12-2017

The Three Dimensions of Political Action in United States Democracy: Corporations as Political Actors and "Franchise Governments"

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I am submitting herewith a dissertation written by Steven Alfonso Panageotou entitled "The Three Dimensions of Political Action in United States Democracy: Corporations as Political Actors and "Franchise Governments"." I have examined the final electronic copy of this dissertation for form and content and recommend that it be accepted in partial fulfillment of the requirements for the degree of Doctor of Philosophy, with a major in Sociology.

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The Three Dimensions of Political Action in United States Democracy: Corporations as Political Actors and “Franchise Governments”

A Dissertation Presented for the
Doctor of Philosophy
Degree
The University of Tennessee, Knoxville

Steven Alfonso Panageotou
December 2017

DEDICATION

I dedicate this dissertation to my dog, Odysseus. This dissertation was written during our walks.

ACKNOWLEDGEMENTS

First and foremost, I would like to thank my committee co-chairs, Dr. Harry F. Dahms and Dr. Jon Shefner, for the many months they spent working with me on this dissertation. Dr. Dahms has inspired me since the day I arrived in Knoxville. Dr. Shefner has worked with me since day one. Both have been my graduate school fathers.

I would also like to thank my committee members, Dr. Michelle Brown and Dr. Anthony J. Nownes, for their support and constructive criticism. I would have never been able to apply biopolitics to corporations had Dr. Brown not started me down this path when she introduced me to Foucault. Dr. Nownes, over many beers, coached me on Congress and the role of money in politics.

I am also very grateful for the countless conversations I have had with Joel Crombez, who has been my close friend, travel partner, and research collaborator. Scarcely a sentence has been written that was not in some way sharpened through our talks. I also thank Dr. Michael J. Thompson for being an outside mentor who has been a source of encouragement and professional support for years now. I hope to live up to the example he has set in linking politics to critical theory. And, I thank Aaron Lemelin, Kyle Letteney, Doug Oeser, and Charles Walton for their friendship while I wrote this dissertation.

Finally, I thank my parents, Vasilis and Diana Panageotou, for their unconditional love and for all the sacrifices they made to help me achieve my goals. I thank my brother, George Panageotou, for helping me learn the ins and outs of the mutual fund industry, and I thank my sister, Christina Panageotou, for always being there to talk. Last but certainly not least, I thank Sarah Elliott for being my partner and confidant throughout my dissertating.

This dissertation was made possible by the guidance, advice, and support of all these individuals. But the responsibility for all arguments and any errors in this dissertation is my own.

Many of the arguments developed in this dissertation, particularly those concerned with the participatory-deliberative model of democracy, were drawn from my book chapter "Corporate Power in the Twenty-First Century" forthcoming in *The SAGE Handbook of Political Sociology*, edited by William Outhwaite and Stephen Turner.

ABSTRACT

A tension has persisted in the United States between the principles of democracy and the capitalist economy. At its core, democracy refers to the ideal that people should govern themselves. Democracy is indeterminate, its future open. But the open-ended principle of democracy collides with the authoritarian nature of corporations that centralize power within bureaucratic institutions designed to rationalize and augment capital accumulation. The purpose of this dissertation is to explain why democratic aspirations to realize a system of 'rule by the people' have been confounded by corporate political power. To do so, I delineate how political theorists have envisioned 'rule by the people' within the three dominant models of democracy that are prevalent today—liberal, participatory-deliberative, and market democracy. Within each model, people are intended to exercise self-rule by practicing specific modes of political action, which I label as the first, second, and third dimensions of political action. However, theorists have focused on the ways in which human citizens practice politics while paying insufficient attention to the political role of (nonhuman) modern business corporations. This research emphasis is misguided because the political power of citizens has been eclipsed by the political power of corporations. Their power derives from corporations' dual identity in modern societies—corporations are both political actors and "franchise governments" (Ciepley 2013:140) that are part of the political structure itself. These dual identities feed into each other in a dialectical process that functions to relentlessly augment the political power of corporations. As a result, corporations negate the normative impulse animating each model of democracy and deploy their political power to solidify policies and processes that increase economic inequality.

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INTRODUCTION

A tension has persisted in the United States between the principles of democracy and the capitalist economy. At its core, democracy refers to the ideal that people should govern themselves. Self-rule of the citizenry entails the aspiration that society can always be organized differently. Democracy is indeterminate, its future open (Howard 2002). The people themselves need only to decide it. But the open-ended principle of democracy collides with the authoritarian nature of corporations that are subject to the law of profit. To accumulate capital, corporations must control their economic, political, social, and cultural environments. They do so by centralizing authority in hierarchically organized, bureaucratic institutions that are designed to rationalize and optimize profit-making conditions. Democratic aspirations to realize a system of 'rule by the people' come to naught in the face of corporate authoritarianism. The primary goal of this dissertation is to explain why this is the case.

Democratic theorists have paid insufficient attention to the political role of modern business corporations and instead focus on the ways in which human citizens practice democracy. This research emphasis is misguided because the political power of citizens has been eclipsed by the political power of corporations. Their power derives from corporations' dual identity in modern societies—corporations are both political actors and "franchise governments" (Ciepley 2013:140) that are part of the political structure itself. These dual identities feed into each other in a dialectical process that functions to relentlessly augment the political power of corporations.

From the beginning of the U.S. Republic, subnational states contracted key aspects of economic development to corporations, most importantly infrastructure and public utilities, thus solidifying corporations as partners with the state in the expansion of the modern capitalist economy. It is no coincidence that the first modern, large-scale corporations in the United States were the railroad companies. But these corporations were also political actors. Seeing their coffers filled with capital, the railroad corporations alongside their counterparts in the steel, oil, and banking industries leveraged their structural and economic power against the state to press for ever greater rights and liberties. At the turn of the twentieth century, both state and federal laws had changed to codify corporations as legal 'persons' endowed with the same rights, and in some cases even more legal protection, than that of ordinary human citizens.

While corporate political power waxed and waned during the long twentieth century, corporations became even more integrated into the social fabric and governance structure of U.S. society as they became the principle employers of U.S. workers and the primary producers of commodities and services. The dawn of neoliberalism in the 1970s accelerated this process as more and more areas of public life were privatized. Flush with capital, the largest corporations today flood political campaigns with a deluge of money, employ an army of lobbyists to defend their interests, and disseminate propaganda to reinforce their authority. As a result, it is unambiguous that corporations are the supreme political actors in the twenty-first century. The idealization of 'rule by the people' has not materialized in the face of modern business corporations.

MODELS OF DEMOCRACY

Translated from its origin in the Greek language, democracy means 'rule by the people'; however, the means through which people exercise self-rule have varied over time and across space. Simply stated, the concept offers no guide for how people are supposed to actually govern themselves. Some scholars have advocated for a system of representation of the citizenry by leaders, while others view a system of direct democratic procedures by citizens themselves as the only legitimate democratic system. Still others desire for the governmental realm to shrink and democracy to be practiced through the market itself. Each of these conceptions of democracy refers to fundamentally different systems of self-rule, but it is only by qualifying how people are intended to rule that the concept of democracy acquires substantive meaning. If one is appealing to democracy to realize 'rule by the people', then what form of democracy is being referenced? In other words, how are people to govern themselves?

I establish models of democracy to specify different versions of how people are supposed to rule in a democratic system. Models of democracy are ideal types that are used to measure the gap between the idealized depiction of how people should rule and the reality of the political system. As such, models of democracy comprise a mixture of normativity and description. On the one hand, for a model to be useful, it must, to some degree, correspond to actual conditions in reality. But, because of the complex fabric of modern society, no model of democracy completely grasps the totality of that society's political system. At best, it is a partial description of how actors exercise political power.

On the other hand, because models of democracy are idealizations of how people should rule, they express the normative commitments on behalf of those who devise the model. Models of democracy, therefore, also double as political programs in which their originators legitimate certain forms of political action through which citizens attempt to realize the ideal more completely in reality. Abstract models take on a concrete existence, it is thought, through specific forms of citizen political participation. Hence, another goal of this dissertation is to classify the various modes of political action legitimated by each model of democracy.

The dominant models of democracy can be gleaned by cataloguing the various strands of democratic theory that have been written over time in modern societies. In this history, three distinct models can be delineated—liberal, participatory-deliberative, and market models of democracy. Because no single model subsumes all of political reality within its model, all three models coexist alongside one another in U.S. society. Liberal democracy unfolds in the traditional political sphere consisting of government, politicians, political parties, voters, and organized interest groups. In contrast, the participatory-deliberative model resides on the margins of the traditional political sphere, and in some cases, outside of the governmental realm altogether. Participatory-deliberative democracy happens in collaborative governance activities, deliberative forums, worker and food co-operatives, quality circles in businesses, and through the activities of social movements. And finally, market democracy occurs in the economy through everyday acts of consumption and investment in securities.

While they unfold in separate spheres, each model overlaps with the others. Expect friction, for instance, as social movements pressure politicians or engage in consumer boycotts. Or, when the President of the United States encourages his supporters through Twitter to purchase the commodities produced by a corporation that contributed money to his successful election bid (Heller 2017). Thus, this dissertation argues for an expanded definition of politics and a broad understanding of the political sphere because politics is fundamentally about the allocation of values and resources in society (Easton 1953). According to this understanding, corporations and the economy are just as political as politicians and the state in the traditional governmental realm.

Liberal democracy is a model in which people govern indirectly by electing political leaders who perform the actual governing. The normative desire in this model is to actualize a system of true representation of the citizenry by binding political leaders to the constituents they are supposed to represent. In this model, people exercise political power by forming political parties, electing leaders, and creating organized interest groups to lobby those leaders. Moreover, because they theorize the state to be neutral and open to influence, liberal democratic theorists believe that any group can potentially wield political power and no group is able to monopolize power in all areas (Dahl 1956, 1961, 1971; Lipset 1959; Milbrath 1965; Polsby 1963; Truman 1951).

The participatory-deliberative model describes a political system whereby citizens govern themselves directly through collective forms of political action. In this model, theorists understand the state not to be neutral but captured by elites and corporations, and therefore, part of the power structure that reinforces inequality. The normative desire in this model is to retake political power from the bottom-up by integrating ordinary people into the governing process of all institutions in society through participatory and deliberative activities. Individuals exercise political power through collaborative forms of governance, deliberative forums, direct democratic engagement, and social movement activity (Barber [1984] 2003; Bohman 1996; Cairns and Sears 2012; Cohen 1989; della Porta 2013; Dryzek 1990, 2000; Habermas 1996, 1998; Macpherson 1977; Pateman 1970, 1985; Rothschild 2016)

Market democracy is the third and final model of democracy. In this model, theorists view the state as either a repressive institution in society that impinges upon the liberty of citizens or as an institution that is allied to corporations. In either case, the normative desire is to realize a system of self-rule by abandoning the traditional political sphere and instead practicing politics in the market. The market model, thus, seeks to maximize individual freedom by privileging the market as a site for democratic politics. Individuals exercise political power through their consumption and investment activities (Arrow 1963; Buchanan and Tullock [1962] 1999; Downs 1957; Micheletti 2003; Olson [1965] 2002; Riker 1982; von Hayek [1944] 2001; von Mises 1949; Weissberg 2005).

Despite the normative desire on behalf of the theorists behind each model of democracy, no model of democracy has been able to fully materialize in society because of the political power of corporations. The problem for the theorists who devise each model is that they insufficiently consider the political role of corporations and underestimate just how integral corporations are to the fabric of politics. When corporations are seriously considered, the normative impulse motivating each model of democracy is negated. Representation is subverted by corporations (liberal democracy), bottom-up forms of direct democratic engagement are co-opted by and subordinated to corporations (participatory-deliberative democracy), and individual freedom is revealed to be the political domination of corporations (market democracy).

Corporations have no interest in democratizing their own organizational structures nor society more generally. They have and continue to deploy their political power to blunt movements towards substantive democratization and instead seek to monopolize political power for their own profit-making purposes. This dissertation can be boiled down to a case study of the United States that explains why the ideal of democracy, in its three dominant forms, has not materialized in the face of the political role of corporations.

A POLITICAL THEORY OF ECONOMIC INEQUALITY

In this dissertation, I pursue an interdisciplinary study of democracy and corporations that traverses the fields of political sociology, political science, political theory, democratic theory, political economy, economics, and critical theory. However, I seek specifically to contribute to debates that have animated political sociology in recent years. In particular, as economic inequality has widened over the past four decades, political sociologists have been interested in the potential for political actions to challenge entrenched inequalities (Baiocchi and Ganuza 2017; Cairns and Sears 2012; della Porta 2013; Lee, McQuarrie, and Walker 2015; Rothschild 2016; Sitrin and Azzellini 2014). The final goal of this dissertation is to contribute to this debate by explaining how forms of political action, as they are practiced by both human and corporate citizens, exacerbate economic inequality.

One incisive contribution to this debate has been the work of Lee, McQuarrie, and Walker (2015) in their *Democratizing Inequalities* volume where they pinpoint a seeming contradiction in U.S. society. For these theorists, U.S. society is currently undergoing a "participatory renaissance" (p. 13) meaning that ordinary citizens are becoming increasingly active in nontraditional, nonelectoral, and extraparliamentary forms of participatory-deliberative activities. Even more, institutions such as "[g]overnment agencies, businesses, and nonprofits are all making efforts to become more open, transparent, accountable, and welcoming of public input" (p. 13). Yet despite the revitalization of participatory-deliberative politics, economic inequality continues to grow unabated. Growing economic inequality amidst a participatory renaissance poses a problem for political sociologists who have proclaimed participatory-deliberative politics to be the cure for economic inequality.

The political sociological approach to explaining how democratization can be compatible with widening economic inequality relies on a two-dimensional view of political action. In the first dimension, or "Democracy 1.0" as Rothschild (2016:9) calls it, political scholars understand liberal democracy to be captured by corporations and wealthy elites who use their capital to shape policy making in favor of corporate interests. On this account, first dimension political activities such as campaign finance, lobbying, and opinion shaping are dominated by corporations and elites that supply the majority of capital to political parties, electoral campaigns, foundations, and think tanks (Domhoff 2014; Lessig 2015; Mills [1956] 2000).

Unable to break corporations' grip on the levers of policy making, political sociologists theorize an outside to the traditional political process to realize their bottom-up, democratic vision of "Democracy 2.0" (Rothschild 2016:9). Hence, political sociologists theorize second dimension forms of political action that are intended to empower ordinary citizens to reclaim control over politics by delegating a share of governance to ordinary citizens and stakeholders themselves. The thrust of second dimension activities is embodied in the slogan "They Can't Represent Us!" (Sitrin and Azzellini 2014:5), which was chanted on the streets across the world as protestors stood up to the institutions of global capitalism in the wake of the 2008 global financial crisis. Covered in more depth in Chapter 4, second dimension activities are intended to empower ordinary citizens to make collective decisions within institutions. For example, Participatory Budgeting permits individuals to fund projects they want to see in their communities. Or, through worker co-operatives, employees have an equal share of input in the management operations of a business.

Despite the renaissance in participatory-deliberative activities, economic inequality continues to skyrocket in the United States. The contributors to the *Democratizing Inequalities* volume point to the hollowing out of participatory-deliberative activities as an explanation for how democratization can be compatible with economic inequality. These theorists look at how corporations, experts, and professionals administer participatory-deliberative activities in ways that are commensurate with the status quo rather than fundamentally in opposition to it. The price paid is that participatory-deliberative activities, as they are currently practiced, reinforce economic inequality, or at least not challenge its growth.

While this mainstream political sociological contribution is important for understanding the sterilization of participatory-deliberative activities, political sociologists do not offer a compelling theory that explains how democratization can be compatible with economic inequality. The problem is that there is no theory for how corporate or elite power is constituted in the first place. Unacknowledged is how corporate power accumulates through the economic activity of individuals. Thus, if one ventures beyond the two-dimensional view of political action and recognizes an expanded notion of politics that comprises economic activity, then it is possible to conceive of political action as ambiguous and double-sided; on the one hand, it has the potential to challenge corporate power, while on the other hand, it can supply corporations with capital that can be translated into political power through avenues such as lobbying, campaign finance, and opinion shaping. It is this more complex understanding of political action that is ignored in the political sociological literature.

To rectify this deficiency, I take a page from the playbook of Steven Lukes (1974) in his classic text *Power: A Radical View*. Lukes investigated how political theorists understood the nature of power in modern societies and concluded that the existing literature posited power according to two dimensions. Lukes insisted, however, that the focus on observable and individualistic forms of power concealed a more insidious form of power that unfolded below the surface and through the operation of the system itself. For Lukes, any valid theory of modern power must consider power three-dimensionally. While I do not draw from Lukes' specific formulation of the three dimensions of power, I appropriate his terminology and framing device, which can be used to reveal what had been previously concealed in the literature.

In parallel fashion, political sociologists attempt to explain how economic inequality is constituted through two dimensions of political action. But this like trying to explain the movement of tides without reference to the moon. What is needed is a three-dimensional view. Towards this end, I introduce *the third dimension of political action* to create a theory for how economic inequality is compatible with the participatory renaissance. The third dimension comprises economic forms of political action, the most important of which are consumption and investment activities. Corporate power is constituted through the economic activity of millions, and even billions, of consumers and investors in the United States and worldwide. This economic capital is then leveraged as political power in the first and second dimensions to blunt movements for equality and solidify the current status quo based in inequalities. Thus, there is a certain feedback loop because the exercise of political power in one dimension feeds back into corporate political power in the other dimensions. A three-dimensional view of politics is necessary to connect the micro-levels of political activity to the macro-structural processes that produce and reproduce economic inequality.

CHAPTER OVERVIEW

The following chapters examine the dominant models of democracy in relation to both human and corporate political activity. In Chapter 1, I explain why I chose to pursue a modular approach to studying democracy in the first place and how models of democracy function as ideal types. I also examine the origins of the modular approach to democracy through the work of Joseph A. Schumpeter and his comparison of classical democracy to the democratic method. This chapter ends by outlining the three contemporary models of democracy and investigating how each model was influenced by Schumpeter's work.

In Chapter 2, I pursue a comparative-historical study of the dual identity of corporations as political actors and "franchise governments" (Ciepley 2013:140) to uncover the source of corporate political power. To do so, I divide U.S. history into four distinct time periods to demonstrate how corporations evolved as political actors and how they became ever more integrated into the governance structure of society. I end this chapter with a discussion of the precise relationship between the U.S. state and corporations in twenty-first century society.

I interrogate the three contemporary models of democracy in Chapters 3, 4, and 5. In Chapter 3, I examine the liberal model of democracy by first discussing its theoretical origins in pluralist democratic theory, which emerged during the post-World War II golden age. I then discuss the first dimension of political action—electoral, organized interest group, and party-related activities. Finally, I demonstrate how corporations and wealthy elites subvert representation of the citizenry by using first dimension forms of political activity to protect their corporate interests.

In Chapter 4, I examine the theoretical origins of the participatory-deliberative model in the work of participatory and deliberative democratic theorists who were influenced by the social movement activity of the 1960s and 1970s. I then examine second dimension forms of political action—collaborative governance, deliberative procedures, quasi-direct democratic actions, and social movement activity. I show how these forms of political activity do not so much empower human citizens as they empower corporations that co-opt second dimension activities and subordinate them to their own corporate interests.

Chapter 5 explores the market model of democracy by first tracing its theoretical origins in the rational choice and New Right theorists writing in the shadow of the Cold War. I then interrogate the third dimension of political action—consumption and investment activities. Finally, I demonstrate how human citizens practicing market political activity supply corporations with the economic capital that they then leverage as political power, thereby revealing the source of corporate political power.

In the Conclusion chapter, I take stock of what this dissertation has uncovered by comparing the models of democracy against one another. I first distinguish how each model idealizes the relationship between politics and economy. Next, I summarize how corporations function as political actors within each model. And finally, I examine how corporations negate the normative impulse underlying each model and instead engender economic inequality. I end this dissertation by highlighting the major lessons learned in this dissertation and investigating the possibility of a future for the participatory renaissance.

CHAPTER 1
THREE MODELS OF DEMOCRACY

What does it mean for U.S. society to call itself 'democratic'? Usually when citizens discuss political issues, they do not delve deeply into philosophical and theoretical arguments about what makes the U.S. political system democratic. Rather, it is generally assumed at the outset that the label matches the object. In many ways, it is understandable for U.S. citizens to call their society democratic. Every two and four years, millions of U.S. citizens cast their ballots to elect political leaders. In some cases, citizens vote for or against policy proposals through democratic initiatives and referendums. Moreover, citizens enjoy civil, political, and social rights that are protected by independent courts that serve a constitution legitimated by the majority of its populace. On the surface, at least, the U.S. political system looks, feels, and sounds like a democracy.

As soon as one peeks beneath the veneer, however, one encounters a host of issues that calls into question the perceived democratic character of the U.S. political system. For starters, the founding fathers never used the term 'democracy' to refer to the new political system created when they ratified the U.S. Constitution in 1787. Rather, the founding fathers opted for a "republican" form of government (Dahl 2003:5), which mediated the will of the people through their elected officials. Since then, ordinary U.S. citizens have not directly ruled at any level of government. Rather, U.S. democracy is not 'rule by the people' but 'rule by the leaders' who are tasked with representing the interests of a demographically diverse citizenry. Who political leaders actually represent in the halls of government is a question long pondered throughout the history of political theory and is today the subject of fierce debate among political scholars. Later chapters will explore which constituents are represented in government. First, a more pressing question must be examined—how exactly does the United States qualify as a 'democracy' in the first place?

If scholars want to get a handle on how a political system qualifies as democratic, a modular approach to studying democratic societies is necessary. I begin this chapter by explaining why models of democracy must be used to assess the democratic character of a political system. In the following section, I discern the origins of the modular approach in the democratic theory of Joseph A. Schumpeter. In his work, Schumpeter contrasts two models of democracy—the classical model and the democratic method. These two models of democracy lay the groundwork for three contemporary models of democracy—liberal democracy, participatory-deliberative democracy, and market democracy. In the final section, I explore the socio-historical context in which each contemporary model was theorized and the ways in which each model incorporated Schumpeter's democratic theory.

WHY MODELS OF DEMOCRACY?

Similar to concepts such as 'God', 'freedom', and 'justice', the concept of 'democracy' is ambiguous. Traditionally, democracies are defined as political systems that adhere to the principle of 'rule by the people'. However, what does it mean for people to actually rule? Even when 'rule by the people' is reduced and equated with 'vote by the people', as it is done by virtually all Western democracies, one can easily find cracks in even the most allegedly democratic regimes. For example, in theory all adult citizens in the United States are granted the opportunity to vote in federal, state, and local elections. However, many citizens in the United States are excluded from voting by discriminating voter identification laws, disqualification of felons and ex-felons, not holding elections on mandated holidays, separating the process of registration and voting, and disallowing citizens in U.S. territories to vote for presidential and congressional representatives. That a significant portion of citizens are disenfranchised from voting does not stop the United States from draping itself in democratic symbolism and rhetoric.

What authority exists that has the legitimate monopoly to judge whether or not a country is democratic? North Korea, officially called the Democratic People's Republic of Korea, claims to be democratic. But how democratic is this country when "voting" is tantamount to citizens depositing premarked ballots with pre-approved candidates into a voting box and Kim Jong-un rules as a de-facto dictator? According to The Economist Intelligence Unit's (2017) 2016 Democracy Index, 76 countries, or residents of almost half of the world's population, can be classified as either "full democracies" or "flawed democracies" (p. 54).[1] However, each country practices their version of democracy in a distinct way that reflects its unique cultural, economic,

[1] According to the Democracy Index, "full democracies" are those "in which not only basic political freedoms and civil liberties are respected, but which also tend to be underpinned by a political culture conducive to the flourishing of democracy" (The Economist Intelligence Unit 2017:54). By contrast, "flawed democracies" are those countries that "also have free and fair elections and, even if there are problems (such as infringements on media freedom), basic civil liberties are respected. However, there are significant weaknesses in other aspects of democracy, including problems in governance, an underdeveloped political culture, and low levels of political participation" (p. 54).

political, social, religious, and geographic history. These democracies differ in terms of electoral systems, the protection of civil liberties, the operation of government, the types of political participation available to citizens, and the character of the political culture. Is there not some common denominator that makes these 76 countries democratic?

