Power, Politics, and Society: An Introduction to Political Sociology

Chapter 4

The Politics of Everyday Life: Political Economy
Chapter 4 Overview

- Capitalism and democracy
- Theoretical frameworks
- Wall Street versus Main Street
- Taxation
- The welfare state
- Debt and bankruptcy
- Infrastructure
Capitalism

• Distinguished by its reliance and belief in
  ▪ “private ownership of property, private and competitive pursuit of profits, and inequality in the distribution of society’s resources” (116).
  ▪ “Having a vibrant, healthy financial sector is critical to the United States” (116).
Capitalism and Democracy

- Capitalism is based on liberty that leads to inequality while democracy stresses equal rights and fairness for everyone (equity).
Theoretical Frameworks: Pluralist

- Pluralist – acknowledges some level of inequality based on income and wealth distribution but looks at wealth and income disparities generally as equitable and fair.
- The state is the neutral arbiter maintaining and regulating fair economic practices.
Theoretical Frameworks: Elite/Managerial

• Elite/managerial – the power elite control, manage, and drive economic and public policy.
Theoretical Frameworks: Class

• Class – the capitalist class controls, manages, and drives economic and public policy.
Theoretical Frameworks: Postmodern

- Postmodern – focuses on the study of consumerism and consumer culture in a period of disorganized capital and the decline of institutions such as government and politics.
Theoretical Frameworks: Rational Choice

- Rational choice – views the interplay between politics and economics specifically in the areas of government policy, government expenditures, taxes, social services, debt, inflation, unemployment, income, and so on.
Theoretical Frameworks: Institutionalist

- Institutionalist – focuses on institutionalized forms of political and economic organizations or bureaucracies and the role these play in shaping social structure.
Theoretical Frameworks: Class-Domination

- Class-domination theory of power – focuses on connections between politics and the economy.
  - In the U.S., two coalitions, corporate-conservative and liberal-labor, dominate political discourse.
Theoretical Frameworks: Class-Domination

- Class-domination theory of power – focuses on connections between politics and the economy.
  - Corporate-conservative coalition (e.g., corporate executives, social upper class, policy networks, think tanks, public relations firms, and the Christian Right) dominate and drive the vast majority of economic policies adopted by government.
Wall Street versus Main Street

- Wall Street refers to “the very rich, the powerful, large corporate organizations, banks, financiers, and other capitalists” (121)
- Main Street refers to “most everyone else but especially the hard-working men and women struggling to either maintain a decent standard of living or just to survive” (121).
Middle Class

- Social services (e.g., public education, Social Security, labor relations, and home ownership laws) have shaped opportunity for the middle class.
**Republicans, Democrats Change Views about Whether Government Is Run for Benefit of All**

Table 4.1  Republicans, Democrats Change Views about Whether Government Is Run for Benefit of All (Depending on Which Political Party the President Affiliates With)

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<td><strong>Percentage of People Who Agree</strong></td>
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<tr>
<td>Total</td>
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<td>42</td>
<td>49</td>
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<td>45</td>
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<tr>
<td>Republicans</td>
<td>67</td>
<td>37</td>
<td>49</td>
<td>69</td>
<td>61</td>
<td>41</td>
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<tr>
<td>Democrats</td>
<td>55</td>
<td>50</td>
<td>54</td>
<td>44</td>
<td>40</td>
<td>60</td>
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<tr>
<td>Independents</td>
<td>53</td>
<td>37</td>
<td>48</td>
<td>47</td>
<td>40</td>
<td>44</td>
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<tr>
<td>R–D (Republican–Democratic) gap</td>
<td>+12</td>
<td>−13</td>
<td>−5</td>
<td>+25</td>
<td>+21</td>
<td>−19</td>
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*Source:* Pew Research Center for the People & the Press, 2009

Middle Class (Cont’d)

• Traditionally, taxation has greatly benefited the middle class, but taxation policies have changed significantly over the past forty years and now tend to favor corporations and the wealthy.

• Economic stability of the middle class has started to crumble due to rising healthcare costs, loss of secure retirement, rising cost of education, and decline in wages.
Taxation

• Refers to some sort of financial or monetary charge imposed by government.

• Governments use taxes to pay for the various goods and services (e.g., military defense, education, fire and police protection, roads, and social welfare programs).
Major Categories of Federal Income and Outlays for Fiscal Year 2008

Federal income was $2.524 trillion and outlays were $2.983 trillion in fiscal year 2008 (October 1, 2007–September 30, 2008).

1 Social security, Medicare, and other retirement. These programs provide income support for the retired and disabled and medical care for the elderly.

2 National defense, veterans, and foreign affairs. About 20 percent of outlays were to equip, modernize, and pay our armed forces and to fund the Global War on Terrorism and other national defense activities; about 3 percent were for veterans benefits and services; and about 1 percent were for international activities, including military and economic assistance to foreign countries and the maintenance of U.S. embassies abroad.

