly corrupt, so that the answer to the study's opening question, 'Who governs? Who really rules?' in this country, is:

"'Despite the seemingly strong empirical support in previous studies for theories of majoritarian democracy, our analyses suggest that majorities of the American public actually have little influence over the policies our government adopts. When the preferences of economic elites and the stands of organized interest groups are controlled for, the preferences of the average American appear to have only a minuscule, near-zero, statistically non-significant impact upon public policy.'

"To put it short: The United States is no democracy, but actually an oligarchy."

The underlying research for this study, authored by Martin Gilens and Benjamin I. Page, drew on "a unique data set that includes measures of the key variables for 1,779 policy issues," Zuesse noted.

Much of this involves what economist Simon Johnston calls the "capture" of the state by corporate interests. He explains in a recent post: "Before 1939, wages and profits in the financial sector in the United States amounted to less than 1% of GDP; now they stand at 7-8% of GDP. In recent decades, financial assets have expanded dramatically relative to any measure of economic activity, as life expectancy increased and the post-WWII baby boomers began to think about saving for retirement. Compared to the size of the US economy, individual banks are now much bigger than they were in the early 1990's."

Sounds pretty frightening and depressing, but none of us should be shocked by these findings. Last year, I did a TV documentary series, *Who Rules America,* based, in part, on the writings of C. Wright Mills on *The Power Elite* years ago and the detailed research by sociologist William Domhoff who forecast these trends.

As the economy changes, so does internal politics, as Tom Lodge observes in the case of South Africa: "the degenerative changes that are observed within the ANC appear to reflect a global trend in which mass parties are being replaced by electoral machines that depend less and less upon militant activism" and more on transactional exchanges between the electorate and the political elite.

In this restrictive political frame, how can ordinary people effectively address their government for change? It behooves us to lobby our media to start reporting on the world as it is, not what it was, when today's senior editors grew up, believing in the myths of American pluralism. And, now, disregarding who really has, and wields, power.

News Dissector Danny Schechter blogs at Newsdissector.net, and edits Mediachannel.org. His latest book is *When South Africa Called, We Answered, How Solidarity Helped Topple Apartheid.* (2014). Comments to dissector@mediachannel.org