Democratic societies cannot be identified according to material processes of direct self-governance by all people because no actually existing democracy has ever realized a political system satisfying this criterion. Instead, the claim to being democratic accords to societies with this designation an identity and legitimacy which are integral and indispensable for their stability and functioning. Democratic societies thus function according to formal democratic criteria (e.g., regular elections, independent courts, protected rights, majority rule, etc…) that include, or create the appearance of including, people into the process of governance; however, in no way is this sufficient to qualify these societies as literal democracies (i.e., societies in which the characteristic of direct democracy, the true heir to 'rule by the people', is dominant). Rather, societies can be more or less democratic depending on the extent to which they satisfy formal democratic criteria. The Democracy Index's (The Economist Intelligence Unit 2017) use of categories such as "full democracies," "flawed democracies," "hybrid regimes," and "authoritarian regimes" (p. 54) speaks to the extent to which societies satisfy formal democratic criteria. However, it must be acknowledged that there are no pure democracies, no matter how thoroughly they satisfy formal democratic procedures, because all modern democratic societies adhere to some degree of representation of the populace.

Furthermore, to the extent that no actually existing democratic society fully adheres to a system of direct decision making by all members of a society, every society that claims to be democratic is to some degree ideological because the reality of those societies is far removed from the ideal of 'rule by the people'. In other words, the material circumstances differ from what the concept designates (i.e., the material circumstances of representative democracy differ from the designation of 'rule by the people' *per se*). Yet the claim to being democratic imposes conditions on the operation of those modern societies. The common denominator among all democratic societies is that they must, at a minimum, adhere to the standards, or create the appearance of adhering to the standards, of political processes that fulfill formal democratic criteria.

Like the concept of 'democracy', the common denominator that qualifies a country as democratic is ambiguous. At a minimum, all democratic societies must create the appearance of including people in the decision-making processes of government, which is usually accomplished through voting mechanisms whereby citizens elect representatives that rule in the name of the people. Some democratic societies include people in the political process in more substantive ways, for example, by delegating certain decision-making power to people through referendums, citizen assemblies, or participatory budgeting procedures. Both scenarios satisfy the criteria sufficiently that either type of society could be labeled 'democratic', but there are important differences in how people actually govern.

Political scholars have long wrestled with the criteria that qualify a country as democratic. The difficulty is that the essence of democracy—'rule by the people'—is nothing other than an abstract principle that societies attempt to realize in concrete social systems; however, there is no single standard to delimit how people are to rule. The result is an analytical nightmare whereby just about any society can claim to be democratic provided that it fulfills at least some formal democratic criteria, and many "democratic" countries can legitimize themselves as democracies despite clear undemocratic practices (e.g., the Democratic People's Republic of Korea).

To escape democratic relativism, political scholars have devised competing models of democracy to specify how exactly a society qualifies as democratic. Models of democracy are useful because of the ambiguity in the concept of 'democracy'. Because 'rule by the people' is an inherently abstract principle that can be practiced in a myriad of distinct and contradictory ways, political scholars have developed different ideas about what it means for people to govern and have codified these ideas as competing models of democracy. That political scholars devise different models of democracy is a result of changing socio-historical circumstances, including geopolitical factors and the level of technological development, and the political scholars' specific normative commitments.

Models of democracy are the means by which political scholars grasp an abstract and contradictory political reality; however, no model of democracy can completely capture the totality of social relations within a democratic society. Analogous to Weber's ([1921] 1978) concept of "ideal types," models of democracy, when "compared to actual historical reality, they are relatively lacking in fullness of concrete content" (p. 20). Socio-political reality is much too complex and contradictory to be captured by a single construct; the reality always evades the ideal. However, models of democracy, as ideal types, are useful insofar as they abstract from reality but attempt to approximate reality by isolating certain features of a democratic form. Models of democracy, therefore, are indispensable tools to measure social reality because they show how far reality deviates from a given ideal.

To judge the deviation between the reality and the ideal, political scholars devise in their models of democracy standardized sets of criteria to evaluate the democratic character of any society. What criteria become the foundation for each model of democracy is a consequence of how political scholars envision the ideal democratic society to be. In other words, each model of democracy legitimizes an ideal way to actualize 'rule by the people' and evaluates the empirical reality of actually existing democratic societies according to that idealized set of criteria. Thus, models of democracy are constituted by a mixture of description and normativity. In Held's (2006) words, models comprise "a shifting balance between descriptive-explanatory and normative statements, that is, between statements about how things are and why they are so, and statements about how things ought to or should be" (p. 6). Therefore, the tools being used to assess the democratic quality of a society are the products of the normative dispositions on behalf of political scholars. As a consequence, while each model of democracy isolates certain empirical features of a democratic society because those features correspond to the criteria established, each model is blind to other features that evade the ideal. Similar to how every society that calls itself democratic is to some degree ideological, every model of democracy is also ideological insofar as the reality of democratic societies is never completely captured by any model of democracy.

Furthermore, because the reality of democratic societies is never completely subsumed within a given model of democracy, actually existing democratic societies are comprised to varying degrees by different models of democracy. In the twenty-first century, democratic societies are constituted by a combination of three models of democracy—liberal democracy, participatory-deliberative democracy, and market democracy. Pluralist theorists refined the liberal model of democracy in the post-World War II and Cold War context. Contemporaneously, rational choice and New Right theorists devised their own model of democracy—market democracy. In both models of democracy, the democratic quality of a society is achieved through minimal involvement of citizens in the political process. In contrast to these two models of democracy, participatory democratic theorists in the 1970s and later deliberative democratic theorists designed an alternative model of democracy that accorded to the citizenry a maximum role in political affairs—participatory-deliberative democracy.

As a description of democratic societies, liberal democracy is today the dominant model of democracy in Western societies. Insofar as the United States and other advanced capitalist democratic societies adhere to the schema of representation by administering elections, supporting party and organized interest group activity, and protecting individual rights, they are primarily liberal democracies. However, the liberal model of democracy has never captured "in an exhaustive manner the real functioning of the democratic state in any of its different periods of existence" (della Porta 2013:186). In conjunction with the liberal model, elements of participatory-deliberative democracy and market democracy can be discerned within advanced capitalist democracies. Moreover, the modular composition of any given democratic society is dynamic, and models of democracy rise and fall within democratic societies as a result of changing socio-historical circumstances.

The argument made by many political sociologists today is that the participatory-deliberative model of democracy is on the ascendency and is, to an extent, displacing the liberal democratic regime (Cairns and Sears 2012; della Porta 201; Lee et al. 2015). As I will demonstrate in later chapters, empirical evidence, at best, only partially supports this claim. Rather, I will argue in this dissertation that all models describe, to some degree, the operation of the U.S. political system; however, it is misguided to assume that any model is being substantiated in the current political system. What is missing in reality is the fulfillment of the normative impulse underlying each model. So long as the normative ideal is negated by corporate political power, only the description is left, which means that only half of the model refers to reality. As a result, only traces of the model exist in U.S. society, and the liberal democratic trace is the boldest.

Time is the democratic theorists' biggest ally, as it can always be claimed, given the open-ended nature of modern societies, that the normative ideal of each model simply has yet to be realized. Thus, advocates of each model of democracy perceive the political system to be an unfinished project to which those scholars desire to further realize the normative impulse in reality. To do so requires that actually existing democratic societies become further democratized according to the criteria of each model of democracy. For example, political sociologists generally desire that the liberal model of democracy be replaced with the participatory-deliberative model, such that participatory-deliberative democracy would become the dominant model guiding the functioning of advanced capitalist democracies (Cairns and Sears 2012; della Porta 2013). Thus, implicit in each model of democracy are pre-approved modes of political action that political scholars legitimate as the ideal foundation for a democratic society. The liberal model of democracy legitimates electoral, party, and organized interest group activity, while the participatory-deliberative model advocates for the expansion of political action that approximates direct democratic actions. And finally, the market model of democracy encourages economic forms of action as the legitimate mode of political activity. Before examining the features of each model of democracy, I will interrogate the origins of the modular approach to studying democratic societies.

THE ORIGINS OF THE MODULAR APPROACH TO DEMOCRACY: JOSEPH A. SCHUMPETER

Robert Dahl (1956) famously declared that "there is no democratic theory—there are only democratic theories" (p. 1). Formulated differently but maintaining the thrust of Dahl's assertion, it could be said that there is no single model of democracy—there are only competing models of democracy. However, one democratic theorist stands out as the pioneer of the modular approach to studying democratic societies. In his canonical work *Capitalism, Socialism, and Democracy*, Joseph A. Schumpeter ([1942] 2008) contrasted two models of democracy—the "classical doctrine of democracy" (p. 250) and his own "democratic method" (p. 269). Since then, many political theorists have followed in Schumpeter's footsteps and devised their own models of democracy, which over time have coalesced into the three dominant models of democracy—liberal democracy, participatory-deliberative democracy, and market democracy. All three models, however, share a common foundation in that they all integrate Schumpeter's democratic theory into their models in distinct ways. Liberal and market models of democracy build from Schumpeter's democratic method, while the participatory-deliberative model of democracy constitutes a negation of Schumpeter's perceived elitism and an endorsement of the classical doctrine.

The Influence of Weber on Schumpeter's Models of Democracy

Although Schumpeter may have been the first democratic theorist to explicitly codify contrasting models of democracy, both models he constructed were heavily influenced by the work of his predecessors. In particular, Schumpeter's ([1942] 2008) mission to devise a realistic and empirically based model of democracy, which became his trademark "democratic method" (p. 269), was shared by Max Weber. Like Weber, Schumpeter started with a description of the social forces that comprise modern societies and explored how those social forces shaped the form that democracy assumed. Thus, both Schumpeter and Weber examined how 'rule by the people' could be practiced within societies characterized by industrialization, rationalization, and bureaucratization. Within this context, Schumpeter concluded that only the democratic method was suitable to guide the functioning of mass industrial societies. Schumpeter's conclusion was largely drawn from the work of Weber, which I will now scrutinize to discern how Weber's democratic theory translated into Schumpeter's democratic method.

For Weber, direct democracy was suitable for localized societies that were both relatively homogenous and egalitarian. However, the size, complexity, and heterogeneity of modern societies made direct democracy impractical. In Weber's ([1921] 1978) words, "[t]he conditions of administration of mass structures are radically different from those obtaining in small associations resting upon neighborly or personal relationships" (p. 951-2). To maintain stability, mass society required centralized administration, which was incompatible with the practice of direct democracy.

For Weber ([1919] 1946), the modern state emerged to maintain social order in mass societies by monopolizing the legitimate means of violence in a given territory. Thus, the state became an instrument of domination by centralizing administrative capacity and force within the state bureaucracy. Because the state became a mode of centralized administration, power resided in those who managed the state bureaucracy. These managers of the state became "professional politicians" (p. 4) who made politics their vocation, and consequently, had a material interest in maintaining employment within the state bureaucracy.

Because professional politicians rely on the state bureaucracy for their livelihood, their primary objective is control of and employment in the state bureaucracy, which in the context of electoral democracy can only be acquired by winning elections. As the voting franchise has been extended to larger and larger segments of the population, professional politicians created political associations to organize the electorate whose interests have been generally fragmented and divided. Thus, modern political parties emerged to churn out the vote every electoral cycle. The most successful political parties have been those that command an array of financial resources that can be deployed to solidify the party base and recruit new members. In effect, political parties win elections by becoming bureaucratic "machines" (Weber [1919] 1946:103) whose sole purpose is to compete against other parties for more votes. As a consequence, political parties, for Weber, are placed at the center of democratic politics.

In becoming bureaucratic machines, power accrues to those who work continuously within the political party. These "party officials" are the de-facto managers of the political party, and their job is to "woo and organize the masses, and develop the utmost unity of direction and the strictest discipline" (Weber [1919] 1946:102). Upon winning an election, party officials are rewarded by party leaders with privileged positions within the state bureaucracy. Thus, party officials function as "entrepreneurs" (p. 14) who regard politics as a business and are personally compensated for their success in churning out the vote. This spoils system has serious implications for how parties function within democratic politics. For Weber:

> It means that quite unprincipled parties oppose one another; they are purely organizations for job hunters drafting their changing platforms according to the chances of vote-grabbing, changing their colors to a degree to which, despite all analogies, is not yet to be found elsewhere. The parties are simply and absolutely fashioned for the election campaign that is most important for office patronage: the fight for the presidency and for the governorships of the separate states. (P. 108)

Thus, the primary imperative for every political party is to fight and win elections. Seeking to maximize their appeal to the electorate, political parties draft party platforms to reflect the interests of the maximum number of voters. As a result, party platforms are fluid and amoeba-like. When creating party platforms, party officials only ask—"what will capture votes?" (p. 110).

As the party bureaucracy became increasingly important for the electoral success of professional politicians, party leaders and party officials supplanted members of Parliament as the true power source behind parliamentary politics. According to Weber ([1919] 1946), "[n]owadays the members of Parliament, with the exception of the few cabinet members (and a few insurgents), are normally nothing better than well-disciplined 'yes' men" (p. 106). At the helm stands "the plebiscitarian dictator," also known as the party leader, who "actually stands above Parliament. He brings the masses behind him by means of the machine and the members of Parliament are for him merely political spoilsmen enrolled in his following" (p. 107). In this hierarchy, political parties dominate Parliament, and party leaders control political parties.

In Weber's theory of democratic politics within mass society, the electorate is relegated to a passive role whose sole function is to choose its leaders by voting them into office. Thus, the only power accorded to the electorate is constituted at the ballot-box where people choose among competing leaders. Once elected, "the following of such a leader must obey him blindly" (Weber

[1919] 1946:113). This process of selection "entails the 'soullessness' of the following, their intellectual proletarianization, one might say" (p. 113). Hence, Weber theorized a highly restricted role for the electorate. They do not rule directly, and if it can be said that the people rule indirectly, it is only through their selection of leaders. Comparing the management of business to the management of politics, Weber states, "[a]fter all, things in a private economic enterprise are quite similar: the real 'sovereign,' the assembled shareholders, is just as little influential in the business management as is a 'people' ruled by expert officials" (p. 91).

Schumpeter's Democratic Method vs. Classical Doctrine of Democracy

Seeking to develop an empirical model of democracy, Schumpeter ([1942] 2008) drew heavily from Weber's theory of politics. He did so to show the deficiencies of what he called "the classical doctrine of democracy" (p. 250), which Schumpeter considered to be an overly idealized model of democracy that abstracted from the real conditions underlying modern societies. Schumpeter considered it to be "utterly valueless for us" (p. 247). It is upon this foundation that he devised "another theory [of democracy] which is much truer to life" than the classical doctrine, which he called "the democratic method" (p. 269). As a one-size-fits-all approach to democracy, Schumpeter theorized a model of democracy that could function within a capitalist or socialist society.

To make the case that the democratic method was the superior model of democracy Schumpeter constructed an ideal type of the classical doctrine and then proceeded to critique it from a materialist standpoint as an untenable model to guide democratic politics in the context of modern societies. Echoing Carole Pateman (1970), Held (2006) maintains that Schumpeter erected a "straw man" (p. 146) in constructing his classical model of democracy because no unified, classic doctrine ever existed. On the contrary, Held's work demonstrates that there have been a range of classic models, which Schumpeter artificially compiled into a singular model of democracy. Nevertheless, Schumpeter did collate certain Rousseauian and Utilitarian political theories into his classical model of democracy and then vehemently rejected this model on the premise that it was ideological because it did not fit the material conditions of modern societies. Although Schumpeter spent less time explicating the precise features and theoretical influences of the classical doctrine and more time critiquing it, it is useful to reconstruct how he envisioned the classical model of democracy.

For Schumpeter ([1942] 2008), the classical doctrine of democracy attempts to realize the essence of 'rule by the people' in society. It is upon this foundation that Schumpeter defined the classical model of democracy as "that institutional arrangement for arriving at political decision which realizes the common good by making the people itself decide issues through the election of individuals who are to assemble in order to carry out its will" (p. 250).

Central to the classical model of democracy is the Rousseauian notion of the "common good" (Schumpeter [1942] 2008:250), which as an ontological concept is said to inhere in every society. The common good is essentially what is best for the society taken as a whole. Thus, there is a certain Utilitarian impulse undergirding the common good as it is theorized that people seek to maximize benefits and minimize costs. However, the common good exists only at the societal level. The concept denotes an attempt to discern what is best for the aggregate society, not what is best for each individual member. It is a concept oriented towards considering the totality. As a result, the common good is supposed to be objective, and its truth value is independent of any single individual. As Schumpeter (2008 [1942]) states, "this common good implies definite answers to all questions so that every social fact and every measure taken or to be taken can unequivocally be classed as 'good' or 'bad'" (p. 250). The task for any society that attempts to realize the classical doctrine is merely to discover the common good and implement it. According to this logic, those who disagree that a common good exists are considered to be ignorant, stupid, and antisocial.

While the classical doctrine attempts to realize 'rule by the people' in practice, Schumpeter admitted that some specialists would be necessary to discern and implement the common good. According to Schumpeter ([1942] 2008), "[t]his does not affect the principle, however, because these specialists simply act in order to carry out the will of the people exactly as a doctor acts in order to carry out the will of the patient to get well" (p. 250). Moreover, Schumpeter also conceded that this model did not automatically equate to a form of direct democracy whereby all citizens convene to discuss and decide political matters. Instead, "[i]t will be more convenient to reserve only the most important decisions for the individual citizens to pronounce upon—say by referendum—and to deal with the rest through a committee appointed by them—an assembly or parliament whose members will be elected by popular vote" (p. 251).

Nevertheless, this system of representation is only a conduit for the common good; the committee "will voice, reflect or represent the will of the electorate" (p. 251).

Upon erecting this caricature of a classical model of democracy, Schumpeter proceeded to demolish it piece by piece by claiming it was ill-suited given the conditions of mass industrial societies. First, Schumpeter eviscerated the notion of the common good as a meaningful concept. According to Schumpeter ([1942] 2008), there is "no such thing as a uniquely determined common good that all people could agree on or be made to agree on by the force of rational argument" (p. 251). The problem is that the classical model assumes that all people, through rational deliberation, would recognize what the common good is in a given society. However, "to different individuals and groups the common good is bound to mean different things" (p. 251). That individuals hold irreconcilable values is at the root of the unbridgeable gap separating individuals from each other. For Schumpeter, no amount of rational deliberation or logic would get individuals to ultimately agree on what is the common good. Moreover, even if it can be granted that all individuals recognize the same common good, Schumpeter did not believe that individuals could agree on how to act upon realizing that common good in practice.

Second, Schumpeter questioned the legitimacy of the decisions made through the classical democratic model. For Schumpeter ([1942] 2008), even if individuals were perfectly rational and knew exactly what they stood for, "it would not necessarily follow that the political decisions produced by that process from the raw material of those individual volitions would represent anything that could in any convincing sense be called the will of the people" (p. 254). Instead of agreeing upon policy that is favorable for all, democratic decision making in the style of the classical doctrine would be satisfactory to none. Conversely, Schumpeter argued that decisions made nondemocratically, say by a dictator, can prove to be more acceptable to all people than democratic decisions. What matters is how committed the nondemocratic regime is to rising above the fray of particularistic interests and deciding on policy that is generally amenable to all sides. Here, Schumpeter cited favorably the military dictatorship of Napoleon who reconciled what were irreconcilable positions among the various French classes. Thus, Schumpeter claims that "[i]f results that prove in the long run satisfactory to the people at large are made the test of government *for* the people, then government *by* the people, as conceived by the classical doctrine of democracy, would often fail to meet it" (p. 256).

Schumpeter's ([1942] 2008) final critique of the classical model of democracy laid waste to the idea that an authentic "will of the people" (p. 263) was possible within the context of modern societies. Citing Freud, crowd psychology theorists, and economists, Schumpeter argued that unconscious social forces moved individuals to commit irrational behaviors. For individuals living in modern societies, "the sense of reality is so completely lost," which leads to "a reduced sense of responsibility" and "the absence of effective volition" (p. 261). As a result, individuals simply do not have the capacity or mental wherewithal to rationally judge political matters or even be cognizant of what their true interests are. Instead, people become susceptible to emotional argumentation and submit to irrational impulses. It is upon this basis that Schumpeter claimed that "the typical citizen drops to a lower level of mental performance as soon as he enters the political field. He argues and analyzes in a way which he would readily recognize as infantile within the sphere of his real interests. He becomes a primitive again. His thinking becomes associative and affective" (p. 262).

The inability of citizens to rationally assert their interests creates a power vacuum that groups can exploit to their own advantage. Whether these groups consist of professional politicians or ideological social movements, they take advantage of people's susceptibility to affective and irrational argumentation. The implication is that any pretense to an authentic popular will must be jettisoned. For Schumpeter ([1942] 2008), "[w]hat we are confronted with in the analysis of political process is largely not a genuine but a manufactured will…So far as this is so, the will of the people is the product and not the motive power of the political process" (p. 263).

If the popular will is manufactured by groups competing for political power, then the classical doctrine of democracy is erected on a false foundation. It is not the people who are asserting collective agency but powerful leaders and groups who simply want to use the popular will as a legitimation technique for their own rule. The popular will, then, is not an independent, rational, and authentic force representing the common good but a manufactured will to justify external power. For Schumpeter ([1942] 2008), the people "neither raise nor decide issues but that the issues that shape their fate are normally raised and decided for them" (p. 264).

In Schumpeter's view, the classical model of democracy continued to be supported not because it has plenty of merit in empirical reality but because it has a sacred appeal for true believers of 'rule by the people'. It is a matter of faith, and supporters adhere to the principles of the classical model religiously, uncritically, and ideologically. According to Schumpeter ([1942]

2008), “fundamental dissent is looked upon not merely as error but as sin; it elicits not merely logical counterargument but also moral indignation” (p. 266). Furthermore, the classical model harbors symbolic imagery that is meaningful for the citizens of nations with histories of democratic struggle. Citing the United States, Schumpeter showed how the sacred principles of the classical doctrine, including the inalienable Rights of Man, framed the Revolutionary War. It is the appeal to realize the essence of ‘rule by the people’ that accounts for the classical doctrine’s continued acceptance as a viable model of democracy. Moreover, insofar as the classical doctrine is saturated with imagery that resonates with the hearts of people, shrewd politicians win over the masses by instrumentalizing the classical doctrine in their favor. Finally, Schumpeter admitted that there were certain historical cases, such as in primitive societies, ethnically homogenous societies like Sweden, and even instances in complex and differentiated societies like the United States, where the classical model “fits facts with a sufficient degree of approximation” (p. 267). However, these few examples were not sufficient, in Schumpeter’s eyes, to compensate for the classical model’s deficiencies.

Schumpeter ([1942] 2008) turned the classical model of democracy on its head to arrive at an alternative model of democracy that “is much truer to life” (p. 269), which he called the democratic method. The primary imperative of the classical model of democracy is to invest within the electorate the political power to decide on political issues, which it does through assembly and by selecting representatives responsible for carrying out the popular will. In contrast, the primary imperative of the democratic method is to invest in people the political power “to produce a government” (p. 269). It, thus, abandons all pretenses that a common good can be agreed upon and a popular will articulated through assembly and representation. Instead, Schumpeter defined the democratic method as “that institutional arrangement for arriving at political decisions in which individuals acquire power to decide by means of a competitive struggle for people’s vote” (p. 269).

Schumpeter presented his democratic method as a realistic description of how people actually rule in the context of modern democratic societies.[2] In this model, people do not rule

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[2] Although Schumpeter presented his democratic method as nothing more than an empirical assessment of how democracy operated in modern societies, Held (2006) warned against accepting this notion uncritically. According to Held, “Schumpeter’s theory of democracy both focused on a highly delimited range of questions and championed a very particular set of tenets about the proper form of ‘popular’ government” (p. 142). Like all models of democracy, Schumpeter’s democratic method was both descriptive and normative.

directly but only through the selection of leaders. Thus, "[d]emocracy means only that the people have the opportunity of accepting or refusing the men who are to rule them" (Schumpeter [1942] 2008:285). Parallel to Weber's depiction of democracy in modern societies, central to the democratic method is the role of leaders who compete against each other for the votes of the electorate. Career politicians are thus unavoidable in bureaucratic political life, and it is the struggle among rival career politicians for political office that constitutes the essence of the democratic method. Therefore, democracy is more akin to "rule of the politician" (p. 285) than 'rule by the people'. Michels ([1911] 1962) deduced a similar tendency within modern democracies to centralize power within the hands of a few political elites at the expense of the masses.

The implication for the electorate is analogous to that in Weber's theory—the electorate's sole function is to select among competing leaders. As such, the electorate is subordinated to a passive role compared to the political leaders who are ruling. Even the electorate's choice of leadership is restricted because it is not able to choose just anyone to rule. Instead, who the electorate selects depends upon which candidates run for office, and even this is subject to rules that dictate who is eligible to run. Like Weber, Schumpeter also highlighted the importance of political parties for further restricting the autonomy of the electorate. Political parties are fashioned to win votes and therefore devise party platforms only for this purpose. According to Schumpeter ([1942] 2008), "[p]arty and machine politicians are simply the response to the fact that the electoral mass is incapable of action other than a stampede, and they constitute an attempt to regulate political competition exactly similar to the corresponding practices of a trade association" (p. 283). The role of the voter, therefore, is restricted to accepting or rejecting one political leader and political party or another.

