

Conversation with Jacob Hacker, July 25, 2014

Participants:

- Jacob Hacker — Director, Institution for Social and Policy Studies; Stanley B. Resor Professor of Political Science, Yale University
- Shayna Strom — Director, U.S. Policy, Open Philanthropy Project

Note: This set of notes was compiled by Open Philanthropy Project and gives an overview of the major points made by Professor Jacob Hacker.

Summary

Open Philanthropy Project spoke with Professor Jacob Hacker about opportunities to improve American democracy. Conversation topics included political dysfunction and Republican extremism, inequality and governance of the financial sector, money in politics, and historical examples of effective political philanthropy.

Political dysfunction and Republican extremism

Foundations' efforts to promote democratic reforms have been hampered by an unwillingness to name the real problem at hand. The issues with our political system are driven in large part by the significant movement of the Republican party to the right, and the degree to which it has become an anti-system party that frequently obstructs the lawmaking process, using tools to do so that have not been used regularly in the past. This is a difficult problem for foundations to target because it seems inherently partisan. Instead, foundations opt for more palatable initiatives that do not address the core problem, such as increasing overall voter turnout or helping to get moderates elected. What foundations should be doing is promoting political reforms that challenge the atomization of politics and targeting the behaviors and structures that are most conducive to Republican extremism.

Inequality

Inequality is a huge issue that does not receive enough attention. The Washington Center for Equitable Growth (Professor Hacker sits on its board) is trying to fill this void, but it is much more research oriented than action-oriented. There is still room for more research, and certainly room for action-oriented work as well.

Foundations working on American inequality tend to talk about poverty and opportunity, rather than income distribution. But the increasing disparity between the top 1% of

earners and the rest of America is the most distinctive feature of American inequality, and it affects the overall economy and the well-being of the middle class. Addressing this requires us to question what might be wrong with the financial sector and the incentives in that sector, and why CEOs are paid so much more than their workers now than they were in the past. Thomas Piketty's book, *Capital in the Twenty-First Century*, has opened up this conversation a bit, but foundations remain reluctant to engage.

Foundations should address inequality by naming the problem as that of income distribution, particularly the "pulling away" of the top and the incentives within the highest paying industries such as the financial sector.

Governance of the financial sector

The financial sector is at the heart of the issue of inequality. Finance is the single largest industry in terms of profits, and it contributes greatly to the soaring incomes at the top and the increased risk for the rest of Americans.

Governance of the financial sector has not been studied as much as it should be. Thomas Philippon at New York University has done some work on deregulation of the financial sector and how it has affected pay, but has otherwise not focused very much on the policy side. Most of the research that exists on policy and finance centers on deregulation and the possibility of reregulation that was raised by the Dodd–Frank Wall Street Reform and Consumer Protection Act. There are other important policy topics that could use further research, such as the increasing concentration of the largest banks and the federal "backstop" they have been given (the "too big to fail" dynamic), as well as how this has affected incentives for the financial sector.

There has not been a serious investment in continuing financial reform. The main advocacy group behind this cause, Americans for Financial Reform, operates on an extremely limited budget. There are no lobbyists on this issue. The most significant force in favor of reform comes from the left side of the Democratic party and some of the Democratic leadership, including the White House to a certain extent. There do not seem to be any outside organizations with the resources to make this a serious issue over the long term.

Money in politics

The topic of money in politics is another one that could use more research and advocacy. Currently, there are no viable prospects for addressing this issue through federal policy, and there will not be any until Supreme Court jurisprudence changes. There are modest

proposals at the state level. Multiple people and organizations work on this issue, including Larry Lessig, United Republic, and Common Cause.

It would be useful to shift the conversation around money in politics away from campaign finance reform towards issues like lobbying. There is currently very little creative thinking about how lobbying could be better regulated to be less distortionary.

Historical examples of effective political philanthropy

It would be useful to assess what made conservative philanthropic efforts in the 1970s and 1980s so effective. One feature that stands out is that there was a lot of long-term strategy. Two conservative foundations, the Lynde and Harry Bradley Foundation and the John M. Olin Foundation, were spend-down foundations but with a long-term mindset. There was significant investment in building the conservative law and economics movements, as well as in organization-building at the state and national levels.

Long-term strategy is something that foundations in the center and center-left seem to have a difficult time with. These foundations do not like to fund organizations; they like to fund efforts. But it is the organizations that are capable of carrying out multiple efforts over a long period of time that have influence in politics (examples: American Legislative Exchange Council, Cato Institute, Center on Budget and Policy Priorities).

Examples of movement-building efforts there is a need for:

- Creating more broad-based middle class organizations. With unions having declined, there is space for new kinds of civic organizations that will engage in politics, such as a center-left or moderate version of the tea party.
- Applying more pressure from businesses on the Republican party to moderate.

Recommendations of people to speak with about this topic

- Vesla Weaver -- Assistant Professor of Political Science and African American Studies, Yale University
- Paul Pierson -- John Gross Endowed Chair and Professor of Political Science, University of California, Berkeley

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