3 Physical, human, and community development. These outlays were for agriculture; natural resources; environment; transportation; aid for elementary and secondary education and direct assistance to college students; job training; deposit insurance, commerce and housing credit, and community development; and space, energy, and general science programs.

Social programs. About 14 percent of total outlays were for Medicaid, food stamps, temporary assistance for needy families, supplemental security income, and related programs; and the remaining outlays were for health research and public health programs, unemployment compensation, assisted housing, and social services.

FIGURE 4.1 Major Categories of Federal Income and Outlays for Fiscal Year 2008

Source: Internal Revenue Service 2009: 90
Taxation (Cont’d)

- Individual taxes – policies differ greatly depending on a number of criteria.
  - As individuals’ income increases so does their rate of federal taxation (i.e., progressive tax structure).
  - The opposite is true for most local and state taxes (i.e., regressive tax structure).
Taxation (Cont’d)

• Individual taxes – policies differ greatly depending on a number of criteria.
  ▪ Since 1955, federal taxes on income have decreased as a means of taxation for the middle class.
  ▪ However, higher payroll, state, and local taxes have hit the middle class.
• Corporate taxation – policies have generally loosened restrictions on corporate income taxes as well as allowed for many loopholes for corporations to forgo paying taxes (e.g., moving operations overseas).

• Corporations currently pay a much lower percentage of their income to tax revenues in comparison with individual taxpayers.
International comparison regarding taxation – the U.S. has a much lower rate of taxation than many other developed countries.
The Welfare State

• Welfare refers to the supply and use of social programs for a target population.
• Social welfare programs include Social Security, Medicare, and public assistance programs.
The Welfare State (Cont’d)

- Corporate welfare – refers to various forms of governmental programs and policies that benefit corporations (e.g., subsidizes trucking industry, airlines, commercial agriculture, and defense contractors).
- Corporate welfare can come in the form of direct subsidies, indirect subsidies, or bailouts.
The Welfare State (Cont’d)

- Social Security – Enacted in 1935 during the Great Depression, the government adopted and implemented the Social Security Act as a way to provide average Americans with retirement, disability, family, and survivor benefits.

- The U.S. federal government collects Social Security taxes from both employee and employer through payroll taxes.
Social Security Reduces Number of Seniors in Poverty

**FIGURE 4.2** Social Security Reduces Number of Seniors in Poverty

*Source:* Sherman and Shapiro 2005

The Welfare State (Cont’d)

- Public assistance – refers to support for those who cannot support themselves.
- In the United States, a liberal welfare state, the government does not provide substantial support, making it difficult for recipients to get off welfare.
- A wealth of research suggests that welfare policies for the needy are often utilized as a way to stifle political unrest.
The Social Control Model of State Response to Insurgency

**FIGURE 4.3** The Social Control Model of State Response to Insurgency

*Source:* Fording 2001:116

Debt and Bankruptcy

- The authors describe three types of debt relevant to political economy: government debt, business debt, and household debt.
Debt and Bankruptcy (Cont’d)

• Consumer debt (e.g., credit such as credit cards, car loans, and mortgage loans) is a major problem in the United States.

• As result of high levels of consumer debt, in conjunction with regressive taxation policies, declining home values, fewer social safety nets, and fewer benefits, individual consumer debt can easily lead to bankruptcy.
Debt and Bankruptcy (Cont’d)

- Who goes bankrupt and why?
  - Middle-class families are more likely to file for bankruptcy in the early 21st century than ever before – the middle class comprise ninety percent of those filing.
  - Parents with children are most likely to file for bankruptcy.
  - Families experience common causes of bankruptcy including family breakup, medical problems, or job loss.
Infrastructure

• Public infrastructure relates primarily to spending and projects related to transportation, water/sewer, wastewater treatment, mass transit, highways, bridges, levees, utilities, and so on.

• Current public infrastructure is in need of major improvements that could cost taxpayers an estimated $2.2 trillion.
Federal Capital Spending on Transportation and Water Infrastructure

FIGURE 4.4  Federal Capital Spending on Transportation and Water Infrastructure, 1956 to 2007

Source: Congressional Budget Office, taken from Orszag 2008: 7
Infrastructure (Cont’d)

- Bridges – roughly 26 percent of the bridges in the United States are functionally obsolete or structurally deficient.
- It is estimated to cost $850 billion to take care of deficiencies as they develop over the next 50 years.
Infrastructure (Cont’d)

- Levees – approximately 43 percent of the United States population lives in counties with levees; many of these are deficient.
Conclusion

• The most influential relationship in people’s lives may well be the one between politics and economy.
• The middle class is facing severe problems.
• The upper class has benefited from tax cuts.
• Corporations and individuals have benefited from government welfare.
Conclusion (Cont’d)

• Two different value orientations on role of government:
  - Individualist: favors limited role of government in the economy.
  - Collectivist: supports greater role of government in the economy.