The democratic method specifies a clear division of labor between the electorate and the political leadership. The electorate votes to select the government; the leaders make the actual decisions in the name of the people, which importantly, is different from the popular will. Moreover, once in office, the electorate should refrain from trying to influence the decision making of political leaders. In Schumpeter's ([1942] 2008) words, the electorate "must not withdraw confidence too easily between elections and they must understand that, once they have elected an individual, political action is his business and not theirs. This means that they must refrain from instructing him about what he is to do" (p. 295). For Schumpeter, the policy-making process is best left to the professionals. Explicitly forbidden is any attempt of the electorate to engage in "political back-seat driving" (p. 295). Even "less formal attempts at restricting the freedom of action of members of parliament—the practice of bombarding them with letters and telegrams for instance—ought to come under the same ban" (p. 295). It is only through voting that the electorate has any say at all about political matters.

Competition among leaders for the vote, however, creates the conditions for administrative inefficiency because politicians may be more concerned to solidify their bids for re-election than effectively govern. To guard against this undesirable result, Schumpeter ([1942] 2008) adumbrated five conditions necessary for the democratic method to operate successfully and efficiently in modern societies. First, the quality of the professional politicians must be sufficiently high. Second, the range of political questions must be delimited so that the political apparatus is not at pains to govern over every political matter. Third, an independent and effective bureaucracy must exist to assist the government in governing and implementing policy. Fourth is the necessity for "democratic self-control" (p. 294), which refers to the imperative that the citizenry recognize the legitimacy of political decisions made in the governmental realm. And fifth, the citizenry must be capable of tolerating differences of opinion and willing to submit to the force of the better argument. These conditions are never guaranteed to be present in society; however, the likelihood that they are secured in any given society increases as the quality of the political culture of the citizenry also increase. Upon this foundation, Schumpeter argued that the democratic method was the superior political model guiding modern societies.

NOT TWO, BUT THREE MODELS OF DEMOCRACY

Schumpeter's examination of the classical doctrine and the democratic method constitutes a landmark in the history of democratic theory. It is not an exaggeration to suggest that all roads of democratic theory, at least since World War II, took as their starting point, either explicitly or implicitly, Schumpeter's work on democracy. Specifically, it was his two models of democracy that would have a profound impact on the trajectory of democratic theory in the United States after World War II. However, those who adopted Schumpeter's models of democracy did not leave them unchanged. Rather, political scholars modified Schumpeter's models to fit within their ideological frameworks and normative dispositions, which were themselves the result of particular socio-historical circumstances that had emerged in the wake of World War II in the United States and other Western societies.

From Schumpeter's two models of democracy, three distinct models were born in the post-WWII period. On the one hand, the democratic method was the guide for the construction of two competing political science models of democracy—liberal democracy and market democracy. On the other hand, political theorists and political sociologists negated Schumpeter's rejection of the classical model and instead breathed new life into the model by shoring up its theoretical foundations and rebranding it as the participatory-deliberative model of democracy.

Liberal Democracy

It was the period of post-WWII prosperity in the United States, but also in Western societies more generally, that had the greatest impact on the development of the liberal model of democracy in the 1950s and 1960s. During this time, these societies built social democratic state forms that embedded corporate activity within a matrix of social and political constraints, which delivered high rates of economic growth that was equitably shared (Harvey 2005). In the United States, the growth of "countervailing powers" (Galbraith [1952] 1993) including, among other forces, a strong federal government and welfare state, robust unions, vigilant consumers, powerful small retailers, and active farm co-operatives ensured that the benefits of economic growth were distributed evenly throughout society. It was within this postwar context that pluralist democratic theorists developed the foundation for a liberal model of democracy, although they never termed their democratic theories as such (Dahl 1956, 1963, 1971; Lipset 1959; Polsby [1963] 1980; Truman 1951).

Influenced by a long history of liberal political theorists, most directly Madison, the Utilitarians, de Tocqueville, Marx, Michels, Weber, and Schumpeter, pluralist theorists refurnished liberal democratic theory into a model of democracy. The liberal model of democracy prescribes a mode of governance that recognizes certain limitations on the state in relation to the capitalist economy. On this account, the Bill of Rights of the U.S. Constitution prevents the state from infringing upon the natural rights of citizens, which include the right to own property, peaceably assemble, and petition government for redresses, among others. Because of these rights, citizens are free to engage in economic activity unhindered by the state. The postwar pluralists accepted this premise, and as a consequence, theorized a democratic process strictly delimited to the political realm, thereby maintaining a binary between politics and economy. Although pluralists certainly recognized the influence of economic actors and the weight of economic issues in matters of the government, they nevertheless reaffirmed the autonomy of the capitalist system from state affairs and the rights of citizens to engage in economic activity. Postwar pluralists, therefore, paid attention to the governmental realm and theorized a democratic process that operated through the activity of politicians, political parties, interest groups, and voters. Their democratic theory was termed 'pluralist' because they theorized that power was decentralized and shared between these competing groups.

Similar to Weber and Schumpeter's mode of analysis, these political scholars aimed to describe the empirical workings of democracy (Held 2006). Given the favorable conditions of postwar United States, they concluded that politicians generally represented the interests of the citizenry and that there was a correspondence between the decisions made by politicians and the preferences of citizens. It is this responsiveness of politicians to the interests of the citizenry that Dahl (1971) defined as the central characteristic defining a democratic society. Thus, Dahl's (1956) early work on democracy is entirely focused on establishing the "processes by which ordinary citizens exert a relatively high degree of control over leaders" (p. 3).

Pluralists codified what they saw unfolding during the golden age into a model of democracy that both described reality but also could serve as an ideal model of what the proper democratic system should be and a model that all democratizing societies should aspire to realize. For the liberal model, the key to ensuring that politicians represent the citizenry is for the democratic system to administer regular elections and for there to be political competition among groups, especially political parties and interest groups. Like the democratic method, the liberal model asserts that citizens rule indirectly by electing representatives who govern in the name of the people. Moreover, pluralists joined Schumpeter in jettisoning the notion of a collective and over-arching popular will, and instead, pluralists focused on the competing interests held by different groups in society. However, in contrast to Schumpeter's ban on "back-seat" political driving, pluralists legitimized a more active role for the citizenry in influencing the decisions made by leaders, albeit, so long as citizens pursued institutional forms of interest group activity (Truman 1951).

The theorists of the liberal model of democracy attempted to describe the empirical operation of politics in U.S. society, but their model became "in the end a new normative theory of democracy" (Duncan and Lukes 1963:169). The way the United States and other Western democratic societies administered politics in the postwar period became the ideal model for democracy, *per se*. What they observed and codified into their model was electoral, party, and interest groups forms of political action. While these institutional forms were legitimatized because they were thought to contribute to the maintenance of stable, healthy democratic societies, other modes of noninstitutional political activity, such as protest politics, were denounced in the postwar period as dangerous, mainly because such forms of political participation were used by fascist and totalitarian regimes to channel the masses in support of the rulers (Kornhauser 1959; Meyer 2012).

Even high levels of political apathy, mainly in the form of depressed rates of voter turnout, did not pose a problem for democratic societies or for the pluralist theorists. Indeed, on the one hand, voter apathy was seen as quite functional for democratic societies because it reflected the stability of the system and attenuated levels of social conflict. On the other hand, societies that required mass participation in politics were often conceived to be totalitarian (Lipset [1959] 1981). Thus, for proponents of the liberal model, the primary means by which citizens "rule" is through voting, party-related, and organized interest-group activity, and, it is healthy for the democratic system to produce political apathy amongst the citizenry because it reduces "the impact of fanaticism, thus guarding against the danger of total politics" (Duncan and Lukes 1963:172). In a sense, the entire theory is tautological—the legitimate expressions of politics were those that were already being practiced by democratic societies.

The liberal model was the dominant guide for political research throughout the 1950s and 1960s. However, the changing conditions of the 1970s and 1980s revealed deep cracks in liberal model of democracy and challenged the relevance of pluralism for explaining the distribution of power in U.S. society. While elections, party, and interest group activity continued to define the operation of democracy in the United States, the assertion that politicians still represented the interests of the citizenry became strained, doubted, and is today untenable. It can no longer be substantiated that liberal democracy functions to represent people's interests. By neglecting to see corporations as powerful political actors, the theorists of the liberal model of democracy did not anticipate how the growing penetration of capital into the political process diverted the mechanism of representation such that political leaders represented corporations and elites, not ordinary citizens. The first political scholars to recognize the deficiencies of the liberal model and posit an alternative vision of democracy were the leftist political scholars who witnessed the “legitimation crisis” (Habermas 1973) of the 1970s and 1980s.

Participatory-Deliberative Democracy

Responding to the deepening of bureaucratization, alienation, and the concentration of power in fewer and fewer hands that developed during the post-World War II context, ideas began to circulate that perhaps mass participation in politics was not to be feared, as was the prevailing belief in the shadows of fascism, but that mass participation may strengthen the democratic constitution of society (Mills [1956] 2000; Riesman, Glazer, and Denney [1950] 2001; Marcuse [1964] 1991). Even ordinary individuals began to recognize that the traditional liberal model did not represent all citizens. Beginning on the streets with the New Left and the student movements and continuing with the civil rights movements, elements of participatory democracy began to be incorporated into the critiques of capitalism. Written by the Students for a Democratic Society in 1962, the Port Huron Statement cogently argued for citizens to overcome their political apathy and realize their potential for “self-cultivation, self-direction, self-understanding, and creativity” (Hayden 2005:6) by involving themselves in politics. A new horizon opened for the potential of mass participation to not only check elite power but also strengthen community ties that had attenuated in a society characterized by consumerism and alienation.

The political upheaval imprinted itself in the academy. Political theorists, most prominently Carole Pateman (1970; 1985) and C. B. Macpherson (1977), refined the theoretical foundation for a participatory model of democracy to capture what was unfolding during the tumultuous decades of the 1970s and 1980s. Railing against the minimal role accorded to the citizenry in what she perceived to be elitist theories of democracy, Pateman (1970) directly confronted Schumpeter’s characterization of the classical theory of democracy and argued that he created a “myth” (p. 17) that misrepresented what the classical democratic theories actually said. Patemen, by resurrecting the theories of Rousseau, J. S. Mill, and G. D. H. Cole, proceeded to reconstruct the foundation for a participatory model of democracy and advocated for the creation of a “participatory society” (p. 20) where individuals contributed to the decision-making processes of government and other institutions, such as the workplace. Taking seriously the inequality built into the fabric of U.S. society, both Pateman and Macpherson argued that the conditions of real equality could only be achieved by expanding the opportunity for citizens to participate in key areas of social life.

Later on, political theorists became concerned not only with increasing the participation among citizens but improving the quality of that participation. Coined by Joseph Bessette in 1980, "deliberative democracy" is a term that refers to "any one of a family of views according to which the public deliberation of free and equal citizens is the core of legitimate political decision making and self-government" (Bohman 1998:401). Theories of deliberative democracy emerged to emphasize the transformative potential of deliberation (Dryzek 1990, 2000; Habermas 1996; Offe and Preuss 1991). Rejecting the idea that preferences are fixed, deliberative democrats are united in their belief that preferences are formed through a dynamic learning process in which citizens rationally communicate with one another and voluntarily submit to the force of the better argument. Newer strands of deliberative democracy downplay the role of reason in deliberation and instead envision a positive role for emotions and narration in public deliberation settings (della Porta, 2013).

The two models of participatory and deliberative democracy have become melded together in the twenty-first century into one model that can be called the participatory-deliberative model of democracy. The participatory-deliberative model of democracy can be boiled down to a basic formula: more public participation + better quality deliberation = a healthy democracy. By implementing participatory-deliberative activity into a democratic society, it is theorized that 'rule by the people' can be literally realized. It is this prescription that has formed the theoretical backdrop for the recent explosion in participatory-deliberative practices in the United States and around the world, which includes activities ranging from collaborative forms of governance like Participatory Budgeting, to deliberative procedures, quasi-direct democratic actions, and social movement activity.

Like the pluralists before them, the participatory-deliberative theorists legitimated a new model of democracy that was both descriptive and normative. The participatory-deliberative model reflected the actual socio-historical circumstances that had been unfolding since the 1960s into the twenty-first century but could also serve as a normative model for rescuing democracy in any society from the hands of corporations and elites. However, they desired a different relationship between politics and economy than their pluralist predecessors. Rather than have politics be cordoned off from the economy, the participatory-deliberative theorists believed that the economy should be subservient to politics. Hence, active citizens, through participatory-deliberative activities, could use politics and the coercive authority of the state to compel economic actors like corporations to serve the interests of the citizenry. Nevertheless, because they believed that a pure democratic politics could be isolated outside of the penetration from capitalist processes, the participatory-deliberative theorists did maintain a binary between politics and economy like the pluralist theorists before them. Furthermore, similar to their pluralist predecessors, participatory-deliberative democratic theorists neglected to theorize how corporate political activity could co-opt and subordinate participatory-deliberative activities to serve its own interests.

As the participatory-deliberative model of democracy accrued credibility and gained acolytes in political theory and political sociology, this model has been challenged by conservative political scholars have vocally opposed the bottom-up form of democracy that is at the foundation of the participatory-deliberative model. Contrary to maximizing citizen participation in politics, these political scholars contend that increasing levels of public participation is detrimental to a democratic system because it tends to overload the political system with too many popular demands that the state cannot effectively handle leading to pathological and irrational consequences (Crozier, Huntington, and Watanuki 1975). To remedy what they perceived to be a misguided model of democracy, rational choice and New Right theorists devised an alternative model of democracy that sought to minimize citizen participation and instead channel political activity through the market.

Market Democracy

The market mode of democracy emerged within the context of the brewing Cold War that pitted capitalist democratic countries against communist totalitarian regimes. Facing this threat, rational choice and New Right scholars (see Arrow 1963; Buchanan and Tullock [1962] 1999; Downs 1957; Olson [1965] 2002; Riker 1982; von Hayek [1944] 2001; von Mises 1949) dug new theoretical trenches to shore up the principles of individual liberty against “the fearsome tides of organic and group theories that threatened to subsume individuals and their aspirations for freedom" (Amadae 2003:3). Thus, beneath the military build-up between Western countries and the Soviet empire, conservative scholars waged an ideological war against collectivist political theory.

For the rational choice theorists, because the Soviet Union valued collective decision making over individual choice and prioritized state-organized planning, it epitomized totalitarianism. These rational choice theorists took their cues from a trio of Austrian political theorists writing in the 1940s, including Schumpeter, Friedrich von Hayek, and Karl Popper, who all warned that the march of communism threatened the stability of liberalism in the West (Amadae 2003). For the Austrians, specifically Schumpeter and von Hayek, the idea that society could be directed according to a common purpose or 'general will' was dangerous and necessarily coercive because society comprises millions of individual actors who have competing interests and values, and therefore, any common purpose must be forcefully imposed upon individuals thereby corrupting individual freedom. In effect, the Austrians, and rational choice theorists who took up their legacy, berated what Schumpeter referred to as the classical doctrine of democracy, which they equated with the communist societies in the East.

The totalitarian menace did not just exist abroad but also domestically in the United States and in other Western countries. In reaction to the New Deal legacy, the New Right, including Hayek, as well as Milton Friedman, Ludwig von Mises, and Robert Nozick, aimed their scopes at the tax-and-spend, deficit-building, Keynesian welfare state, which was perceived to produce administrative inefficiency and constituted the largest threat to individual freedom. The solution was to turn over state functions to the private market. The New Right, therefore, committed themselves to the idea that individual freedom was best secured by minimizing the state's role in the economy, and social life more broadly, by privatizing state goods and allowing markets to distribute resources (Held 2006). The political theories of the New Right provided the theoretical legitimacy to the rolling back of the state that was spearheaded by the Reagan and Thatcher administration and occurred across Western societies in the 1970s and 1980s and has continued into the twenty-first century (Harvey 2005).

Anthony Downs' (1957) classic text, *An Economic Theory of Democracy*, clearly articulated the centrality of self-interested action, which is at the heart of the market model of democracy. According to Downs, "whenever we speak of rational behavior, we always mean rational behavior directed primarily towards selfish ends" (p. 27). The inspiration for such a hardnosed approach to self-interest was none other than Schumpeter ([1942] 2008) himself who wrote:

> Similarly, the social meaning or function of parliamentary activity is no doubt to turn out legislation and, in part, administrative measures. But in order to understand how democratic politics serve this social end, we must start from the competitive struggle for power and office and realize that the social function is fulfilled, as it were, incidentally—in the same sense as production is incidental to the making of profits. (P. 282)

Rational choice theorists applied market rationality to political behavior, which became the basis for a market democratic political system. Thus, for Schumpeter and rational choice theorists alike, just as individuals engage in economic action for self-interested, economic profit, individuals engage in political action to accrue self-interested, political profit. For conservative theorists like von Mises (1949), this meant that the market was the true heir to rational political activity because the market itself responded to every penny spent by individuals, while votes were wasted all the time.

One did not have to be a conservative political theorist to see the merits of the market model of democracy. Finding the state to be captured by corporate interests, even more progressive political scholars began to legitimate market political activities (McFarland 2010; Micheletti 2003; Micheletti, Follesdal, and Stolle 2004; Micheletti and McFarland 2012). For these scholars, political causes were better fought in the terrain of the market against transnational corporations that they viewed as the source of injustice. Thus, individuals could exercise their political agency through acts of consumption and investment, which functioned to either support or oppose corporations on the basis moral or ethical reasons.

No matter the political persuasion, market democratic theorists understood the market to be the site of legitimate political activity. Not only was market political activity less costly than other forms of traditional political action because it could be practiced over the course of one's daily life, the market was also said to be the supreme site to express individual agency and freedom. Hence, the market was more democratic than the state. As Frank (2000) surmised:

> The market and the people…were essentially one and the same. By its very nature the market was democratic, perfectly expressing the popular will through the machinery of supply and demand, poll and focus group, superstore and Internet. In fact, the market was *more* democratic than any of the formal institutions of democracy—elections, legislatures, government. The market was a community. The market was infinitely diverse permitting without prejudice the articulation of any and all tastes and preferences. Most importantly of all, the market was militant about its democracy. It had no place for snobs, for hierarchies, for elitism, for pretense, and it would fight these things by its very nature…By consuming the fruits of industry we the people are endorsing the industrial system, voting for it in a plebiscite far more democratic than a mere election. (P. 29-30)

Against the liberal model of democracy, it is in the marketplace, not the voting booth, where political agency is exercised. Against the participatory-deliberative model of democracy, what is needed is not more voices in the political process but noisy consumers and investors in the marketplace.

In contrast to the liberal and participatory-deliberative models of democracy, the market model of democracy, as it was devised by rational choice theorists, was "not an attempt to describe reality accurately" (Downs 1957:34). Rather, the architects of the market model of democracy sought to formulate deductively a nonnormative, value-free, and scientific approach to politics that would guide rational political action. However, despite the intentions of the architects, the market model of democracy, like all models of democracy, is both descriptive and normative.

As traditional forms of political behavior, including voting, party, and interest group activity, have attenuated in the twenty-first century, the market model describes the proliferation of economic forms of political activity that have proliferated in the current consumer-driven society. But the market model also legitimizes such forms of political activity because they are seen to be the ultimate expression of human freedom and individual agency. Thus, behind the cloak of objective science, the rational choice theorists institutionalized a normative theory of democracy based in the self-interested rational actor that was compatible with the values of the advanced capitalist system that emerged after WWII. In this way, the market model of democracy endorsed a relationship between politics and economy that collapsed the binary between the two spheres, which had been maintained in the previous models of democracy. In the market model, politics and economy constitute a singular mode of power. As I will demonstrate in the next chapter, it is this relationship between politics and economy that offers the most accurate description of the empirical relationship between the two spheres in twenty-first century U.S. society. Despite accurately theorizing the relationship between politics and economy, market democratic theorists scarcely considered how the political role of corporations could undercut human freedom, which the market model was supposedly designed to protect.

CONCLUSION

Because all models of democracy are ideal types, and therefore not in themselves complete and comprehensive depictions of the totality of socio-political relations, they often overlook facets of reality that fundamentally challenge their normative claims. In all models of democracy, as they have been devised by their originators, there is a reluctance to consider the activity of corporations in politics. Each model of democracy, therefore, suffers from the same pathology—focusing on human citizens as the only meaningful political actors and neglecting to consider corporations themselves as political actors. Instead, what must be confronted at the outset is the social fact that corporations are, legally speaking, political actors in their own right, and their political power has increased as they have become ever more integrated into the governing structure of U.S. society.

Federal law recognizes corporations as legal 'persons'. Hence, they can spend exorbitant amounts of money influencing electoral politics through lobbying, campaign contributions, and opinion shaping (first dimension). In addition, corporations are institutions that increasingly intervene in the public sphere to host deliberative forums, shape discourse, and structure the ways in which people participate and deliberate with one another (second dimension). Finally, the everyday economic activity of ordinary citizens constitutes the foundation from which corporations obtain capital that they translate into political power through the aforementioned avenues (third dimension). In all these cases, political scholars fail to connect the intricate relations between human and corporate political actors. In failing to connect these dots, they also neglect to consider how corporate political activity undercuts the normative desire animating each model of democracy.

The following chapters are dedicated to convincing the reader that corporations have permeated every nook and cranny of democratic life. There is no space immune from their penetration, and their political power dwarfs that of ordinary citizens and even their political associations and labor unions. Despite the pervasive presence of corporations in socio-political life, few sociologists have endeavored to research corporations' many-faced role in politics. Of course, there have been attempts to research different singular aspects of corporations' role in politics; however, these discrete treatments are rarely compiled into a more theoretical and comprehensive account, which is the explicit intent for the remainder of this dissertation.

Furthermore, no political sociologist has attempted to incorporate the reality of corporations' role in socio-political life within the three dominant models of democracy. While some political sociologists have attempted to demonstrate corporations' role in liberal and participatory-deliberative models of democracy (e.g., Cairns and Sears (2012) and della Porta

(2013)), they have totally ignored the market model of democracy in their work. It is my intention in this dissertation to compensate for the paltry treatment of corporations in U.S. democratic life. To do so, I will interrogate the content of each model of democracy and compare it to empirical research conducted on corporations' role in the political system. However, before the contours of each model of democracy are explored and corporate political power revealed, I will first clarify the precise ways in which corporations, historically, have constituted themselves as political actors and part of the governing structure in the United States.

CHAPTER 2
CORPORATIONS AS POLITICAL ACTORS AND "FRANCHISE GOVERNMENTS"

The purpose of this chapter is to illustrate how corporations have amassed political power because of their dual identity as political actors and "franchise governments." To do so requires a historical investigation of corporations as legally sanctioned political actors and part of the governance structure of the U.S. political system. Thus, I conduct a comparative-historical investigation of the evolution of corporations as both political actors and the historically variable relationship between corporations and the U.S. state.

Specifically, I divide the history of the United States into four distinct time periods to denote specific configurations in the relationship between corporations and the U.S. state. Particular attention is paid to how corporations straddle the nexus between private and public spheres of social life and how their understandings as public or private institutions has changed over time. Following a thorough analysis of the historical evolution of corporations as both political actors and part of the governance structure, this chapter concludes by reconsidering the relationship between corporations and U.S. state in the twenty-first century. Before pursuing this comparative-historical case-study, I briefly examine the precise ways that corporations can be conceived of as political actors, and then, the methodology used in this chapter.

THE POLITICS OF CORPORATIONS

The average U.S. citizen in the twenty-first century is in constant interaction with corporations. From the moment they wake up and drink their morning coffee to the moment they brush their teeth before they go to bed, corporations produce a continuous supply of basic necessities, amenities, and luxuries for consumption. Even the most corpora-phobic individuals still use energy provided by them and have cellphone and internet plans hosted by them. No doubt, corporations are socio-economic institutions embedded into the very fabric of society. In this sense, corporations are also political institutions because their activities and policies disproportionately dictate the answer to the classic political question—'who gets what, when, and how'.

Not merely the institutions that produce the commodities underlying modern existence, corporations also regulate and administer public goods, such as healthcare, education, infrastructure and urban development, security, military, and prisons. Moreover, their activity disproportionately impacts a more fundamental public good—the environment. The emergence of neoliberal theory and practice since the 1980s has certainly augmented the public presence of corporations as more and more areas of public life have been privatized; however, corporations have been administering public goods since the early days of the U.S. Republic. For example, corporations founded many of the original colonies including, Virginia, Massachusetts, Connecticut, Rhode Island, Georgia, and the Carolinas. Furthermore, corporations constructed canals, roads, turnpikes, telegraphs, and railroads necessary for an emergent capitalist economy. They also created the nation's first schools, hospitals, churches, and orphanages (Barkan 2013). Therefore, corporations are political in an additional sense; they are institutions legally purposed to regulate and govern over human life. According to Néron (2010), corporations are not only "seen metaphorically as 'citizens,' but as a growing concern for real citizens. Their operations are then seen as 'citizenship' issues" (p. 341). The recognition of the corporation's impact on key citizenship issues has spawned a growing field and social movement called "corporate social responsibility" (Crane, Matten, and Moon 2008; Urban 2014), whose advocates seek to harness corporate power to serve the well-being of the environment and public goods.

To produce all of these commodities, services, and public goods, corporations employ millions of people. According to the U.S. Census Bureau, large corporations, defined as those employing 500 or more workers, employed 51.6 percent of the working population (or, 59.9 million people) in 2012 (Caruso 2015). Millions more work at smaller firms. Corporations are political in an additional sense because they have the legal authority to exercise political power over millions of employees in the United States and billions around the world. As Ciepley (2013) states, "the business corporation exercises powers analogous to those of government, if more limited, including the right to command, regulate, adjudicate, set rules of cooperation, allocate collective resources, educate, discipline, and punish" (p. 142).

Corporations are political institutions in one final sense. Corporations are political actors "that can influence the construction of public policies, regulations, and laws" (Néron 2010:343). Functioning within a capitalist economy, corporations are forced to operate in an inherently unstable and uncertain political, economic, social, and cultural environment. Within this context, corporations are responsible for generating capital to finance business operations. Corporations must also compete against each other for greater market share, which is the wellspring from which capital is generated. It is this competition for capital within an inherently unstable and uncertain environment that drives corporations to intervene in the political process (Prechel 2000). Corporations, more than anything else, are organizations rationally purposed to exert control over their economic, social, political, and cultural environments in order to facilitate profit-making conditions (Dahms 2000). The state is an integral tool for corporations to achieve these ends.

Kolko (1963) coins the term "political capitalism" to refer to corporations' "utilization of political outlets to attain conditions of stability, predictability, and security—to attain rationalization—in the economy" (p. 3). According to Kolko, rationalization of the economy allows "corporations to function in a predictable and secure environment permitting reasonable profits over the long run" (p. 3). Thus, corporations intervene in the political system to shape specific public policies to rationalize the economy and thereby augment the capital accumulation of corporations, for example, through tax cuts and subsidies, as well as through deregulation, liberalization, and privatization of the economy.

Corporations, while in some periods are united in defending business interests, also have different and opposing policy goals, which means that corporations frequently compete against each other to control the outcome of public policy making (Baumgartner et al. 2009; Walker and Rea 2014). As one corporation intervenes in the political process to shape policy making to their advantage, other corporations in the same industry will mobilize politically to defend their interests. Moreover, once a corporation begins to intervene in one area of policy, that corporation tends to diversify into other areas as well. Therefore, the political mobilization of corporations is dynamic and self-perpetuating. Today, more firms are mobilizing politically and more money floods the political system than ever before (Drutman 2015).

The power accorded to corporations to govern over human life and intervene in the political process does not arise from any intrinsic quality of corporations. Rather, corporations are legal fictions that owe their existence to the subnational state that charters them. Hence, their political power is granted externally by states and only exists because it is sanctioned by the legal apparatus. The idea of private corporations is confused; it is always already public-private corporations.

Business entities are not the only ones who adopt the corporate form of organization. According to Ciepley (2013), "the corporate form is enjoyed by many nonbusiness entities, including monasteries, universities, towns, and associations, and was granted to them long before it was granted to business entities" (p. 141). Business or not, all corporations share three basic rights granted by charters:

> (1) the right to own property, make contracts, and sue and be sued, as a unitary entity (a legal 'person'); (2) the right to centralized management of this property; and (3) the right to establish and enforce rules within its jurisdiction *beyond* those of the laws of the land—such as the monastic *Regula Benedicti*, town ordinances, bylaws, and work rules. (P. 141)

States, therefore, grant to all corporations both a legal status as a 'person' separate from its members and the authority to govern over property and people under its jurisdiction. Business corporations enjoy one specific right over and above those of nonbusiness corporations—"(4) the right to turn this governing authority and property to the pursuit of profit" (p. 141).

Business corporations, which I focus on in this dissertation, take advantage of specific legal rights, including asset lock-in, entity-shielding, limited liability, and perpetual existence, that make the corporate form the preferred vehicle through which individuals pursue business activity. These legal rights are not ancillary privileges that corporations enjoy on the side. Instead, they "are what make the business corporation a corporation" (Cieply 2013:145). Therefore, it is only through state intervention that corporations acquire the legal rights that make the corporate form of organization the supreme business vehicle. Moreover, because they are treated as legal 'persons', which has been the case since the 1880s, corporations enjoy the same legal rights as ordinary humans, and in some cases more protections. Upon this foundation, corporations are legally eligible to influence the political system through all three dimensions of political action that will be covered in the following chapters.

TREATING TIME PERIODS AS CASES

Comparative-historical research methods are particularly suited to answer "big" questions—"that is, questions about large-scale outcomes that are regarded as substantively and normatively important by both specialists and nonspecialists" (Mahoney and Rueschemeyer 2003:7). How corporations amass political power in the United States is one such big question that has been asked in both academic circles and among a wider public audience. However, in contrast to many traditional comparative-historical approaches that pursue cross-national comparisons of specific social institutions or processes, like states or revolutions, the research question asked in this dissertation focuses on corporations in one particular region—the United States.

Jeffrey Haydu refined a comparative-historical method specifically suited to guide research focusing on one particular institution over time in a single region. According to Haydu (1988, 2009), much can be learned about institutions by treating time periods as cases that can be compared against each other, and tracking the historical development of an institution across these cases. Following this insight, I divide the history of the U.S. political economic system into distinct time periods to track the evolution of the dual identities of corporations.

To treat time periods as cases, time is artificially broken down into separate units. In pursuing this line of research, it is necessary to strike a balance between the idiosyncratic nature of each period and the continuities between time periods, which is best achieved by connecting time periods "through sequences of events" (Haydu 1998:348). By connecting time periods in this way, it is possible to illustrate both the distinctive character of each case and the way in which one case folds into another.

Haydu (1998) recommended a narrative approach when constructing time periods as cases through sequences of events. Researchers use narratives to make the unwieldy nature of history manageable. While narratives are necessary tools when explaining history as a sequence of events, they are not sufficient in themselves to carry explanatory weight. The problem is that narratives tend to be vague and theoretically loose. They fail to specify concrete mechanisms that lead to social change. "Instead, an abstracted story line is all that connects successive events in an imputed causal chain" (p. 354). The question arises—what concrete mechanisms lead to change within narratives?

Path-dependency narratives and reiterated problem-solving narratives are two contrasting techniques researchers can use to identify mechanisms that lead to transitions between time periods. A path-dependent narrative "begins with an historical fork in the road, identifies the turn taken, and emphasizes how subsequent developments make that choice irreversible" (Haydu 2009:29). Therefore, path-dependent narratives emphasize "turning points and lock-in mechanisms" (p. 29) whereby future pathways are constrained by past developments. Because historical turning points lock history into a specific path, movement off that path becomes increasingly difficult, however, not impossible. "Switchpoints are moments of serendipity" (p. 30) and reveal the contingency in history.

The spontaneity of history and historical determinism exist in an uneasy tension in path-dependent narratives. A moment of serendipity can change the course of history; however, history can also be locked into a specific path. For Haydu (2009), "this exaggerated contrast between serendipitous switchpoints and locked-in paths makes it more difficult to show the importance of sequence of events and the corresponding influence of the past—supposedly path dependency's strong suites—when more than one period is involved" (p. 31). The major problem is a lack of history at switchpoints and an overly deterministic account of historical paths. In addition, path-dependent narratives "rarely deal with multiple switchpoints that form more encompassing sequences" (Haydu 1998:353).

A methodological approach better suited to the task of both linking and comparing successive time periods is through reiterated problem-solving. No longer focusing on serendipitous events that change the course of history, actors take central stage. In each historical period, social actors confront recurring problems and must devise solutions to these recurrent dilemmas. There is continuity across time periods because enduring problems persist throughout history. However, time periods are distinguished because actors pursue different solutions at different times, which reflect the idiosyncratic nature of each period. Hence, the breakdown of one problem-solving regime and the emergence of a new one establishes a break in history that can be used as a marker to divide between time periods (Haydu 1998, 2009).

Reiterated problem-solving narratives have several advantages over path-dependent narratives when explaining the linkages between time periods. Similar to path-dependent narratives, researchers also examine switchpoints where history takes a sharp turn. However, in reiterated problem-solving accounts, those critical switchpoints are not viewed as arriving out of nowhere. Switchpoints in history are not simply serendipitous occurrences but the outcome of prior regimes shaping the historical switchpoint, which sets the stage for future development and the choices available for future actors (Haydu 2009). Reiterated problem-solving narratives are, therefore, highly commensurate with Marx's observations on history. According to Marx ([1852] 1978), "[m]en make their own history, but they do not make it as they please; they do not make it under circumstances chosen by themselves, but under circumstances directly found, given and transmitted from the past. The tradition of all dead generations weighs like a nightmare on the brain of the living" (p. 595). On this account, historical periods do not emerge *tabula rasa* but are nurtured from within the womb of the previous period. Each historical period is a preface to the next period.

Reiterated problem-solving narratives compensate for the one-dimensionality of path-dependent narratives that posit history along a mostly linear path and are particularly ill-suited to explain instances of historical reversal. In contrast, because reiterated problem-solving narratives focus on actors making decision to solve recurrent problems, sharp historical turns can be accommodated more easily than in path-dependency. The methodological move to place social actors at the center of the analysis "keeps alive possibilities for altering paths" (Haydu 2009:39). Thus, reiterated problem solving is highly commensurate with a dialectical analysis of history that can be nonlinear and historically reversible.

Corporations are the institutions at the forefront of this comparative-historical study. The recurring problem they face is how to control their economic, social, political, and cultural environments to facilitate the accumulation of capital. Understanding how corporations exert control over their environments is the major focus of this study. Because corporations are legal fictions whose power and authority derives from the states that charter them, a study of corporate control over their environments necessarily entails a thorough examination of the law, which frames the types of actions available to corporations. Moreover, as laws change over time, corporations face new opportunities or constraints that have significant implications for how corporations wield political and economic power. Social theorists, such as Durkheim, Weber, Ehrlick, Duguit, and Pound all stressed "the degree to which law was absolutely central in creating and understanding the transformations in economy, society, and polity that gripped all western nations in the late nineteenth and early twentieth centuries" (Novak 2002:263). Therefore, the law is foundational to any political-economic study of U.S. history.

The largest corporations, in terms of capitalization, are the ones who exert the greatest control over their political, economic, social, and cultural environments. Domhoff (2014) calls the largest and most powerful of them the "corporate community" (p. x) to highlight their overlapping interests in defending against challenges emanating from nonbusiness actors. While there are many instances when corporations are pitted against one another in policy battles (see Baumgartner et al. 2009; Walker 2014), the largest corporations are united on issues that affect corporate profit making. According to Domhoff (2014):

> The corporate community is cohesive on the policy issues that affect its general welfare, which is often at stake when organized workers, liberals, feminists, communities of color, or strong

> environmentalists organized sustain political challenges. It is also cohesive when elected officials attempt to raise corporate taxes or place new regulations on business activity. (P. x-xi)

Domhoff (2014) delineated the overlapping membership of executives who sit on the boards of directors of the largest corporations, as well as the elite social institutions, trade and business associations, policy-planning networks, and opinion-shaping networks through which business unity is maintained. Through these channels, corporations cooperate and coordinate to defend their interests. The point of this study is not to reconstruct how these memberships and institutions create business unity. Rather, what will be examined is how large corporations function as unified political actors to control their environments to facilitate profit-making conditions.

Corporations are woven into a society populated with other types of political actors, most importantly, state officials and bureaucrats, organized interest groups, including labor unions and citizen advocacy groups, and various public spheres and social movements. These political actors adhere to contrasting and opposing values and goals, which often pits key actors against one another and compels other actors to cooperate. A study of corporations as political actors cannot exclude these other political actors because all types of political actors influence the direction of history, and as a consequence corporate power, albeit to different degrees.

Polanyi's ([1944] 2001) concept of the "double movement" (p. 136) captures the dynamic relationship between corporations and countervailing political actors. As corporations seek to exert control over their environments, other political actors attempt to defend their interests, and vice-versa. Therefore, corporations are not always the actors behind the wheel of history. Social movements and organized interest groups mobilize to defend their interests against corporations. Both sides have the potential power to move history.

The conflict between corporations and social actors is mediated by the state. Because the state monopolizes the legitimate means of violence in society and has the authority to create laws, both sides recognize the power of the state and seek to harness state power on behalf of its respective interest. Thus, the state is situated in the middle of a tug-of-war between corporations and political actors. Both sides pressure the state to act on its behalf through favorable legislation and public policy. What will be explored are the specific historical factors that compel the state to protect the interests of one side over the other.

The double movement between corporations and countervailing political actors unfolds historically within the United States. The evolution of corporations as political actors is not a linear trajectory of corporations continuously augmenting their political power over time. The actual history is complicated by historical reversals as countervailing actors challenge corporate political power and economic crises create unstable economic conditions that depress profit making. While corporate political power has waxed and waned depending on the period of U.S. history, no challenges by countervailing actors or crises have ever successfully dethroned corporations, except for possibly a brief period in the immediate years following the Great Depression. Like a whetstone that sharpens a blade, challenges and crises provoked corporations to mobilize to defend their interests, which over time sharpened their political power. Thus, while the evolution of corporate political power is far from linear, there is a certain pattern that can be discerned. At different moments, corporations weathered challenges and crises, mobilized and restructured their institutional structures to overcome these challenges and crises, and grew to dominate their political, economic, social, and cultural environments.

To track the evolution of the dual identities of corporations, I have divided U.S. history into distinct time periods that are separated by critical turning points in history:

Period 1: The Gestation of U.S. Corporations 1776 to 1880s
Period 2: The Birth and Infancy of U.S. Corporations 1880s to 1929
Period 3: The Adolescence of U.S. Corporations 1929 to 1970s
Period 4: The Maturation of U.S. Corporations 1970s to the Twenty-First Century

Each period represents a specific configuration of corporate political power in relation to the U.S. state. What must be explained is the context in which one period transitions into the next period. Thus, reiterated problem-solving narratives are deployed to connect these time periods, while at the same time, to respect the idiosyncrasy of each period. The story begins with the role of corporations in the early U.S. Republic.

THE GESTATION OF U.S. CORPORATIONS: 1776 TO 1880S

In the early days of the Republic, corporations were an inconspicuous feature in the everyday lives of the citizens. In fact, the U.S. Constitution contains no mention of corporations whatsoever. Business corporations, privately owned, legally chartered, and organized under joint-stock ownership, were virtually absent in the early Republic. Not counting banks, there were only six chartered corporations in 1787 (Nace 2003). "Instead, most American businesses were owned by families or partnerships. They had no corporate charters, nor did they need them" (p. 42). At the time, the United States was primarily an agricultural society, albeit with a dynamic and growing commercial sector (Korten 2015; Wilentz 2005). Predominately, business ventures were small-scale and required little capital investment. An 'invisible hand' of market forces, similar to what Adam Smith had envisioned, coordinated and monitored the flow of commodities through the economy (Chandler 1977). Industrialization, economic concentration, and the rise of giant corporations would not occur until the latter decades of the nineteenth century.

Yet the Constitution did not outlaw corporations either. Corporations emerged to meet the social demands of a growing capitalist economy. While there is evidence that the first Americans harbored a deep suspicion of the monopoly power of corporations because of the abuses of the East India Corporation (see Danaher and Mark 2003; Hartmann 2010; Korten 2015, Nace 2003), it is important to distinguish that "this anti*corporate* sentiment should not be confused with an anti*business* sentiment" (Nace 2003:49). Indeed, debates raged among Federalists and anti-Federalists over the best way to stimulate commerce in the new Republic (Matson and Onuf 1990). The legacy of antistatism (see Lipset 1996), however, prevented a total state solution to the problematic of economic development. Instead, the corporate form of business organization became the vehicle through which the early Americans constructed a public infrastructure conducive to commerce and eventually industrialization.

Because the federalist structure centralized a bare minimum of government powers in the federal government, subnational states had a relative degree of autonomy to establish the parameters of economic activity within their respective geographic borders and were delegated the authority to develop the methods to incorporate businesses. Responsible for generating their own revenues to fund their public obligations, subnational states were eager to charter corporations to reap incorporation fees and develop their economies to create jobs (Prechel 2000). For example, states chartered corporations, often as monopolies, to construct the nation's first public projects, ranging from infrastructure and utilities, including turnpikes, canals, bridges, and water supply, to the manufacturing and banking sectors, and even literary societies and orphanages (Barkan 2013; Chandler 1977; Roy 1997). By 1800, the number of chartered corporations grew to 335 (Roy 1997)

But the capital required to build public infrastructure often exceeded the amount of capital that could be pooled privately. On many occasions, states provided the funding to corporations to undertake large-scale projects that were risky and required costly investments, such as when states provided the funding to corporations to undertake canal and turnpike construction as well as manufacturing (Roy 1997). The canal systems of Pennsylvania, Maryland, Virginia, and Ohio were funded primarily by those respective states (Chandler 1977).

At this stage, the founders believed in a confluence between the interests of public and private entities. According to Roy (1997), "[f]or Washington, an owner of considerable Virginia land, private interests conveniently coincided with public interest" (p. 46). Privately owned corporations were therefore understood to be extensions of the public and existed to serve the common good.

Beginning in the early nineteenth century, subnational states began to streamline the incorporation process for specific classes of corporations by devising uniform laws of incorporation. By the 1850s, most states adopted some form of legal standard providing for general incorporation; however, the provisions included in corporate charters varied from state to state (Barkan 2013). By delegating the establishment of incorporation laws to the subnational states, state legislatures and citizens kept corporations under close scrutiny and surveillance. States incorporated businesses for specific purposes and stripped "corporations of their grosser privileges and sovereign powers" (Ciepley 2013:139). As a result, corporations became tightly regulated by state laws and had a responsibility to serve a public need (Roy 1997). For example, corporate charters:

> Were limited to a fixed number of years and required that the corporation be dissolved if the charter were not renewed. Generally, the corporate charter set limits on the corporation's borrowing, ownership of land, and sometimes even its profits. Members of the corporation were liable in their personal capacities for all debts incurred by the corporation during their period of membership…Furthermore, a corporation was limited to conducting only those business activities specifically authorized in its charter. Charters often included revocation clauses. State legislators maintained the sovereign rights to withdraw the charter of any corporation that in their judgement failed to serve the public interest, and they kept close watch on corporate affairs. (Korten 2015:79)

Disagreement emerged in the nineteenth century over the status of corporations as public or private entities. The first battle unfolded in 1819 when Supreme Court Chief Justice John Marshall used the power of the Court to limit the ability of subnational state legislatures to revoke corporate charters. The case centered on the corporate charter of Dartmouth College. Commissioned as a private college by King George III in 1769, the New Hampshire legislature attempted to revoke Dartmouth's private corporate charter and re-charter it as a public state school. In response, the college sued to retain its private charter. Chief Justice Marshall ruled in the case, *Dartmouth College v. Woodward*, that "charters were contracts and corporations should be governed under private law" (Barkan 2013:52). As a result, New Hampshire was legally required to recognize the private status of Dartmouth College and abide by the terms of the original charter.

The Supreme Court's ruling that charters constituted private contracts provoked outrage among many Americans who understood corporations to be "public, not private, bodies, and elected state legislators thereby had an absolute legal right to amend or repeal their charters at will" (Korten 2015:80). The public backlash catalyzed state legislatures to strengthen their legal powers to regulate corporate activity. Over several decades into the mid-nineteenth century, state legislatures in Pennsylvania, New York, Delaware, Louisiana, Michigan, Florida, Wisconsin, and Rhode Island adopted legal measures to regulate, amend, and revoke corporate charters. Similarly, in the 1855 Supreme Court case *Dodge v. Woolsey*, the Court affirmed state legislatures' rights to regulate corporations by ruling that the U.S. Constitution did not confer inalienable rights to corporations (Grossman and Adams 1993). Within these new laws and rulings, an understanding of corporations as public entities resurfaced.

The conflict over defining corporations as private or public entities represents the uncertain role accorded to corporations in the early U.S. Republic. Even though they were privately owned, corporations were generally understood to be public entities whose sole purpose was to operate in the public's interest. However, the capitalist economy was beginning to develop in the United States by the mid-nineteenth century, and corporations' necessary and unavoidable role in industrializing the economy was apparent. A conception of corporations as definitively private 'persons' was not far away.

Industrialization would set the country on a path that would place the corporation at the center of the economy. As factories increased their productivity and output, an efficient and dependable system of transportation and communication emerged to coordinate and administer the distribution of so many new commodities. The nation's first railroad boom in the 1840s and 1850s followed by the introduction of a national telegraph system provided the circulatory system for the newly industrializing economy.[3]

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[3] Rail and telegraph corporations not only built the transportation and communication infrastructure for industrial America, but they also provided the organizational model for the modern business corporation. According to Chandler

Railroad construction illustrates the intimate relationship between corporations and state in economic development. Railroad corporations were privately owned; however, they were "carried out under state-issued corporate charters and used various public powers of government, including eminent domain, to provide land for the lines" (Barkan 2013:57). Furthermore, railroad corporations acquired both millions of acres of public lands for free and millions of dollars in direct subsidies (Grossman and Adams 1993). And, the few railroad lines operated by the state were mostly turned over to the private sector by the 1850s (Chandler 1977). According to Kolko (1963), because both state and federal governments financed significant parts of the railroad system, a literal laissez-faire business policy has never existed.

The number of incorporated businesses dramatically increased in the 1840s and 1850s, reaching into the thousands by the 1860s, although most were railroad and infrastructure corporations (Danaher and Mark 2003; Roy 1997). These early corporations pioneered the organizational structure of the modern business firm with layers of management and ownership by stockholders. But corporations had no legal rights outside of their subnational state of incorporation and were barred from conducting business across state lines. As bureaucracies designed to make profit, corporations sought to transcend these limitations and expand their reach across the United States.

Until the 1880s, corporations were nurtured, but also constrained, in the womb of the subnational states in which they were incorporated while the federal government maintained a generally laissez-faire approach to corporate activity, albeit with significant public investment in corporate business ventures. However, ideologically and materially, events occurring in the 1880s provoked a profound break with the previous period of republican government and restrained corporate activity. As the liberal state birthed corporations in their modern form, a conception of corporations as private 'persons' took hold. The Supreme Court's ruling in the 1886 case *Santa Clara County v. Southern Pacific Railroad* and the 1888 New Jersey Holding Company Act were

(1977), railroad corporations, specifically, "were the pioneers in the management of modern business enterprise" (p. 80). Railroad corporations were the first enterprises to construct administrative hierarchies that employed salaried managers to supervise the complex operations of railroads. Because railroad construction was significantly more expensive than other infrastructure projects such as canal construction, railroad construction became an impetus for the development of the nation's financial system. New York City became the hub of financial activity in the 1850s. It was in the nation's first specialized investment firms in New York that modern securities markets developed to meet the capital needs of the railroad companies.

decisive judicial and legislative events that established the corporation as a private entity with constitutionally protected rights and the economic privilege to own stock in other firms through the holding-company form of business organization. With protected rights and the ability to form holding companies, corporations consolidated economic power over their respective markets, which led to the advent of a new regime of capitalist organization—"corporate capitalism" (Dahms 2000:9). As a result, corporations ushered in the era of 'robber barons' and market consolidation (Derber 1998).

THE BIRTH AND INFANCY OF U.S. CORPORATIONS: 1880S TO 1929

The problem corporations faced in the late nineteenth century was that existing incorporation laws constrained their ability to raise capital for industrial enterprises and generate profit. Because incorporation laws granted firms no legal rights outside their subnational state of incorporation, states prevented corporations from conducting business in other locales. Furthermore, existing laws prohibited corporations from owning stock in other firms. As a result, corporations were dependent on firms operating in other subnational states to purchase raw materials. This dependency made corporations vulnerable to price swings and limited the ability for corporations to increase their control over regional markets (Prechel 2000). The resulting dilemma posed a significant obstacle for corporations that sought to augment capital accumulation. A new switchpoint in history emerged as corporate actors mobilized politically to restructure and liberalize state incorporation laws.

Representatives of corporations, such as Standard Oil in New Jersey and DuPont in Delaware, pressured subnational states to amend their incorporation laws to be more favorable to corporate interests. For their part, subnational states accommodated corporate demands because of their reliance on business activity to generate revenues. As a result, subnational states changed their legal structure to augment the power of corporations to accumulate capital and expand their economic power.

The New Jersey Holding Company Act of 1888 was the defining piece of legislation that birthed the modern corporation and improved the ability of corporations to generate profit. Subsequent legislative acts passed in New Jersey between 1888 and 1896 further solidified the movement to an increasingly liberalized business environment. Most importantly, the Act legalized the holding company form of business organization, which permitted corporations to own stock in other corporations and had previously been prohibited unless a state charter specifically issued this privilege. Businessmen created holding companies to exert a higher degree of control over their competitors by merging with them and assimilating them into the parent company's business empire. In 1889, New Jersey passed another liberalization law that "granted firms the right to purchase property outside the state of incorporation with stock issued specifically for that purpose" (Prechel 2000:32). As a consequence, corporations could operate across subnational state lines.

Taken together, The New Jersey legislative acts constituted a sharp break from the previous period when states restricted business activity to the subnational state of incorporation. The Acts revolutionized the consolidation strategies pursued by corporations and considerably expanded corporate rights. Pooling agreements were generally weak mechanisms to facilitate consolidation and were forbidden after the 1887 Interstate Commerce Act. Trusts were also vulnerable to antitrust legislation. The holding-company form, however, because it did not involve contracts or agreements between competitors but stock ownership by a parent corporation, proved to be a more durable form of consolidation that was relatively immune from antitrust prosecution, at least during this second period of corporate evolution. In addition, power centralized in the parent company who could dictate the behavior of its network of subsidiary corporations. And, the capacity to issue stock reduced the parent company's reliance on external sources of funding and instead provided internal means to raise capital (Prechel 2000).

Although corporations were the unambiguous benefactors of the new incorporation laws, the increased revenue generated from incorporation fees generated significant amounts of revenue for New Jersey. The legislation effectively ended New Jersey's budget crisis by reducing the state's debt level from $3.4 million to $.1 million by the end of the nineteenth century. According to Barkan (2013), "[a]fter the passage of the act, so many corporations were chartered in New Jersey that the state government was funded through corporate licensing fees" (p. 56).

Other states began to emulate New Jersey's path towards financial stability. Competition among states to "provide the most lucrative institutional arrangements for business enterprise" resulted in a "race to the bottom" (Prechel 2000:37). Direct revenues earned from incorporation fees and the indirect revenues acquired through economic growth incentivized states to change their legal scaffolding to make it easier for individuals to incorporate businesses and establish holding companies. Although there was variation among states, Connecticut, Delaware, Maine, New York, Pennsylvania, and West Virginia all replicated the New Jersey incorporation laws. By 1912, only two states prohibited the holding-company form. Eventually, Delaware's incorporation laws provided the most favorable setting for business incorporation, and by the 1920s, Delaware had won the 'race to the bottom' (Prechel 2000).

The Instantiation of the Liberal State and the Recognition of Corporate Personhood

The liberalization of state incorporation laws coincided with changes occurring at the federal level, specifically the adoption of "a new regime of American governance—the modern liberal state" (Novak 2002:249). Nothing short of a "legal revolution" (p. 264) took place from 1887 to 1937. At this time, political power became centralized in the federal government at the expense of subnational state power. Thus, as subnational states relinquished their authority to regulate corporate activity through the liberalization of state incorporations laws, the federal government augmented its power to regulate corporate activity.

A new understanding of the law emerged within this centralized mode of governance. The government perceived the law to be a positive tool that it "could use to provide for the economic security of a nation-state composed of individual citizens" (Barkan 2013:75). For Barkan, the instantiation of the liberal state is the precise moment when biopolitics entered the reasoning of the American state. Foucault (2007) introduced the concept of "bio-power" to describe the set of mechanisms by which life becomes "the object of political strategy" (p. 1). Inscribing bio-power into the U.S. liberal regime of governance meant deploying the state's legal to promote the rights and liberty of individuals, which was itself intended to benefit the state apparatus (Hindess 2012). The looming question, however, concerned how best to use the state apparatus to strengthen the rights of individuals without violating the antistatist principles long part of the American tradition. The federal government's adoption of liberalism provided the solution.

Liberalism is a form of "economic government," and "to govern on the basis of economy…meant recognizing the limits of the state in directing the productive relations of society" (Barkan 2013:44). According to liberal governance, the economy, not the state, was the source that provided for the public good. The federal government's role was to establish the milieu in which the economy would thrive, and therefore, benefit the overall public. Thus, the federal government deployed the law to establish a set of predictable norms regulating business activity. This sort of federal level coordination and management of the economy was necessary for business calculations in a modern capitalist economy. However, the actual operations of the economy were directed by corporate entities. According to Roy (1997), "[t]he role of the state was redefined as the enforcer of contracts and property rights in general and the protection of the market in particular. Its authority continued to permit or prohibit the social forms of economic activity, but the content of economic activity would be left to the newly constituted private sector" (p. 75).

The federal government deployed the law "along two not entirely concurrent lines, that of the *law of property and contractual liberty*, and that of the *law of restraint of trade*" [emphasis added] (Sklar 1988:48). Sklar recognized the Janus-faced nature of the federal government's use of law during this second phase of corporate evolution. On the one hand, the federal government used the law to recognize the legal personhood and rights of corporations. On the other hand, as corporations began to operate across state lines and into foreign markets, the federal government used the law to restrain trade and regulate market consolidation. This seemingly contradictory use of law by the federal government both augmented corporate power and sought to restrain that corporate power.

Both uses of the law, however, affirmed the legality of the corporation as a natural and private entity endowed with property rights. Even the center-piece of federal antitrust legislation during the Progressive Era, the Sherman Antitrust Act, reaffirmed corporate personhood (Sklar 1988). Furthermore, as will be demonstrated, large corporations not only supported federal regulation of the economy, the so-called "law of restraint of trade" (p. 48), but also wrote and proposed the bills that commissioned much of that regulation. Regulatory legislation, such as the Federal Trade Commission or the Federal Reserve Board, was not so much intended to restrain corporate power as it was supposed to stabilize markets so that corporations had greater control over generating revenues (Kolko 1963). Therefore, what on the surface seems to be two contradictory uses of the law was in reality one mode of liberal governance deployed along two parallel paths leading to the same outcome—the construction of an industrial economy dominated by large corporations and supported by the federal government.

In keeping with the liberal tradition of promoting individual freedom, the federal government deployed the "law of property and contractual liberty" (Sklar 1988:48) to expand the individual rights of U.S. citizens, for example, through the 14th Amendment to the Constitution.

According to Barkan (2013), "Section 1 of the amendment established a new foundation for citizenship based on birth. It also guaranteed due process rights and the equal protection of law to all 'persons'" (p. 71). However, to which 'persons' the 14th Amendment applied became a matter of increasing controversy in the decades after it was passed in 1868. Although intended to give freed slaves citizenship, courts began to interpret the ambiguous meaning of the word 'persons' to apply to corporations. In particular, two Supreme Court cases in the 1870s set the stage for the 14th Amendment to be applied to corporations—the 1873 *Slaughter-House* cases and the 1877 *Munn v. Illinois* case. In both cases, Supreme Court Justice Stephen Field offered dissents that represented the emerging pro-corporate personhood discourse in late nineteenth century. For Justice Field, the 14th Amendment "protected any person—corporate or individual, artificial or real—and his property within the territorial borders of the nation-state" (Barkan 2013:72).

Two court cases in the 1880s further solidified the ideology that corporations were natural, private persons entitled to constitutionally protected rights. In 1882, the Ninth Circuit Court of California ruled in favor of the railroad corporation in the *San Mateo v. Southern Pacific Railroad* case. Justice Sawyer argued that the equal protection clause of the 14th Amendment applied to corporations as 'persons'. It was this argument that would be used to justify the application of 14th Amendment rights to the corporation in the infamous 1886 Supreme Court Case *Santa Clara County v. Southern Pacific Railroad* (Barkan 2013).

That the Southern Pacific Railroad corporation won the case against Santa Clara County over unpaid taxes is much less important than the historical significance conventionally attributed to this case as the defining moment when corporate personhood was born. According to Nader (2011), "[i]t was the Supreme Court in 1886 that started treating a corporation as a 'person' for purposes of the equal protection right in the fourteenth amendment." While the 1886 *Santa Clara* Case set legal precedent in treating corporations as persons, a series of court decisions between 1886 through the early twentieth century concretized the interpretation of the corporation as a natural, private entity endowed with rights. As a result, corporate personhood became a political, legal, and social reality.

The legal changes and growth of large industrial corporations met with new discourses in the late nineteenth century that framed the corporation as a distinctively private entity that had a 'will' independent of the state (Freund 1897; Radin 1932). In his 1897 essay *The Legal Nature of Corporations*, Ernst Freund (1897) states that "[t]he corporation rests upon a substratum of physical persons, but it is not identical with them, for out of the association of the individuals the new personality arises, having a distinctive sphere of existence and a will of its own" (p. 13). The *Santa Clara* ruling merely solidified what was already a discursive understanding of the corporation and growing social fact. Corporations had amassed considerable economic and political power by the time the law recognized corporate personhood. The ruling in the *Santa Clara* case reconciled the law with the existing reality.

The overall effect of the legal changes occurring at the subnational and federal level during the 1880s contributed to the conventional understanding that economy and politics were separate domains. Because the law recognized corporations as private, economic actors with a 'will' autonomous of the state, this period signals a precise break with the previous period when the law recognized corporations as subject to public control. By providing corporations with rights, states permitted corporations to pursue their own self-interest, which was still conceived to be commensurate with the general interests of society (Prechel 2000). Indeed, even the Progressive movement held to a conservative ideology "that the general welfare of the community could be best served by satisfying the concrete needs of business" (Kolko 1963:3).

Corporate Consolidation and the Federal Government's Half-Hearted Attempt to Stop It

The changes occurring in the 1880s formed the political-legal substrate from which a new phase of capitalist development emerged—"corporate capitalism" (Dahms 2000:8). A wave of corporate mergers from 1898 to 1904 consolidated industries and crystallized giant corporations (Sklar 1988).[4] Pressure to consolidate mainly derived from "cutthroat competition" (Prechel 2000:43) that accompanied the high rates of economic growth in the 1880s and threatened to stymie capital accumulation amongst corporations because competitors were constantly undermining each other through price wars. The solution was for corporations to consolidate

[4] Two interrelated processes were preconditions for the merger movement—the holding company form and the expansion of finance capital. Market consolidation through the holding company, however, required significant sums of capital that most industrial entrepreneurs lacked. Furthermore, industrial entrepreneurs did not have the experience and knowledge to pursue market consolidation. Banking capitalists, for their part, had both the means to raise capital and the knowledge to arrange mergers and acquisitions. There was, thus, a "capital-dependent relationship between financiers and industrialists" (Prechel 2000:43), which prefigured the merging of banking capital with industrial capital to create finance capital. Industrialists acquired the requisite capital to pursue consolidation, and bankers received both payment in the form of stock and executive positions on the board of directors of many corporations.

industries through mergers and acquisitions under the umbrella of holding companies in order to actualize a greater degree of control over their respective industries. By consolidating industries, corporations could establish predictable and stable market conditions conducive to profit making.

Although corporate consolidation of industry gained momentum during the late 1880s and early 1890s, most mergers and acquisitions occurred between 1898 and 1904 (Sklar 1988). By the end of the merger movement, oligopolies and monopolies replaced competitive market mechanisms in many industries. No longer the purview of railroad firms, large corporations emerged in the manufacturing and service sectors as well. Steel consolidation created the largest U.S. corporation at the time—Carnegie's U.S. Steel, which owned 60 percent of the steel market. Other industries stood even more consolidated. According to Prechel (2000), "[o]f the sixty-three largest corporations created by consolidation or mergers between 1895 and 1904, forty-three gained control of between 70 and 95 percent of their industry's market share" (p. 52).

Yet market consolidation did not completely eliminate competition either, which continuously threatened to undermine the capital accumulation of large corporations (Hoopes 2011; Panitch and Gindin 2012). Kolko (1963) provided data for key industries, including steel, oil, automobile, agricultural machinery, telephone, copper, and meat packing, in which the merger movement failed to suppress competition. Rather than thwart competition as market consolidation intended, intense competition resurfaced during the first decades of the twentieth century and threatened profit making. According to Kolko, "[t]he inescapable conclusion is that mergers were not particularly formidable and successful, and surely were incapable of exerting control over competitors within their own industries. In effect, private efforts to establish stability and control within the various industries had failed" (p. 28).

It was this failure to suppress competition by means of market consolidation that large corporations began to pressure the federal government to intervene on its behalf. According to Kolko (1963), "big business led the struggle for federal regulation of the economy" (p. 58). Federal regulation of the economy was therefore not regarded as a necessary evil, but an integral part of a growing national economy and an imperative for large corporations to achieve a sufficient degree of control over their respective markets. Thus, federal regulation was, in some cases, not feared but welcomed and even demanded. The federal government was not an enemy of big business but its most powerful ally.

Large corporations' most powerful opponent, however, was the Progressive movement. As corporate monopolization became an economic reality, the Progressives, often though "muckraking" journalism (McGerr 2003:176), responded with incendiary rhetoric against corporate consolidation of industry. Both corporations and social movements began to pressure the federal government to increase regulation—corporations desired market stability, while Progressives pushed for corporate restraint and regulation in matters of the economy and politics. However, because of the affinity between large corporations and the federal government, the interests of big business ultimately prevailed over the smaller opposition in most matters. The type of regulation implemented during this period did not so much restrain corporate power as it secured the conditions for large corporations to profit by rationalizing the economy, which corporations had long desired but failed to establish without federal support (Kolko 1963).

Because the robust Progressive movement continuously demanded that the federal government thwart the consolidation of industries, the federal government could not ignore the clamor aroused by the voting bloc. To mollify Progressives on the issue of corporate consolidation, the federal government deployed the other side of the law during this stage—"the law of the restraint of trade." The federal government's strategy was not to bust up all monopolies, *per se*. It was argued that "some corporate consolidation served the public welfare by promoting enterprises that were only profitable with limited competition" (Barkan 2013:43). Rather, federal government exercised oversight of markets and made available economic information on monopolistic practices. For example, the Industrial Commission, the Bureau of Corporations, the Department of Commerce and Labor, and the Federal Trade Commission were all delegated investigative power to audit and publish reports on issues related to market consolidation. With increased transparency, experts could distinguish which combinations were reasonable or not for industrial growth. The reports, however, proved to be invaluable for business calculations. Corporations used the statistics and information published by these agencies to make sound business decisions (Barkan 2013).

In addition to establishing public agencies to oversee private markets, the federal government also passed explicitly antitrust legislation, specifically the Sherman Antitrust Act of 1890. The legislation "declared illegal restraints on interstate commerce and combinations in the form of trusts or otherwise in restraint of trade" (Prechel 2000:62). Although multiple inquiries were made investigating market consolidation in various industries and a suit was filed against the Standard Oil Trust, according to Prechel, "[e]nforcement was generally ineffective" (p. 62).

Worse than being ineffective, the Sherman Antitrust Act, rather than eliminate or even slow down monopolization of markets, contributed to the fast-tracking of market consolidation in many industries because the Act did not prohibit consolidation through the holding-company form. Additional incentives to consolidate through holding companies occurred after the 1898 *U.S. v. Addyston Pipe & Steel Company* case when the Supreme Court made cartels formed through trust agreements illegal. With cartel agreements and trusts explicitly prohibited, the holding company remained the only legal form to pursue market consolidation. In the wake of these legislative and judicial decisions, many large corporations dropped their trust agreements and reorganized as holding companies. The merger rate exploded, and markets stood consolidated in most industries. Between 1897 and 1904, 4,227 corporations consolidated into 257 giant corporations (Danaher and Mark 2003). Ironically, the Sherman Antitrust Act, therefore, did more to facilitate market consolidation than it ever did to inhibit it.

Still pressured by Progressives, Congress began to contemplate additional measures to strengthen the Sherman Antitrust Act. The Clayton Act, passed in 1914, formed the backbone of a reinvigorated effort to regulate market consolidation. Central to the Clayton Act's teeth was Section 7, which prohibited corporate mergers when it was demonstrated that consolidation substantially restrained competition. However, because the Act "did not prohibit all holding companies or make all corporate-stock acquisition illegal" (Prechel 2000:67), corporate lobbying efforts ultimately succeeded in diluting its effectiveness.

Unlike the Sherman Antitrust Act, the Clayton Act did slow the rate of consolidation by making it more expensive. Before the Clayton Act, a corporation could consolidate by purchasing a majority of the stock in another corporation. After the Act was passed, corporations could consolidate only by purchasing all of a firm's assets. Nevertheless, the antitrust legislation passed during this second period of corporate evolution was too weak to deinstitutionalize the holding-company form.

The federal government did not only fail to prevent corporate mergers, it actively encouraged market consolidation during World War I. To mobilize economic production for the Allied war effort, the federal government created the War Industries Board (WIB) in 1918 to coordinate economic production for the war. The WIB effectively suspended antitrust laws and pursued a corporatist strategy that permitted large corporations to dominate their markets (Brinkley 1995).

Far from a radical attempt to constrain corporate power and fundamentally alter the power relations of corporate capitalism, "the law of the restraint of trade" reinforced those very power dynamics. The federal government only seemed to satisfy the demands of Progressives. As it was intended, regulations imposed on large corporations by the federal government never substantially broke up the monopolies and oligopolies. Instead, by adopting Fordist principles, consolidated corporations satisfied the liberal state's primary goal of economic and social development, which justified their monopolistic power in markets.

Higher wages and benefits established the condition for a growing middle class that became increasingly consumerist in its economic behavior. At the same time, corporations began doing business around the world. Made possible through the internationalization of the dollar through the Federal Reserve System, large national corporations became large multinational corporations (Panitch and Gindin 2012; Robinson 2004). Thus, a reciprocal relationship between corporations and the federal government can be discerned. Federal regulation rationalized the economy and made possible the conditions for economic growth and multinational corporations to expand across the globe. For their part, corporations industrialized the economy and laid the foundation for a growing consumer middle class.

Not only concerned to break up corporate monopolies, Progressives also fought to end the practice of corporations contributing funds to election campaigns and political parties. Here again, Progressive demands were frustrated by a federal government dependent on the corporate community. Corporate political contributions had not been a significant feature of elections until the late nineteenth century. Thereafter, corporations became an increasingly integral source of campaign funds, especially for the Republican Party. Once it was discovered that a prominent life insurance corporation, New York Life, secretly paid $48,702.50 to the Republican National Committee, a wave of popular outrage crystalized among Progressives who fought to end corporate contributions to political campaigns. Many large corporations also demanded that the federal government prohibit corporate political contributions because it supported their economic interests to lower costs and also reinforced market consolidation because smaller competitors would no longer be able to pay politicians to curry favors (Steinbach 2016).

The bottom-up and top-down push for federal government regulation culminated in the Tillman Act of 1907, which barred corporations from contributing funds to federal election campaigns. However, as the primary beneficiaries of corporate cash, the Republican majority in Congress took steps to dilute the effectiveness of the bill. As a result, corporate contributions persisted and the law failed to live up to its mandate. Nonetheless, the Tillman Act did reduce the quantity of corporate political contributions, even if for a short time (Steinbach 2016).

The overall effect of the legislation and Supreme Court decisions during this period effectively ended the practice of dealing with corporations as extensions of public power. The U.S. state affirmed the private nature of corporations legally, politically, and socially. Through the liberalization of state incorporation laws and the recognition of corporate personhood at the federal level, the legal immunities and privileges that had been granted to corporations through special charters became generalized as private rights. And, the Progressive movement to constrain corporate power was too weak during this second period of corporate evolution to effectively halt the perilous slide into market consolidation through holding companies. Because the holding-company form allowed corporations to generate revenue internally through stock acquisitions, speculative financial activity exploded during the merger movement. This speculative activity ultimately laid the foundation for the 1929 stock market crash. It would take the nation's most severe financial crisis in its history to mobilize enough popular pressure to force the federal government to control corporate activity, even if that control was temporary.

THE ADOLESCENCE OF U.S. CORPORATIONS: 1929 TO 1970S

Beginning with the infamous stock market crash of October 1929 and continuing throughout the 1930's, with a particularly intense recession from 1937 to 1938, the Great Depression ravaged the U.S. economy. Not only rising unemployment and reduced wages, but also the destruction of stock values, banks, and factories dealt a serious blow to both the masses of people and the corporate elite. The double movement asserted itself as popular pressure mounted to "use the power of the state to check corporate behavior and stabilize the economy" (Danaher and Mark 2003:49).

A switchpoint occurred as the federal government reversed its stance with regard to corporate economic activity. The half-hearted attempt to regulate corporations transformed into a full-throated movement to restrain corporate power. Assuming responsibility for spearheading the nation's economic recovery in the 1930s, the New Deal coalition placed the blame squarely on the shoulders of unregulated corporations. Understood unambiguously as private entities, New Dealers nonetheless implemented a regime of intensified federal regulation over corporate activity.

Perhaps the strongest theme running throughout the New Deal period into the 1960s and 1970s was the idea that a healthy economy required federal government intervention and regulation. The federal government became a "countervailing power" whose purpose was to tame corporations (Galbraith 1952). However, the nature of state regulation of the economy would change as the energetic years of the New Deal, mainly 1932 to 1935, transitioned into the more moderate "New Deal liberalism" of World War II and beyond (Brinkley 1995).

At the outset, it is therefore necessary to note that the path the early New Deal chartered would not last. The economic recession of 1937 and 1938 combined with the onset of World War II changed the face of the New Deal. In this later phase, federal intervention in the economy would retain its legitimacy, as it did in the early New Deal phase; however, the type of federal regulation of the economy was much less threatening and much more congenial to the interests of big business. No longer the target of a concerted effort on behalf of the federal government to reign in corporate largesse, the federal government reverted to its traditional stance of subsidizing corporate power to win the war and restart the engines of the U.S. economy. By the end of the New Deal, the old adage that 'what was best for corporation was best for society' would reemerge with considerable currency.

While a socialist approach to recovery was never endorsed, the federal government adopted a softer approach that legitimated state planning of the economy, of which the Agricultural Adjustment Act and the National Recovery Act (NRA) are both examples. Moreover, the principles of state planning of the economy were embedded in the newly established regulatory commissions, such as the Federal Communications Commission, the Federal Trade Commission, the Securities and Exchange Commission, the National Labor Relations Board, the Federal Maritime Commission, and the Civil Aeronautics Board. All of which were "empowered to limit market competition when it was destructive, regulate financial transactions when they threatened economic stability, and provide for the orderly development of industry and labor relations" (Harrison and Bluestone 1988:83).

For the early New Dealers, public enemy number one was the holding-company form, which had been the primary vehicle through which corporations amassed extraordinary sums of capital, and in the process, destabilized the U.S. economy to the point of financial catastrophe. The piecemeal attempts to break up consolidated industries, such as through the Sherman Antitrust Act and Section 7 of the Clayton Act, coalesced into a full-court press on behalf of the federal government to regulate speculative financial activity and eliminate the holding-company form.

Facing a series of bank failures, the federal government passed the Banking Act of 1933 to increase the power of the Federal Reserve Board to regulate the banking sector. One year later, the federal government created the Securities and Exchange Commission through the passage of the Securities Exchange Act of 1934 to oversee Wall Street activity by supervising stock exchanges and requiring corporations to disclose information on their financial activity. In addition, the Banking Act of 1935 reorganized the Federal Reserve System to be more accountable to the federal government, rather than the system's regional banks (Prechel 2000; Rauchway 2008). As a result, regulations on speculative activity were firmly set in place.

The Glass-Steagall Act, sections of which are included in the Banking Act of 1933, had the most profound impact on the holding-company form by placing tight restrictions on the activity of commercial banks. Specifically:

> The Glass-Steagall Act restricted commercial banks from lending more than 10 percent of its capital to corporations, subsidiaries, or affiliates. Because investment bankers were dependent on deposits in commercial banks to underwrite stock issues, the Glass-Steagall Act limited their access to this source of capital. Thus, after 1933, private investment bankers had limited capacity to issue industrial stock and underwrite corporate consolidation. (Prechel 2000:76)

By restricting the flow of capital from commercial banks to investment banks, and therefore terminating the blending of commercial and investment banking activities, the Glass-Steagall Act reduced the supply of capital available to establish holding companies. Moreover, New Deal corporate tax policies, including the 1934 and 1935 Revenue Acts, further disincentivized use of the holding-company form because it implemented an intercorporate dividend tax that taxed transfers of capital between holding companies and their subsidiaries (Prechel 2000).

As a result of New Deal legislation, the securities issued by the largest private investment banks substantially decreased in the 1930s. According to Prechel (2000), "[a]lmost immediately after the passages of the New Deal policies, the number of newly created subsidiaries began to decline" (p. 78). Corporations began searching for new organizational avenues to pursue market consolidation and eventually settled in the 1950s on the multidivisional form of corporate organization. The state confined the holding company, at least for a time and with few exceptions, to the dustbin of history.

So long as the early New Deal produced tangible improvements to the nation's economy, political leaders legitimized a radically interventionist federal government. However, the recession of 1937 to 1938, dubbed the "Roosevelt recession" (Brinkley 1995:23), destroyed the consensus behind the early New Deal and eviscerated its most radical edge. A response to the crisis was needed, but the solution would not be found in the playbook of the early New Dealers. Instead, during the dark days of the recession, public officials wavered and oscillated among various approaches (Brinkley 1995). The regime of governance that emerged victorious, New Deal liberalism, would have more in common with the pro-business stance of the liberal state in the previous period than it had with its early roots.

New Deal liberalism had its ideological foundation in a new economic school of thought—Keynesianism. Similar to earlier New Dealers, the New Deal liberals also accorded to the federal government an increased level of authority over the capitalist economy. Yet early New Dealers were more concerned to use the federal government to regulate the production side of industries by using public programs to boost private investment. The failed National Recovery Administration experiment that lasted from 1933 to 1935 was just such an example of New Dealers intervening to address the problems of producers. By the time the next generation of New Dealers assumed control of the federal government; however, Keynesian economic thinking was rising to prominence in both Europe and increasingly in the United States. Abandoning the assumption that the problems in the economy were rooted in insufficient production, Keynesian ideology understood the problem to be one of inadequate consumption (Brinkley 1995; Stipelman 2012).

For Keynesians, the proper response to the 1937-1938 crisis was to implement immediate measures to stimulate consumption. Not only Roosevelt, his chief political advisors, and Congress, but also labor unions (especially the CIO), farm organizations, consumer advocates in grassroots organizations, and liberal journals were all calling for increased federal spending to boost consumption (Brinkley 1995). As the federal government increasingly intervened to stimulate consumption, even trustbusting was predicated on advancing the interests of consumers (Brinkley 1995; Brinkley 1989; Stipelman 2012). Although Keynesianism was tentatively embraced in 1938, it would not be until after World War II that Keynesian fiscal policies moved squarely to the center of the federal government's strategy to bolster postwar economic growth.

As U.S. intervention in World War II looked increasingly immanent, the question loomed over how best to mobilize the economy to prepare the resources and commodities needed for the Allied war effort. Although the federal government had expanded the scope of its activity during the 1930s, it still lacked the sufficient bureaucratic infrastructure to effectively manage the mobilization (Brinkley 1989). Furthermore, the increased demand for military-industrial commodities from Europe made the U.S. federal government more reliant on corporations that produced the commodities for war. Similar to the mobilization process for World War I, the federal government ultimately settled on a corporatist and cartelistic strategy that depended on private industry for wartime mobilization. This reliance ceded to corporations a substantial degree of power to determine the nature of the relationship between state, business, and labor during the war, which would establish the framework for the contours of the postwar economy. No longer on the defensive, as corporations had been for most of the 1930s, corporations began to aggressively use the war effort to reposition themselves back in the driver's seat of the U.S. economy.

The stagnation and depressed profit-making conditions that resulted from the Great Depression became an obstacle for war mobilization. Corporations maintained that they did not have sufficient capital to finance the expansion of their productive facilities. In response, the federal government passed the Revenue Act of 1940, which "allowed industry to depreciate 100 percent of its investments in new facilities over a five-year period" (Prechel 2000:79). The legislation dramatically increased the liquidity for capitalists to expand production.

For corporations to expand production, they also required a stable source of demand. The federal government intervened to become corporations' largest customer during the war by spending billions of dollars purchasing the equipment and commodities needed for the war effort. According to McQuaid (1994), "[t]he federal government eventually spent $245 billion in five years: more than it spent between 1789 and 1940. By the end of the war, 60 percent of all manufacturing went to the military" (p. 14). Furthermore, when some corporations still refused to expand, the federal government built the factories and equipment themselves and then sold the property at bargain prices after the war's conclusion. In total, the federal government paid for over two-thirds of the plant and equipment expansion between 1940 and 1944. Moreover, "[a]ll investments in enemy territory were written off or paid by the federal government, and all investment in war production was either financed by the federal government or charged as an operating cost under the five-year amortization provision" (Prechel 2000:80).

More than pass pro-business legislation and serve as corporations' best customer, the federal government also created pro-business war agencies to coordinate the war effort. The War Production Board (WPB), commissioned by FDR in January 1942, became the central agency overseeing the mobilization for war. Headed by a former Sears Roebuck executive, Donald Nelson, the WPB operated as a state agency in name only. From the beginning, corporate executives and corporate lawyers infiltrated the WPB and steered it to support the interest of big business. As a result, small businesses continuously found their attempts to acquire war contracts confounded, and they were generally excluded from participating in the war effort. The foundations of the military-industrial complex were laid at this time as "a vast cartelistic partnership between the armed forces and private industry, largely invulnerable to political attacks" emerged (Brinkley 1995:199).

The state's pro-big business attitude during WWII resulted in substantial gains for industrial corporations that increased their net worth and retained most of the profits accumulated during the war. When the war was over, the federal government began selling all of its war assets. Rather than sell its war plants to small businesses, which would have stimulated competition, the federal government instead opted to sell its war property to large corporations. Thus, "[o]ver two-thirds of the total value of all federal plant and equipment was eventually sold to only eighty-seven large firms" (McQuaid 1994:24). In doing so, the federal government used public money to subsidize big business and therefore assisted in centralizing capital within a few large corporations (Adams 1968). McQuaid likened the postwar reconversion process to "state-sponsored oligopoly" (p. 24). Small businesses persisted, but their role in directing national policy was increasingly marginal.

In the postwar period, the bond between the federal government and large corporations, unsettled in the wake of the Great Depression, had been reconstituted. An alliance between the federal government and large corporations formed a "technostructure" (Galbraith 1967:71) that established the conditions for economic stability conducive to economic growth. The nature of this relationship echoed the liberal mode of governance paramount during the turn of the twentieth century, except with a Keynesian twist. Gone were the days of state planning of the economy. Both the NRA and WPB demonstrated the vulnerability of federal agencies succumbing to corporate control. Instead, the state reverted to its traditional stance of establishing the milieu conducive to economic growth without intervening directly to administer the behavior of corporations. This would be accomplished through the manipulation of aggregate demand through Keynesian fiscal policies that would allow the state to "manage the economy without managing the institutions of the economy" (Brinkley 1989:94).

Although an ally of corporations, enough fuel still burned from the New Deal to pressure the federal government to protect society from corporate abuse and the general social harms wrought by a capitalist economy. Government agencies such as the Environmental Protection Agency, the Occupational Safety and Health Administration, the Equal Opportunity Employment Commission, the Consumer Product Safety Commission, and the National Highway Safety Administration regulated corporate activity to minimize corporate abuse of the environment, workers, and consumers (Danaher and Mark 2003). Based in Keynesian fiscal policies, the federal government implemented a "class compromise between capital and labour" (Harvey 2005:10) predicated upon an interventionist government that focused on securing full employment and expanding the welfare state to alleviate poverty and unemployment. The postwar economic boom combined with checks on corporate power created the conditions for the U.S. golden age that lasted from the end of WWII to the 1970s.

During this period, corporations' long-established role as the primary institutions of social development magnified to unprecedented proportions. Wartime production expanded productive capacity in all sectors, and as a consequence, corporations became the predominant institutions of employment. The percentage of employment in manufacturing reached its peak in 1944. Increased employment combined with strong unions pressured corporations to expand benefits. Following the intense labor conflict between the United Auto Workers and General Motors, an agreement made between unions and capitalists, known as the 'Treaty of Detroit', became generalized throughout industries. In this agreement, "[e]mployers were now expected to provide health and retirement benefits, not just for their top executives, but for all employees" (Davis 2016:42). By contrast, in other European countries, pensions and medical benefits were provided by centralized states. Thus, corporations in the United States assumed new public functions and increasingly administered the distribution of public goods, like health care and retirement, to citizens.

Large corporations pursued a new round of consolidation beginning in the 1960s and 1970s. Unable to consolidate through the holding-company form because of New Deal regulations, large corporations increasingly organized their assets through the multidivisional form (MDF) of business organization. By 1979, 84.2 percent of the largest 120 firms were organized as MDFs (Fligstein 1985; Prechel 2000). Through a strategy known as 'diversification', corporations expanded into various industries, often completely unrelated to the original specialization of the firm. For example, ITT corporation "grew through a voracious series of acquisitions in every industry you could name: hotels, casinos, auto parts manufacturers, copper mines, insurance companies, trade schools, bakeries, and more" (Davis 2016:45). Rather than having a network of subsidiary corporations, the MDF organized divisions under a single corporation, which was advantageous because capital transfers within a single corporation could occur tax-free (Prechel 2000). By the 1970s, the corporate conglomerate, having specialized in no particular industry but having a stake in each, reached its pinnacle in size.

The postwar relationship between the federal government and large corporations blurred the lines between public and private. Private corporations increasingly assumed public functions, and public money increasingly subsidized private industry. According to Galbraith (1967), "[e]ach organization is important to the other; the members are intermingled in daily work; each organization comes to accept the other's goals; each adapts the goals of the other to its own. Each organization, accordingly, is an extension of the other" (p. 385). Yet ideologically, the separation between public and private was never sharper than during the Cold War context. The federal government was at pains to deny that there had been a blending of public and private functions, which could be interpreted as socialistic. Similarly, because corporations desired autonomy and sought to evade unwanted government supervision, corporations also reinforced the ideology that the public and private domains were separate. Thus, a striking contradiction had surfaced—as government and corporation were blending together; both entities were under pressure to renounce that they were united.

THE MATURATION OF U.S. CORPORATIONS: 1970S TO THE TWENTY-FIRST CENTURY

The Keynesian political economic system unraveled in the 1970s as the postwar economic boom screeched to a halt. The Bretton Woods international monetary system, key to establishing international financial stability during the golden age, collapsed in 1971. No longer tied to the gold standard, exchange rates floated against one another while public and private debt levels skyrocketed. Moreover, the OPEC oil crisis of 1973 to 1974 and again in 1979 pushed the U.S. economy to the precipice of collapse as oil prices skyrocketed in a country heavily dependent on foreign oil. Rising inflation and unemployment initiated a sustained period of stagflation that lasted throughout the 1970s (Harvey 2005; Srnicek and Williams 2015). Compounding the problem was the rebuilding of Japanese and European economies, which effectively competed with and outmaneuvered U.S. corporations (McQuaid 1994).

An “overaccumulation crisis” (Smith 2015:80) ensued as a surplus of production resulted in plummeting rates of profits, investment, and growth. The economic crisis translated into a “legitimation crisis” (Streeck 2014:21) on behalf of corporations that no longer exerted sufficient control over the economic environment to generate the desired rate of profits. As a consequence, corporations responded by mobilizing politically to restructure their political-economic environment to revive profit-making conditions.

Lurking in the shadows was the neoclassical economic doctrine that had both a diagnosis and solution to the economic ills of the 1970s. Based in laissez-faire discourse, neoclassical economic theories placed the blame for the corporate profit squeeze on the activities of “big government” (Harrison and Bluestone 1988:15). Accordingly, the major problem was rising inflation that had resulted from Keynesian pump priming, full employment, welfare-state building, and the inability to contain wage and price increases (Smith 2015; Srnicek and Williams 2015). Corporate political groups, most importantly the Business Roundtable and the Chamber of Commerce, became powerful hubs for coalitions of large corporations intent on dismantling the postwar class compromise that was now perceived to be constraining corporate profits (McQuaid 1994; Panitch and Gindin 2012).

The solution, called by its critics ‘neoliberalism’, was to return to minimal government, adopt supply-side economic policies, crush the power of labor, and take advantage of new globalized opportunities, including commodity chains and other forms of globalized production in locales where labor and environmental protections were even weaker than in the United States, as well as favorable trade regimes. Neoliberalism doubles down on the classical liberal doctrine that legitimizes a privately run economy with minimal state interference. Yet contrary to the theory of neoliberalism, this move did not warrant a total scaling back of the federal government (Harrison and Bluestone 1988).

As Harvey (2005) has indicated, there has always been a discrepancy between the theory of neoliberalism and its actual implementation. Corporations were more than happy to violate the principles of minimal government intervention and free enterprise when the federal government was using public funds to subsidize private business—a system known as 'corporate welfare'. For example, the federal government provided two-thirds of all Research and Development spending in the 1980s. Federal and university laboratories directly subsidized corporations by undertaking costly Research and Development projects that corporations needed but were unwilling to finance themselves. Military spending, which dramatically increased over the course of the 1980s to fight the ever-present Communist threat, guaranteed demand and functioned as a massive indirect subsidy for large corporations in many industries, like electronics. Moreover, the federal government, through the Export-Import Bank, provided foreign buyers with below-market loans so that they could purchase high-technology commodities produced by U.S. corporations. Two-thirds of all Export-Import subsidies assisted foreign sales in only seven large corporations in 1980, and even though federal funding of the Export-Import Bank was cut later in the decade, the precedent continued and both Reagan and George H.W. Bush kept the subsidies alive (Smith 2015; McQuaid 1994).

Contrary to the theory of free markets and minimal state intervention, federal government intervention was not the problem *per se*, especially if that intervention was increasing the profits of large corporations. According to McQuaid (1994), "[f]ree enterprise translated into low tax rates or lenient labor laws as fine; free enterprise as a loss of federal export subsidies, investment guarantees, tax incentives, contracts, or R&D awards was not…pure competition would be hell" (p. 163). The problem with government intervention arises when that intervention is conducted on behalf of workers and the poor. Neoliberalism, then, is a theory that insists upon the wholesale removal of government intervention in the economy, however, whose material manifestation protects state intervention on behalf of large corporations. Neoliberalism is the replacement of social welfare with corporate welfare. 'Trickle-down' economics and market-oriented policies became ideological orthodoxy.

Government symbiosis with large corporations, refined during the post-WWII period, continued into the 1980s and beyond. However, a new switchpoint in history emerged because the state wholeheartedly dropped any pretense to its social protection role, which had been the cornerstone of the federal government's legitimacy during both phases of the New Deal period.

This period, therefore, constitutes a break with the previous one because corporations began to monopolize state power in an unprecedented way and use the state apparatus to restructure the domestic and global political-economic environment to meet the profit-making needs of large corporations. Key to this restructuring was favorable tax policies and deregulation of corporate mergers and acquisitions that facilitated a new round of consolidation in the 1980s through 2000s. Moreover, thanks to trade liberalization spearheaded by the federal government, corporations increasingly outsourced production and created transnational production chains that reduced the cost of labor for large corporations.

The reasons for why the federal government abandoned its commitment to protecting the most vulnerable sectors of society, especially labor and the poor, and instead adopted an utterly pro-corporate agenda are many. For example, the power of unions had declined from its peak in the post-World War II period. Moreover, neoliberal discourses extolled the principles of ‘rugged individualism’ and self-reliance, which diminished popular pressure on the government to intervene on behalf of the poor (Srnicek and Williams 2015). But most importantly, corporations and elites began to flood the political system with capital through a variety of avenues, the most important of which have been campaign financing and lobbying. Focusing on campaign finance, the next section demonstrates how changes to campaign finance laws in the 1970s had the effect of making politicians of both parties more dependent on corporate financial donations for their reelection (Edsall 1989). As a consequence, politicians increasingly became sycophants to large corporations and introduced pro-business legislation at the behest of their corporate donors.

Campaign Finance Reform: 1970s to Citizens United

Changes to campaign finance laws during the 1970s made it easier for corporations to capture the policy-making process and repurpose it to suit their profit-making needs. Corporations had long contributed to political parties and the electoral campaigns of candidates; however, because campaign finance laws since the Tillman Act of 1907 barred corporations from directly contributing to campaigns, much of this activity was laundered through gifts, fees, and other clandestine channels (Burris 2010). Deregulation and liberalization of campaign finance laws in the 1970s, however, legalized and institutionalized corporate contributions to electoral campaigns.

Paradoxically, a period of intense regulation of campaign finance laws preceded a wave of liberalization of those laws. This path began with the passage of the Federal Election Campaign Act (FECA) of 1971 that implemented stronger disclosure provisions. More regulations were added through amendments to that law in 1974 (Mutch 2014, 2016).

FECA set the stage for corporate money to flood election campaigns by establishing the legal framework for the corporate political action committee (PAC), which has been the major vehicle through which corporations donate to election campaigns. The Tillman Act barred corporations from donating corporate funds directly to candidates. However, FECA authorized a loophole such that corporations could contribute to candidates using corporate funds indirectly. Corporations could donate legal campaign contributions by using corporate treasury funds to create and administer a separate PAC fund, soliciting donations from corporate executives and others, pooling those donations into that fund, and distributing that money to campaigns (Mutch 2014).

The regulation of campaign finance laws through FECA, especially the 1974 amendments, immediately spurred resistance on behalf of many politicians, most notably Senator James L. Buckley, and corporations such as General Motors. Buckley and his supporters challenged as unconstitutional limits on campaign contributions and expenditures. They argued that the First Amendment protected unlimited political speech on behalf of citizens, and the restrictions established by FECA infringed upon this right. The case reached the Supreme Court in the infamous 1976 court case *Buckley v. Valeo*.

The Court argued that placing spending caps on campaign expenditure violated the First Amendment right to unlimited political speech. On these grounds, the Court ruled to remove both expenditure limits for federal campaigns and limitations on personal wealth used for federal campaigns. Moreover, this ruling also applied to independent expenditures (i.e., expenditures made by individuals or PACs that expressly advocate the election or defeat of a specific candidate, albeit made without authorization and coordination with the candidate). The overall effect of the Court's ruling deregulated and liberalized campaign expenditures for candidates, parties, groups, and PACs (Hasen 2016; Mutch 2016). Federal candidates were free to raise and spend as much money as they wanted on their campaigns, could use as much of their own money as they wanted to finance their campaigns, and their campaigns could be supported by unlimited PAC money, so long as that money was unauthorized by the candidate and collected under FECA rules.

Following the liberalization of campaign finance laws in the 1970s, corporate PACs grew tremendously in both number and size. According to Burris (2010), "[i]n 1974, there were only 89 corporate PACs registered with the Federal Election Commission (FEC). By 1980, there were 1,206 and by 1984 there were 1,682" (p. 249). Moreover, the number of corporate PACs soon surpassed those of labor PACs. In 1974, there were:

> 201 labor PACs and only 89 corporate PACs; ten years later, the numbers were 394 and 1,692, respectively. By 1984, corporate PACs were also giving more money in contributions: $36 million to labor's $27 million. Add the PACs of trade associations and other business organizations, and total contributions by business PACs in 1984 was $67 million—more than twice what labor gave. (Mutch 2016:65)

The growth in corporate PACs dedicated to electing pro-corporate candidates was one prong of a larger strategy by which corporations exerted control over the public policy-making process. Corporations also began to devote significant resources to grow their lobbying capacities. Prior to the 1970s, corporations invested few resources in Washington lobbying. However, lobbying expenditures skyrocketed in the 1970s and 1980s (Drutman 2015; McQuaid 1994). Trade associations, such as the Chamber of Commerce, Business Roundtable, and the National Association of Manufacturers grew in membership and moved offices to Washington. Individual corporations also increased their Washington lobbying presence. According to Drutman (2015), "[b]etween 1971 and 1982, the number of firms with registered lobbyists in Washington grew from 175 to 2,445" (p. 58). Moreover, corporations also began to grow their public relations departments to increase their legitimacy in the eyes of the public (Drutman 2015; Walker 2015).

501(c) groups, particularly 501(c)(4) social welfare groups, became attractive vehicles to funnel corporate money into federal elections after the infamous *2010 Citizens United v. FEC* Supreme Court Case. Citizens United was a 501(c)(4) group that wanted to use its treasury funds to pay Comcast $1 million dollars to air its feature-length attack ad on Hilary Clinton, so that cable subscribers could view the ad on-demand for free. However, because Citizens United accepted corporate money, the FEC barred the group from using its treasury funds to pay for the ad. In a 5-4 ruling, the Supreme Court ruled that Citizens United, and de-facto all 501(c)(4) groups, could use corporate treasury funds to pay for independent, express advocacy expenditures (Hasen 2016; Mutch 2014, 2016).

The Citizens United ruling completely liberalized corporate independent expenditures because corporations could now funnel money through a 501(c)(4) group to pay for express advocacy ads. However, corporate contributions to PACs were still regulated under FECA. That changed two months after the Citizens United ruling in a D.C. circuit course case *SpeechNow.org vs. FEC*. In that case, SpeechNow.org, a 527 political committee, challenged FECA regulations, which limited contributions to any PAC to $5,000. The court ruled in favor of SpeechNow.org, and as a result, permitted individuals, corporations, and unions to contribute unlimited money to PACs, insofar as those PACs were specifically established to make only independent expenditures (Hasen 2016; Mutch 2014, 2016).

The aggregate effect of the *Citizens United* and *SpeechNow.org* rulings birthed the Super PAC, which is "a political action committee that can accept unlimited contributions to fund independent ads supporting or opposing federal candidates" (Hasen 2016:33). In the post-*Citizens* era, any PAC can become a Super PAC under the condition that they establish separate accounts for candidate contributions and independent ad expenditure. Yet Super PACs are essentially ordinary PACs on steroids, and in being a PAC, they are still subject to disclosure requirements under FECA regulations. Corporations were reluctant to donate directly to Super PACs because their names would eventually be disclosed to the public. The solution became for corporations to combine the 501(c)(4) with the Super PAC. Corporations that wanted to conceal their identity could contribute unlimited funds to 501(c)(4) groups. In turn, those 501(c)(4) groups could funnel that corporate money into a Super PAC. When it came time for the Super PAC to disclose their donors, they only had to disclose the 501(c)(4) group, not the actual corporate contributors. Hence, corporations could anonymously contribute unlimited money on behalf of federal candidates.

The opaque legal structure regulating 501(c)(4)s functions as a veil for corporations to make campaign contributions without having their identities disclosed. Therefore, it is difficult to ascertain how much money corporations have been contributing to political campaigns in the post-Citizens United era. However, it is clear that corporations are using dark money groups to funnel exorbitant amounts of capital into political campaigns. According to Kuhner's (2014) description of the 2012 election, "[i]n the case of SuperPACs and dark money groups, where limits are weakest, 200 millionaires and billionaires (0.000063 percent of the population) stand behind roughly 80 percent of all money spent" (p. 6).

The trajectory of campaign finance reform since the 1970s is one of increasing liberalization, despite brief moments of regulation. The combined effect of campaign finance reform is that corporations, and their executives, can funnel exorbitant sums of disclosed money and unlimited amounts of 'dark money' into elections through a variety of avenues, including individual contributions, PACs, 527 and 501(c)(4) groups, and Super PACs. Throughout this history, it has been corporations and their executives who contribute the overwhelming majority of funds to campaign. Since the 1970s, these contributions have translated into a consistent set of pro-business policies passed by Republicans and Democrats alike.

The Recovery of Corporate Profits: Crushing Labor and Restructuring Corporations

Undoubtedly, corporations augmented their political presence throughout the 1970s and 1980s. Flooding the political system with money through campaign finance and lobbying translated into tangible benefits for corporations. Significantly, corporations began to lobby politicians for tax breaks and tax incentives, which were granted through the 1978 Revenue Act, the Economic Recovery Act of 1981, the Tax Reform Act of 1986, and the Revenue Act of 1987 (Prechel 2000). Falling rates of tax revenue and resistance to tax increases among all classes meant that the federal government could not cover its public expenses through taxation alone. A "fiscal crisis of the state" (O'Connor [1973] 2009) ensued as government expenditure outpaced taxation revenues.

To generate revenue to cover expenses, Streeck (2014) argues that the federal government transformed into a "debt state," which refers to a state that "covers a large, possibly rising, part of its expenditure through borrowing rather than taxation, thereby accumulating a debt mountain that it has to finance with an ever greater share of its revenue" (p. 72). Because the debt state covers expenses through a combination of taxation and borrowing, the U.S. federal government draws its revenue from two different constituencies—human citizens and corporate citizens. However, as politicians and the federal government increasingly rely on corporate citizens to meet their objectives (reelection for politicians and borrowing to cover state deficits), the interests of corporate citizens are privileged over human citizens. As a consequence, politicians have consistently backed a pro-corporate and largely antihuman rights policy agenda because the recovery of corporate profits goes hand-in-hand with meeting the goals of politicians and the debt state.

Beginning in the late 1970s and throughout the 1980s, three interrelated processes formed the backbone of the neoliberal strategy undertaken by the alliance of federal government and corporations to recover corporate profits—dismantling the power of labor, reconfiguring the corporate organizational structure by pursuing new forms of consolidation and globalizing production, and repurposing the federal government to support the short-term interests of corporations over the interests of the rest of society through deregulation, liberalization, and privatization of the economy (Harrison and Bluestone 1988). The Carter administration initiated the trend to neoliberalism by abandoning the commitment to full employment, which was accomplished through the gutting of the Humphrey-Hawking Bill and deregulating key industries, such as trucking, commercial aviation, and banking. Through the 1978 Revenue Act, Carter also reduced both the capital gains tax and corporate tax rates, as well as provided business with a 10 percent investment tax credit (McQuaid 1994; Prechel 2000).

A shift in monetary policy abruptly arrived in 1979 as the head of the U.S. Federal Reserve Bank, Paul Volcker, dramatically raised interest rates to beat down soaring inflation, thereby deliberatively provoking a deep recession in 1980 and again in 1981-82. Although the recession immediately obstructed corporate profit making, the unemployment that resulted from a tight monetary policy disciplined labor into accepting wage concessions, which would prove beneficial to corporate profit making in the long-term (Harrison and Bluestone 1988). According to Streeck (2014), the federal government was "willing to trade mass unemployment for the restoration of 'sound money' and to crush the expected social resistance" (p. 34). Raising interest rates, then, was one way that the federal government crushed the power of labor. As Alan Greenspan would later recount, the "traumatized worker" (Woodward Maestro 2000:168) footed much of the bill for corporations to recover profits.

The Reagan administration pummeled labor through aggressive attacks on labor unions, including the infamous crackdown on the PATCO air traffic controllers' union in 1981 (Harvey 2005). Moreover, Reagan appointed anti-unionists to the Department of Labor and the National Labor Relations Board. Federal judges further eroded labor standards when they permitted corporations to "evade unions by contracting out work to nonunion subcontractors, to void union contracts by moving corporate facilities, to create two-tier union contracts, in which newer workers received significantly lower wages and benefits than older workers did, and even (temporarily) to void union contract by pro forma bankruptcy proceedings" (McQuaid 1994:183). Unions, hemorrhaging members since the 1960s, further declined in power and presence.

With labor in retreat, a new wave of corporate restructuring in the 1980s continued the assault and facilitated profit-making conditions for large corporations. Contrary to the previous period of corporate consolidation, corporations in this period pursued a strategy that Harrison (1994) called “concentration without centralization” (p. 9). Gone were the days of centralized production and vertical integration that produced the MDF conglomerates. By the 1980s, the MDF was a bumbling giant that was spread too thin across too many industries. The stock market consistently undervalued diversified firms compared to focused corporations in the same industries, “making the whole worth less than the sum of the parts, which was known as the ‘conglomerate discount’” (Davis 2016:56). Most importantly, the conglomerate discount angered shareholders who desired greater dividends secured through rising stock values.

As corporate executives became increasingly compensated through stock options and many ordinary Americans for the first time in their lives became investors in the stock market through retirement accounts and mutual funds, a common chorus emerged among shareholders demanding higher values in stock prices, which could only be achieved through the dismantling of conglomerates (Davis 2016). This imperative to please demanding shareholders ushered in a period of “shareholder capitalism” (Davis 2009:50). No longer beholden to corporate stakeholders such as employees and society in general, “corporations existed to create shareholder value” (Davis 2016:54). Consequently, the corporation’s stock price became the standard instrument to evaluate corporate performance (Fligstein 1990). Thus, the stage was set for the deinstitutionalization of the MDF form of business organization because conglomerates performed poorly in securing ever-rising stock values.

The dismantling of conglomerates occurred through a variety of means, including hostile takeovers and corporate restructuration through subsidiaries and subcontracting. Committed to deregulation, the Reagan administration facilitated corporate consolidation by relaxing antitrust laws and reducing barriers to acquisitions that made takeovers difficult. Most importantly, the 1982 Supreme Court Case *Edgar v. MITE* declared as unconstitutional state laws that limited takeovers, and therefore, established the legal foundation for “bust-up takeovers” by corporate raiders (Davis 1994:554). Because their stock was systematically undervalued, conglomerates faced a wave of hostile takeovers in the 1980s. In the span of a decade, one-third of all Fortune 500 corporations were subject to hostile takeovers (Davis 2013).

Fearing a hostile takeover attempt, conglomerates often voluntarily restructured to increase shareholder value and unlock internal capital pools, which they accomplished by transforming their divisions into subsidiaries through the multilayered subsidiary form (MLSF) of corporate organization (Prechel 2000). Transitioning to a MLSF form of corporate organization meant restructuring the conglomerate's divisions as subsidiary corporations, which are "separate legal entities whose controlling interests (i.e., more than 50 percent) is held by a legally separate parent company" (Prechel 2000:207). Thus, the transformation into the MSLF mimicked the corporate restructuring that occurred during the late nineteenth and early twentieth centuries. As before, the parent company could establish ownership of subsidiaries by purchasing just over 50 percent of the subsidiaries' stock. This financial architecture permits the parent company to own and control a vast network of subsidiary corporations with only a minimal amount of capital.

Changes to federal laws in the late 1970s and throughout the 1980s made this transformation possible, lucrative, and enticing. Most importantly the Tax Reform Act of 1986 and the Revenue Act of 1987, had the most profound effect on encouraging the MLSF. These laws eliminated the New Deal legal precedent of taxing capital transfers between subsidiary and parent corporations, which permitted corporations restructure their business organizations tax-free. The result was a comeback of the holding company form and its network of subsidiary corporations. Between 1981 and 1993, 65 of the largest 100 corporations had adopted the MSLF (Prechel 2000).

The transformation of the largest industrial corporations to the MSLF catalyzed a wave of consolidation that accelerated in the 1990s and 2000s. According to Brock (2005), "[t]he dollar value of corporate mergers and acquisitions amounted to $1.4 trillion during the 1980s, exploded to $11 trillion during the 1990s, and continued at a frenetic pace of $7.6 trillion during 2000-2003" (p. 10). Already consolidated industries became even more consolidated through a wave of mergers and acquisitions among the largest industrial corporations (for an in-depth examination of corporate mergers and acquisitions from the 1980s to the early 2000s, see Brock 2005).

The merger and acquisition phase of the 1980s and 1990s consolidated power within parent corporations and financial firms who began to control vast networks of subsidiary corporations. Although consolidation concentrated power within parent companies and financial firms, the actual production process became decentralized globally, which marks a sharp break with previous periods of consolidation that centralized production within a single corporation.

To generate more profit, corporations began to specialize in one core competency, often the value-added process of design and marketing, and subcontract and outsource out the rest of the production process to corporations located in other regions of the world with cheaper labor costs

(Davis 2016). The result was a decentralized system of global commodity chains that linked together different phases of the production process. Industrial corporations are not the only ones to capitalize on the subcontracting trend; since the 1980s, the move to subcontract production "spread to such advanced economic activities as production of semiconductors, aerospace manufacturing, and network computing" (Robinson 2004:18). The deindustrialization of U.S. society ensued during the 1980s and 1990s as corporations closed their U.S. factories and relocated them to developing countries (Bluestone and Harrison 1982).

The liberalization of trade laws in the 1990s, most importantly through the passage of the North American Free Trade Agreement (NAFTA) in 1994, accelerated deindustrialization in the United States. NAFTA garnered the support of a broad coalition of corporations, including both export and import-oriented corporations, as well as the three largest national business associations—the National Association of Manufacturers (NAM), the U.S. Chamber of Commerce, and the Business Roundtable (Fairbrother 2014). In the years that followed, an estimated 1 million jobs disappeared, including 660,000 manufacturing jobs (Harris 2016).

While the production processes became decentralized into interconnected units spread across the globe, the largest corporations remained in control. According to Harrison (1994), "*[p]roduction* may be decentralized into a wider and more geographically far-flung number of work sites, but *power*, *finance*, and *control* remain concentrated in the hands of the managers of the largest companies in the global economy" (p. 47). However, contrary to earlier periods, the largest corporations had never been leaner. Corporations had downsized by shedding their divisions and instead focusing on market capitalization.

Crushing the power of labor and restructuring the corporation formed two sides of the same coin—both allowed corporations to recover profits. However, neither process could be accomplished without the decisive role played by the federal government. Through legal changes, indirect subsidies, tax credits, and resolute antilabor positions, the Reagan administration created the conditions for corporations to resume profit-making activity. For their part, corporations regained profit through complex financial deals, restructuring their corporations as holding companies with subsidiaries, and subcontracting the production process to companies operating in areas of the world with cheaper labor costs.

Corporations matured during the tumultuous 1970s through the 1990s. The crisis in profitability faced by many large corporations forced corporate managers to restructure their business practices and institutional design. US-based corporations that centralized production and distribution under a single corporation transformed into transnational corporations that specialized in one core competency, controlled a network of subsidiary chains, and outsourced the production process to regions with cheap labor. Corporations shed their divisions and assets but augmented their stock values. Complex webs of production and strategic alliances linked the world's largest corporations, whose value was no longer determined by asset size but stock market value.

By the turn of the millennium, it become conventional wisdom in business circles that corporations exist only to generate shareholder value (Davis 2009). After a century of corporations being treated as legal persons, the understanding of corporations as public entities was an anachronism. Even the New Deal understanding of corporations as serving a diverse set of stakeholders, such as their employees and the community more broadly, became supplanted by the neoliberal conception of the corporation. According to this view, corporations "had no moral commitments to various stakeholders. Its commitments were those explicitly stated in written contracts with buyers, suppliers, and customers, or implicit in its status as a for-profit enterprise" (p. 21). By the 1990s, corporations served one class of people—shareholders. Corporations became nothing more than a means to create and augment shareholder value.

The transition into shareholder capitalism was accompanied by a much larger transformation in the U.S. economy. Propelled by globalization, the industrial economy gave way to a post-industrial economy where more workers became employed in the retail and service sectors than in traditional manufacturing or agricultural labor. In this post-industrial landscape, both the federal government and corporations had abandoned any remaining commitment they had to fostering the well-being of ordinary U.S. citizens. In 1995, Clinton famously declared 'the era of big government is over', which translated into a movement to "end welfare as we know it" (Panageotou 2017:92) by ending welfare as an entitlement program and enacting strict requirements that mandated individuals work to receive aid through the 1996 Personal Responsibility and Work Opportunity Reconciliation Act. With labor unions in retreat, wages stagnated even though productivity increased. The gains were funneled not to workers but to rising stock market values.

CONCLUSION: CORPORATIONS AS “FRANCHISE GOVERNMENTS”

In the twenty-first century, the distinction between corporations and state is blurrier than ever. It is more difficult now than ever to discern where one entity begins and the other ends. Their objectives are one and the same—the maintenance and expansion of a capitalist economy run by private initiative but publicly supported. Wolin (2008) coins the term “inverted totalitarianism” to capture the symbiotic relationship between corporations and state (p. xxi). In Wolin’s view, these entities have lost their distinctive identities, and instead, have merged into a singular totalizing power oriented towards the growth of the capitalist economy. In this context, “economics dominates politics” (p. 58). In other words, the state has become so reliant on corporations to administer the commodities, services, and public goods that underlie modern existence, as well as finance the budget deficit, that the state is subservient to corporate interests and must act to constantly please corporations by legislating pro-corporate policies. Moreover, as corporations flood the political process with capital through lobbying and campaign finance, politicians increasingly depend on corporations for policy making and reelection. The result is that corporations today have monopolized state power for their interests.

Throughout this history, a dialectical relationship between corporations and state can be discerned—as the state has relied more and more on corporations to administer and produce the commodities and services of social life, corporations became part of the governance structure of modern society; as corporations became more and more integral to governance, the state has emulated the corporate structure. In supporting the expansion of the capitalist economy through corporations, the U.S. state has always acted as a corporate entity, specifically the MSLF. Both the parent corporation and the state function by focusing on one core competency and outsourcing the actual production process to entities specializing in that area. The state’s core competency is establishing the economic milieu conducive for economic growth; however, the state, since the beginning of the Republic, contracted the actual production process to corporations.

At the inception of the U.S. Republic, subnational states chartered corporations to achieve the ends of government, which was conceived to be the expansion of the capitalist economy. Subnational states, therefore, charted corporations to develop the nation’s infrastructure and public utilities, including canals, turnpikes, bridges, railroads, telegraph lines, and water supply. As the economy industrialized, subnational states chartered corporations to produce the commodities and financial services, such as insurance and banking, that are staples of modern life (Roy 1997). In this way, corporations have been integral and indispensable features to the development of modern U.S. society. The state charter is the equivalent of the corporate subcontract—both function to contract the actual production aspect to entities specializing in that area.

The U.S. state's role in contracting production to corporations has only accelerated since the state's adoption of neoliberalism in the 1980s. The neoliberal imperative to privatize state assets and public goods translated into the state's wholescale adoption of the business structure of the virtual corporation. As Crouch (2004) states, "[l]ike the phantom firm [virtual corporation], government is trying gradually to divest itself of all direct responsibilities for the conduct of public services" (p. 41). As a result, the public goods previously administered by the state have increasingly been "privatized or contracted out to firms, or, staying within the public sector, are required to act as though they were firms" (p. 41).

Reagan's 1988 Commission on Privatization outlined three goals of privatization—selling state assets to corporations, contracting out public services to corporations, and creating taxpayer funded voucher systems to pay for private services (Derber 1988). This political program translated into a wave of privatization since the 1980s. According to Derber, "[t]he powers to educate, jail, rehabilitate, heal, care for the poor, and manage nature itself are all being turned over to corporations" (p. 170). Private hospitals in a private healthcare system administer the distribution of healthcare to citizens. A growing number of private schools administer education to students through a taxpayer-funded system of vouchers. Moreover, the federal government has "contracted out a huge chunk of their services—from garbage collection to prisons to welfare…Huge parcels of federal land, as well as public airways and satellite bands, are being handed over, free or at bargain prices, to corporate giants" (p. 170). Even many military functions, which have historically been the sole prerogative of the federal government, have been placed in the hands of private corporations (Singer 2003).

In subcontracting the development of the capitalist economy to corporations, the U.S. state established the conditions for corporations to become part of the governance structure. Recognizing this process, Barkan (2013) argues that "corporate power should be rethought as a mode of political sovereignty" (p. 4). In other words, it is not only states that govern human life but also corporations. Alongside the state, corporations are part of the biopolitical apparatus that administers and regulates the constitution of modern social existence. The privatization of public goods, which has only accelerated since the 1980s, combined with the fact that corporations produce most commodities and services in modern society means that corporations are integral components of modern governance.

Key to the development of corporations as governing entities is the charter, which granted corporations first legal privileges that eventually transformed into institutionalized rights. In the early Republic, subnational states chartered corporations to industrialize the U.S. economy. These charters were a means by which subnational states not only commissioned the existence of corporations, but also became a way for states to limit corporate power by granting corporations legal privileges that could be revoked if corporations violated the terms of the charter. Although run by private initiative, the charter established the corporation as a public entity whose authority to govern over social life was owed to the state charter. Corporations were subservient to the public interest in the early days of the Republic.

By the turn of the twentieth century, however, new discourses emerged that began to treat corporations as private entities, which materialized through the New Jersey Holding Company Act and the Supreme Court's recognition of the legal personhood of corporations in the *Santa Clara County* case. As a result, general incorporation laws granted to corporations a special legal status as a 'person' endowed with certain inalienable rights on par with any other U.S. citizen. As legally independent institutions endowed with rights, corporations became viewed as private entities with an autonomous 'will' of their own. In the neoliberal period, discourses have further affirmed the dichotomy between state and corporations. Fundamental to neoliberal theory, although not neoliberal practice, is that the state should remove itself from intervening in the economy as much as possible. Moreover, the inauguration of shareholder capitalism brought with it a fundamental revision of the status of corporations that came to be understood as institutions whose only purpose was to augment shareholder value. In this way, corporations were viewed as a nexus of contracts between private persons running private businesses to augment the value for shareholders. According to Ciepley (2013), "[t]he corporation became a pure creature of the market rather than a creature of the government, exempting it from any duty to the public, or accountability to the public, or even to publicity to the public" (p. 140).

The contemporary U.S. understanding of corporations as private entities is misleading. While it is true that corporations today are administered through the private initiative of corporate executives, corporations do not exist without a civil government that, through a legal contract, conjures the corporate entity into existence. The government grants the corporation its birth certificate through the charter. Even though corporations are creatures of the market, corporations and the markets themselves only exist through state power.

Addressing both sides of the public/private dichotomy, Ciepley (2013) calls corporations "franchise governments" to capture corporations' public and private elements (p. 140). Corporations' "form and powers are delegated by the state, yet they are run on private initiative" (pg. 140). As franchise governments, corporations straddle the line between the public and private domains. Because they cannot be fully assimilated into one side or the other of the public/private dichotomy, Ciepley argued that corporations "need to be placed in a legal and policy category of their own—neither public, nor private, but 'corporate'" (pg. 140).

Ciepley's theory of corporations as franchise governments offers a more accurate account of corporations than contemporary popular understandings of corporations as private entities do. As franchise governments, corporations inhabit a parallel realm of sovereignty that is both intimately connected to state sovereignty but also legally independent of the state. In ceding authority to develop the nation's economy to corporations, these institutions accumulated ever-growing sums of capital through consumptive activity of ordinary people and financial transactions. As a consequence, corporations, as political actors, began to use that capital to intervene in the political process to secure pro-corporate legislation to protect profit-making conditions. Over time, these dual identities have functioned to mutually reinforce the political power of corporations.

While this chapter has tracked the evolution of the dual identity of corporations as "franchise governments" and political actors, the following chapters will explain the specific means by which corporations exert control over the political process. In the following chapters, I will examine the three dominant models of democracy in the United States to reveal how corporations exert control the political process within the framework provided by each model. Thus, in each chapter, a specific model of democracy will be interrogated in order to discern 1) what democracy is and how it should function, 2) what types of political action are legitimate to that model, and 3) how corporations exercise political power within each model. It is to the liberal model of democracy that I now turn.

CHAPTER 3
THE LIBERAL MODEL OF DEMOCRACY

In the immediate post-World War II period, a wave of democratization unfolded across the world whose reach was limited only by the totalitarian curtain of the Soviet empire. In the ashes of the fascist regimes, democracy was restored across Western Europe and parts of Asia. Weakened by war and challenged by national liberation movements, Western democracies also began to grant independence to their colonies in Asia and Africa and assisted in establishing democratic constitutions in these newly formed nation-states. Venezuela and Costa Rica also democratized during this unique moment in world history. Moreover, the major Western powers further democratized internally, and the United States extended suffrage rights to previously excluded groups, passed antidiscriminatory legislation, and ended forced racial segregation (Markoff 1996).

Economically speaking, the postwar context also ushered in a period of stability and wealth across the Western world leading to the golden age of prosperity (Harvey 2005). From the postwar vantage point, which ended by the early 1970s, democracy in the United States appeared to be secure, despite the scuffles between McCarthyites versus liberals and communists and white southerners versus blacks. In this moment, prominent intellectuals declared, too hastily, "the end of ideology" to signify the "rough consensus among intellectuals on political issues: the acceptance of the Welfare State; the desirability of decentralized power; a system of mixed economy and of political pluralism" (Bell 1960:402-403).

The wave of democratization revived hope for democracy, whose image had been tarnished during the heyday of fascism. With little in the way of formal democratic theory to guide their research, postwar democratic theorists assumed responsibility to produce the first systematic theories of democracy. The scholars of pluralism, most importantly Dahl, Truman, Polsby, and Lipset, are credited with laying the theoretical foundation for the liberal model of democracy. Endorsing the dichotomy between economy and politics, postwar pluralists adhered to the principles of liberalism. In their view, individual rights, such as the right to own property, were inviolable. As a consequence, pluralists legitimized institutional forms of political action through which citizens could advance their political and social rights but not fundamentally alter the basic social relationships of the capitalist economy.

Because they endorsed the principles of liberalism, pluralist theorists paid less attention to the operation of the economy and focused almost exclusively on the governmental realm. The liberal model of democracy is, therefore, fundamentally centered upon the processes by which citizens exerts control over their political leaders, which primarily occurs through competitive elections combined with party-related and interest group activity. Dahl (1971) articulates this core theoretical premise when he stated that the "key characteristic of a democracy is the continuing responsiveness of the government to the preferences of its citizens, considered as political equals" (p. 1). Thus, the normative impulse animating the liberal model is the concept of representation. Liberal democracies are supposed to function to represent the interests and preferences of the citizenry by leaders who are elected through a system of free, fair, and competitive elections amidst widespread suffrage.

The path that led the postwar democratic theorists to the liberal model of democracy is a primarily scientific one mixed with a clear normative dimension. These theorists aspired to describe the empirical operations of democratic societies, as well as maximize the conditions that make a society democratic. Dahl (1956) pioneered this grounded scientific approach to politics in his classic book, *A Preface to Democratic Theory*, when he proposed a "descriptive method" (p. 63) to guide research on democratic societies. For Dahl, a theory of democracy must begin by establishing the common denominator among all nation-states that are commonly referred to as democracies by social scientists. By observing the operations of democratic societies, a list of shared characteristics can be delineated, which can be interpreted as the criteria that sufficiently establish a society as democratic. As a second step, the task was to maximize these conditions in society to make for the strongest possible democratic regime.

As a Newtonian scientific approach to the study of politics, the postwar democratic theorists focused on observable behaviors and the outcomes of the decision-making process to devise their liberal model of democracy (Lukes [1974] 2000). Polsby (1963) specified the precise role of science in studying democracy, suggesting that for any democratic theory to be valid, it must be verifiable. Given the more equitable distribution of resources within the postwar context of economic prosperity and widening political and social rights, the pluralists concluded that power was fragmented among many competing groups. Pluralists, then, considered the modes of political action already practiced by citizens, including electoral, organized interest group, and party-related activities, to be sufficient to ensure representation by leaders. When the pluralists applied the behaviorist approach to studying the actual operation of U.S. politics, the postwar democratic theorists asserted that there was no reigning elite or ruling corporations. Hence, because corporate influence in democratic processes appeared insignificant to them, pluralists, except for a few passages here and there, completely excluded from their works any sustained analysis of corporate political power.

From their perspective, the postwar U.S. political system manifested the ideal democratic system. The advancement of political and social rights during the Civil Rights era purportedly validated their theory that the only legitimate political struggles were those that advanced individual rights instead of protest politics that sought to fundamentally alter the basic social relationships of the capitalist economy. However, the behaviorist approach revealed the surface level operation of power while concealing how power operated in the absence of conflict (Lukes [1974] 2000). Power may have been shared by many competing groups in the postwar period, but behind the scenes, power was becoming increasingly concentrated in corporations. While they were constrained and power decentralized among a plurality of competing interest groups, by the 1950s, corporations were larger and more integrated into the fabric of U.S. society than they had ever been. The pluralist approach to studying politics grasped the surface level distribution of power but ignored how power was concentrating within few large corporations.

The neglect to consider corporations as an integral component in the fabric of U.S. democracy is a glaring oversight, which appears to be obvious from the twenty-first century perspective. The liberal model of democracy they devised is, therefore, more a function of the socio-historical context of the postwar decades than an objective reflection of democracy at the time. The result was a research program that validated the self-ascribed norms of the U.S. political system. The postwar democratic theorists ventured to find, scientifically, what ‘democracy’ was, and what they found was what the prevailing normative structure compelled them to find. In Merelman’s (2003) words, the pluralist theorists created a “legitimizing discourse…That is, they support the claims American political leaders typically make to justify their power” (p. 19).

In the first part of this chapter, I will reconstruct the liberal model of democracy through the eyes of the postwar pluralist theorists. I will also address what the pluralists had to say about corporations in the few pages they discussed them. The second section of this chapter will delineate the precise forms of first dimension political activity and examine how citizens practiced such forms of political action in the postwar decades. In the final section, I will demonstrate that the normative impulse animating the liberal model—mainly that leaders represent citizens—has been negated by corporations that seek to monopolize representation by deploying first dimensions forms of political activity to protect their interests.

LIBERAL DEMOCRACY THROUGH THE EYES OF THE PLURALIST THEORISTS

As Dahl (1956) articulates, pluralists were "concerned with processes by which ordinary citizens exert a relatively high degree of control over leaders" (p. 3). The liberal model of democracy is fundamentally a model that seeks to maximize the representation of citizens in government. The ideal democratic system is one in which the government is completely or almost completely responsive to all citizens, which requires that government must not represent any single interest. While he conceded that perhaps no actually existing democratic society has ever fully realized the ideal democratic system in reality, Dahl's early work on democracy can be seen as an attempt to formulate theoretically how democratic societies can achieve a greater degree of representation of the citizenry.

Acolytes of Schumpeter's democratic method, the pluralist theorists never considered direct democracy to be practical, and instead believed that political leaders could sufficiently represent the interests of citizens through democratic procedures. What needed to be formulated were the precise mechanisms by which citizens exert control over leaders. For Dahl (1956), two "methods of social control" (p. 132) were critical to ensure the representation by leaders of the citizens' preferences—competitive elections and robust political competition among individuals, groups, and parties.

Dahl (1961) tested his hypothesis when he researched the political decision-making process and distribution of power in New Haven, Connecticut in the late 1950s. In contrast to elitist political theories of the time that claimed power was centralized within a ruling elite that governed in the interest of big business, Dahl asserted that power was decentralized among a plurality of groups competing for influence in a variety of issue areas. There was no ruling elite but many competing minority groups that shared power.

Although power was decentralized, the pluralists did not presume that political power was distributed equally among all groups. Instead, there were different types of political resources in society, such as wealth, voting power, social capital, prestige, legal status, and structural position.

While resources were distributed unequally among competing groups, most groups had access to at least some political resources, and thus, no single group could dominate in all issue areas. For Dahl (1961), a system of "dispersed inequalities" (p. 228) guaranteed that power was fragmented and a broad equality maintained between groups because no group could monopolize power at the expense of all others.

While competition between groups guarded against elite tyranny, Dahl, like Weber, found that a small core of professional politicians, who were the most politically active and were in possession of the most political resources, exerted a great deal more influence than the mass of ordinary citizens. It was from this professional political stratum that political leaders were generally drawn. That some individuals wielded more political power than others did not invalidate Dahl's assertion that political influence was decentralized. Citizens exerted a degree of social control over leaders through frequent, competitive elections. This was because leaders depended on citizens to vote them into office, so pluralists theorized that leaders had to represent the interests of citizens if they were to successfully win elections. Thus, pluralists believed that there was a reciprocal relationship between leaders and citizens that functioned as a built-in mechanism to ensure representation of citizens by the political leaders.

Similar to Weber and Schumpeter, the pluralists considered the greatest power of the citizenry to be its ability to replace negligent leaders with effective ones. As a result, citizens did not rule directly but indirectly by electing leaders that represented their preferences. Dahl (1961), therefore, finds that:

> In each of a number of key sectors of public policy, a few persons have great *direct* influence on the choices that are made; most citizens, by contrast, seem to have rather little direct influence. Yet it would be unwise to underestimate the extent to which voters may exert *indirect* influence on the decisions of leaders by means of elections. (P. 101)

Like an iceberg, most of the political decision-making process is concealed beneath the surface. Because they only occur at designated intervals, elections are only the most obvious and overt instances whereby citizens exert control over political leaders. Citizens also have opportunities to influence political decision making during the inter-election period (Dahl 1956). It is during these long periods between elections that citizens influence political decision making through robust interest group activity targeted at all levels of government. Interest groups are the lifeblood of a liberal model of democracy because they are the vehicles through which citizens check the power of leaders, as well as each other, during the normal cycle of politics.

According to Truman (1951), it was not possible to understand how government decisions were made, and leaders subordinated to the citizenry, without understanding the central role of interest groups in political affairs. Following a long history of social theorists from Aristotle to Dewey, Truman asserted that humans are social beings and are necessarily members of various groups by way of their socialization processes. Moreover, no individual's interests are completely represented by a single interest group, which means that individuals are members of many overlapping groups.

Groups are not only affiliations of like-minded individuals; they are also the means by which citizens practice politics. Interest groups and political associations, such as political parties, labor unions, trade associations, professional organizations, and citizen advocacy groups, are formed to create certainty in an uncertain political environment. In a complex society like the United States, established patterns of interactions between groups are frequently disturbed or destabilized. Interest groups form to protect the interests of members who share common attitudes and social positions.

Because the state monopolizes force in society, petitioning the government for favorable legislation is a powerful tool interest groups have at their disposal. As some interest groups pressure government to act on their behalf, other groups emerge to defend their interests, thereby creating a cycle where "the very success of one group in stabilizing its relationships creates new problems for others and makes necessary either new organizations or the extension and strengthening of existing ones" (Truman 1951:107). Reflecting the accuracy of Truman's theory, interest group activity exploded in the postwar decades (Knoke and Zhu 2012).

To protect the interests of its members, interest groups seek access to key decision-making points within the governmental process. These pressure points are scattered throughout the political structure in the United States because the founding fathers, distrustful of centralized monarchy, created a decentralized state apparatus that was divided by federal, state, and local powers, as well as checks and balances between the branches of government (Lipset 1996). It was thought that many points of access combined with a myriad of overlapping interest groups produced a system of equilibrium whereby opposing groups counterbalanced and constrained each other's influence. One group may wield political power in one issue area but lose in another. Thus, no single group could wield power in all areas, and power is fragmented and bartered among many competing groups. Coining the term "minorities rule" (p. 132), Dahl (1956) stated that "the making of governmental decisions is not a majestic march of great majorities united upon certain matters of basic policy. It is the steady appeasement of relatively small groups" (p. 146).

For pluralists, elections and interest group activity were two necessary conditions that made for a representative democratic government; however, they were not in themselves sufficient to ensure representation. Certain institutional processes had to be in place and individual rights protected for elections and interest group activity to be meaningful activities. Dahl (1971, 1989) devised a theory of "polyarchy" to establish which institutional processes and rights were needed to secure a liberal model of democracy. Specifically, Dahl (1989) outlined seven criteria in his theory of polyarchy:

1) Elected officials control government decisions
2) Elected officials are selected through frequent and fair elections
3) The right to vote is extended to all citizens
4) All adult citizens have the right to run for elected office
5) Citizens have the right to express themselves without fear of punishment
6) Alternative sources of information exist and citizens have the right to seek them out
7) Citizens have the right to form political associations (P. 221)

Polyarchy is the political order most akin to the liberal model of democracy. All of the criteria that make for a polyarchy are present in the liberal model. As such, the conditions that make for a polyarchy are ideal conditions that must exist to some extent for the political system to be considered a liberal democracy. Thus, the criteria of polyarchy can be used as a measuring rod to evaluate how close a political system approximates the liberal model of democracy.

Corporations Through the Eyes of Pluralists

The pluralist theorists considered corporations to be one of many types of interest groups vying for representation in democratic societies. In their eyes, corporations did not threaten the representation of the citizenry because they did not have a monopoly of political power in the postwar years. The pluralists were instead concerned with other factors that could undermine democratic governance. Dahl's (1956) major focus in his early work was the threat posed by majority or even minority tyranny. Writing in the shadow of fascism and totalitarianism, Lipset (1959) was concerned with the susceptibly of citizens to extremist and antidemocratic ideologies. For pluralists, it was not the economy that posed a threat to democracy, which is a belief that is consistent with the principles of liberalism, but perverted political systems and ideologies.

While not explicitly focusing on corporations, Dahl (1961) and Polsby (1963) examined the effects of economic elites on democratic governance in their empirical studies of decision-making processes in New Haven. Both theorists were highly skeptical of "stratification theory" (Polsby 1963:8), which posited that a singular upper-class dominated in all political affairs in a given community. Polsby vehemently rejected this assertion and instead advocated for an inductive approach to studying politics. For Polsby, the correct starting assumption for pluralists was that "at bottom *nobody* dominates in a town" (p. 113).

While the pluralists did not believe that a class of economic elites governed in any meaningful sense, Dahl (1961) conceded that there was economic inequality and that economic elites certainly existed in New Haven. Yet this situation did not pose a problem for their pluralistic theory of power. New Haven had once been completely ruled by a patrician class that concentrated wealth, social status, education, and political influence within the class. However, this oligarchical political order was replaced by rule of "ex-plebes" (p. 33), or proletarians, beginning in the early twentieth century.

Dahl (1961) found that economic elites had considerable political influence in some issue areas, especially in business matters and taxation policies; however, they were also politically impotent in other areas, especially in general public issues where they had hardly any direct influence at all. Moreover, elites had little influence in issues of public education and political nominations, as well as some notable failures to push their agenda in matters of urban redevelopment. Often, economic elites either did not agree or abstained from entering the political decision-making arena. Accordingly, Dahl states that:

> The Economic Notables, far from being a ruling group, are simply one of the many groups out of which individuals sporadically emerge to influence the policies and acts of city officials. Almost anything one might say about the influence of the Economic Notables could be said with equal justice about a half dozen other groups in the New Haven community. (P. 72)

Truman (1951) devoted the most space to examining the role of corporations in political decision-making contexts. For Truman, corporations, like other groups in society, created associations to protect their interests and sought to pressure politicians to pass pro-business legislation. Truman spent considerable energy examining the political activity of business associations such as the National Association of Manufacturers, Chamber of Commerce, and many others. Truman even admitted that historically in the United States, corporations have been viewed quite favorably, perhaps occupying a higher social status than labor organizations in the eyes of the average citizen. Furthermore, corporations had erected monopolies and oligopolies in many key sectors, which had the effect of concentrating economic power in few corporations. As a result, corporations had the most capital to disseminate pro-business ideology across the mass media airwaves. Truman was well aware of the political power accorded to institutions that control propaganda.

Nevertheless, like Dahl and Polsby, Truman (1951) did not consider corporations to dominate government decision-making processes. For starters, corporations themselves were not internally cohesive and abided by no singular will. "Differences of interest and multiple memberships create obstacles to unified action" (p. 256). Also, Truman was adamant that the economic power of corporations did not translate equally into political power. Rather, the exercise of political power relied upon eliciting at least some degree of consent from ordinary citizens who are themselves divided into many overlapping groups. "It is likely, therefore, that economic power can be converted into political power only at a discount, variable in size" (p. 258). Consequently, corporations frequently lost in matters of political decision making. For example, the National Association of Manufacturers had been ineffective in opposing "the Social Security Act, the Securities Exchange Act, the Reciprocal Trade Agreements Act, the Public Utility Holding Company Act, and others" (p. 259). Upon this empirical foundation, Truman concludes, "[a]lthough it is correct, therefore, to say that 'business' groups in the United States currently enjoy special advantages in the use of propaganda and other political efforts, it does not follow that they are or must be dominant or exclusive or unchanging" (p. 259).

THE FIRST DIMENSION OF POLITICAL ACTION

Because the pluralist theorists adhered to a behaviorist approach to studying politics, the legitimate modes of political activity reflected the way that citizens already practiced democratic politics in the United States. Thus, the pluralist theorists believed that the prevailing modes of political participation in the immediate postwar years were sufficient to ensure a generally healthy and representative democracy. It is because these forms of political activity are the most traditional, easily observable, and institutionalized forms of political participation, as well as the first to be systematically theorized, that I will refer to them as forms of *first dimension political* *activity*. It is here that Luke's ([1974] 2000) first dimension of power aligns exactly with my first dimension of political action.

The first dimension of political activity comprises all forms of participation that seek to influence the selection of government personnel or the creation of public policy (Milbrath 1965; Verba and Nie 1972). Specifically, political activity in the first dimension can be broken down into three overlapping forms of political participation—electoral, interest-group, and party-related activities. Within these broad categories, political participation includes the following acts, which is not intended to be an exhaustive list but a representative sample of first dimension political activity—voting, disseminating and collecting information on politics, discussing politics, running for or holding public office, being a member of a political party, get-out-the-vote efforts, canvassing and campaigning, attending rallies, signing petitions, and writing to representatives. Furthermore, because they are specifically targeted to influence electoral processes and shape policy making, donating money to political candidates, organizations, parties, and/or Political Action Committees (PACs), as well as lobbying are also forms of first dimension political action.

The voting behavior of citizens was the form of first dimension political action that was most studied by political scholars (Alford 1963; Campbell et al. 1960; Berelson, Lazarsfeld, and McPhee 1948; Burdick and Brodbeck 1959; Eldersveld 1951; Key 1964, 1966; Lane 1959; Lazardsfeld, Berelson, Gaudet 1944; Lipset 1959). In these studies, scholars conceived voting to be the primary means by which citizens achieved representation in government. Consequently, researchers began to study voting behavior empirically from a variety of angles to understand: 1) who votes and who does not vote?, 2) why do people vote the way they do?, and 3) what is the actual voting behavior of citizens? It is beyond the scope of this dissertation to thoroughly review how the various research studies answered these questions. However, researchers chose to explain voting behavior according to social and personal factors.

While voting was the form of political participation most thoroughly researched in the postwar years, some scholars began to broaden their research horizons to study other forms of first dimension political activity (Lane 1959; Milbrath 1965; Milbrath and Goel 1977; Verba and Nie 1972). Milbrath (1965) proceeded to categorize these other types of political activity and organized them into a hierarchy that weighted each activity in terms of time and energy costs. Milbrath believed that political activity followed a clustering pattern whereby people engaged in certain forms of political activity were likely to engage in others of the same general type.

For Milbrath (1965), as well as Lane (1959) and Dahl (1963), political engagement was unevenly distributed among the citizenry. In a sense, the distribution of political activity resembled a pyramid structure. At the bottom were “spectator activities” (Milbrath 1965:18) that included the least costly forms of political participation, like collecting information on politics and voting, but were the most widely practiced by the citizenry. Above that level were “transitional activities” (p. 18) that much fewer citizens practiced and included contacting political leaders, contributing money to political campaigns, and attending rallies. Only the most committed and active citizens engaged in the top level of political activity, which he called “gladiatorial activities” (p. 18), and included party-related activity, running for office, and holding office.

These scholars had to confront a somewhat troubling social fact—a large and significant proportion of citizens did not participate in politics at any level and were completely disengaged from the political process. Milbrath (1965) estimates that approximately one-third of all adult U.S. citizens were “politically apathetic or passive; in most cases, they are unaware, literally, of the political part of the world around them” (p. 21). For those who did participate, few get involved in politics past voting. Furthermore, by the postwar years, voter turnout in national elections was decreasing from the high point reached in the mid to late nineteenth century. As Lipset (1959) finds, “[t]he percentage of the potential electorate voting in national American elections is now considerably below what it was in 1896, when 80 per cent of those eligible went to the polls” (p. 185). Postwar political theorists had to confront whether political apathy was functional or not for a healthy democracy.

Empirical studies of political participation frequently dedicated large sections and even chapters to reconciling two seemingly contradictory characteristics of U.S. liberal democracy—on the one hand, citizens engaged in political activity at a low level, and on the other hand, U.S. democracy continued to be stable and satisfied the broad requirements of representation of the citizenry. While there were lines of disagreement, these theorists generally agreed that a large dose of political apathy was functional for a healthy democracy (Berelson, Lazarsfeld, McPhee 1954; Lipset 1959; Milbrath 1965; Parsons 1959; Finer, Hicks, and Riesman 1950). In a way, the postwar pluralists echoed Schumpeterian democratic theory. The classical doctrine that advocated for an active and engaged citizenry placed too big a burden on individuals and was unrealistic in its ambitions. For Milbrath (1965), high levels of participation were even antithetical to a healthy democracy because it signaled that politics had permeated every aspect of social life and therefore violated “the basic principle of limited government in a constitutional democracy” (p. 147). Instead, the postwar pluralists declared that U.S. democracy functioned just fine with low levels of political involvement.

Lipset (1959), for example, argues that low rates of political participation reflected “the stability of the system, a response to the decline of major social conflicts, and an increase in cross-pressures, particularly those affecting the working class” (p. 185). In other words, Lipset conceived of political apathy as consistent with the ‘end of ideology’ ethos of the postwar period, which theorized that most citizens accepted a liberal democracy and capitalist economy. Consequently, he interprets political apathy “as evidence of the electorate’s basic satisfaction with the way things are going” (p. 227). Parallel to Lipset, Berelson et al. (1954) and Parsons (1959) both saw apathy as functional for a healthy democracy because it served as a device to moderate fanaticism and extremism, which may propel too much conflict with too little consensus. A layer of political apathy among the citizenry, it was claimed, held the system together by giving it flexibility and cushioning the impact of rigid fanaticism, thereby maintaining a general equilibrium in the system.

In their eyes, the postwar pluralists offered a realistic approach to democratic politics. They explained that high levels of political participation were unnecessary to maintain a representative and stable democratic system. Rather, having a division of labor in terms of political activity amongst the citizenry, whereby few were highly active, many relatively active, and most generally apathetic, were conditions that made for a successful democracy. The facts purportedly spoke for themselves.

While these postwar theorists described certain aspects of democratic society and sought to explain how it was stable and representative, their theory, in the end, became a new normative theory of democracy (Duncan and Lukes 1963). Their fear of fascism translated into a vehement rejection that healthy democratic systems required mass participation, which they considered to be the recipe for totalitarianism. The postwar pluralists instead embraced apathy because they accepted the existing democratic system at face value. The conditions of U.S. democracy were uncritically believed to be the conditions that make for a healthy democracy, *per se*.

CORPORATIONS AND THE FIRST DIMENSION OF POLITICAL ACTION

The liberal model of democracy served as both an empirical description of the U.S. democratic process in the immediate postwar years, as well as a normative statement about how democracies should function. As a description of the political process, however, the conclusions that the postwar pluralist theorists drew from their research into actual decision-making scenarios, mainly that power was dispersed among many competing groups and citizens exerted sufficient control over leaders through electoral, party, and interest group activity such that the democratic system represented the preferences of the citizenry, never stood unchallenged. In fact, Polsby's (1963) most influential work, *Community Power and Political Theory*, was explicitly formulated to combat the elite theories of power, which held that power was centralized among few elites who ruled in their own interests (see Bachrach and Baratz 1962, 1963; Connolly 1969; Domhoff 1978; Hunter 1953; Kariel 1961; Marcuse [1964] 1991; Miliband 1969; Mills [1956] 2000; Poulantzas 1973). Thus, while pluralist theories grew to be widely influential, they never maintained a complete monopoly over political discourse during the postwar years. As time passed and New Deal liberalism transitioned into neoliberalism, it became increasingly clear that the validity of the pluralists' conclusions, if they were ever true, were confined to the early postwar decades. Even then, many studies derived conclusions that were completely opposed to the pluralists.

By the 1980s, the heyday of pluralism was over, and pluralist theorists revised their democratic theories to meet the changing times. Lindblom (1977), for example, acknowledged the state's structural bias towards privileging the interests of corporations, which challenged the classical pluralist belief that the state was a neutral arbiter adjudicating between competing groups. Moreover, in a stark U-turn from his earlier democratic theory, Dahl (1985) concedes that "corporate capitalism" tends "to produce inequalities in social and economic resources so great as to bring about severe violations of political equality and hence of the democratic process" (p. 60). These revisions made neo-pluralism more compatible with neo-Marxist theory than classical pluralism. Thus, the postwar pluralist description of the functioning of U.S. democracy no longer accorded to reality. The foundation from which liberal democracy was built had lost its structural integrity. No longer a valid description of U.S. democracy, pluralism persisted as a fading echo to remind political scholars of an oasis in time where power was distributed more equitably.

In the twenty-first century, pluralist theory has been further discredited as it became the whipping boy for a new generation of political scientists pursuing empirical studies that compared the voting behavior of Congress members and the direction of federal policies to the preferences of citizens. Their findings have completely contradicted the core premise of liberal democracy. In contrast to politicians responding equally to the preferences of all citizens, recent studies have indicated that wealthy U.S. citizens and corporations have significantly more influence in policy making than less-affluent citizens (Bartels 2008; Gilens 2005, 2012; Gilens and Page 2014; Jacobs and Page 2005). Winters (2011) calls this concentration of power within the hands of few elites a "civil oligarchy" (p. 211).

Gilens and Page (2014) provided the most compelling evidence for just how little influence the average U.S. citizen has in shaping public policy. Conducting the largest empirical study of policy decisions made by the U.S. federal government, Gilens and Page (2014) state that "[w]hen 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 miniscule, near-zero, statistically non-significant impact upon public policy" (p. 575). In contrast to the "near-zero" impact on public policy by ordinary citizens, interest groups have the most impact on the creation of public policy. However, business-oriented interest groups wield significantly more power than citizen-oriented interest groups leading Gilens and Page to conclude that "[w]hen a majority of citizens disagree with economic elites or organized interest groups, they generally lose" (p. 576).

Political scientists studying Congressional policy making have replicated the findings of Gilens and Page's research (Baker 2016; Barber 2016; Bartels 2008; Ellis 2011; Rhodes and Shaffner 2013). Examining the voting behavior of U.S. senators, Bartels (2008) demonstrates that "senators are consistently responsive to the views of affluent constituents but entirely *un*responsive to those with low incomes" (p. 275). While middle-income constituents fared slightly better than low-income constituents in terms of representation, Bartels was unambiguous in his conclusion that wealthy constituents acquired the most representation when it came to Senate roll-call votes. Bartels also found that Republican Senators were twice as responsive as Democrats to high-income constituents, but both parties were equally unresponsive to low-income constituents. Similarly and more recently, Barber (2016) finds that "senators are most representative of their campaign contributors" (p. 245). Thus, senators exhibit a strong ideological congruence with donors but a dramatic ideological divergence with the average voter in the state. Interestingly, because donors tend to be wealthy individuals and can donate to any senator, even if the donor does not live in the same state, senators are more responsive to donors who live outside their state than voters living within it.

Moving to research conducted on members of the House of Representatives, Baker (2016), Ellis (2011), and Rhodes and Shaffner (2013) discerned a parallel pattern whereby House members represented the interests of affluent citizens over those who are less affluent. Specifically, Baker (2016) found that the majority of Congress members received at least 65 percent of their campaign contributions from wealthy donors that lived outside of the House member's district. Similar to Barber's (2016) research, Baker demonstrated that House member's dependency on outside money incentivized members to adopt the political views of donors, whose preferences tend to be ideologically extreme. Additionally, Rhodes and Shaffner (2013) also found that Congress members represented the views of the wealthy over less-wealthy citizens. They conclude that:

> Citizens in the lowest wealth bracket receive relatively little representation when compared to individuals in higher wealth brackets, even when the lower wealth group makes up a larger share of the district's population. At the extreme, we estimate that millionaires receive about twice as much representation when they comprise about 5% of the district's population than the poorest wealth group does when it makes up 50% of the district. (P. 37)

While echoing these conclusions, Ellis' (2011) research discerned the relative weight accorded to different variables in explaining why House members represented the wealthy over less-wealthy citizens. Ellis concludes that "only a small part of this representation gap can be explained by patterns of participation, knowledge, education, or other factors correlated with income. The results suggest that a substantial portion of the income bias in representation is a function of income itself" (p. 948). In other words, sociodemographic factors such as race, ethnicity, gender, education, and political knowledge are less relevant for explaining the representation gap than income.

And finally, at the state level too, unequal representation is a persistent feature of U.S. democracy (Flavin 2012; Rigby and Wright 2011). According to Flavin (2012), "[a]ssessing the relationship between citizens' general political ideology and state policy, the opinions of citizens in the middle- and high-income groups are reflected in state public policies while the opinions of the poor are consistently underrepresented" (p. 46).

The conclusions derived by these studies point to the democratic deficits in U.S. democracy whereby political representative are more responsive to elite and corporate interests over the interests of ordinary citizens. This is especially troubling because the policy preferences of the wealthy are significantly different from and opposed to those desired by the average U.S. citizen. For example, wealthy individuals are generally more favorable towards cutting all types of social programs that benefit the lower classes, while supporting tax cuts for the wealthy and deregulating key sectors of the economy (Page, Bartels, Seawright 2013).

The question becomes—why are politicians unambiguously more representative of elites and corporations than ordinary people? Comparing the ways in which corporations and people practice first dimension political activity in twenty-first century U.S. democracy gives insight into how political power is structured. Simply stated, corporations and elites dominate the most influential forms of first dimension political activity, which compels politicians to respond to their interests over those of ordinary people.

A comparison of the ways in which corporations and people practice first dimension political activity proceeds by examining electoral, organized interest group, and party-related forms of political participation. However, such an analysis immediately confronts methodological problems because corporations, while recognized by the law as legal 'persons', are not corporeal individuals that can engage in all types of first dimension political activity. Most importantly, corporations cannot vote, cannot run for office, cannot contribute money directly to a candidate's electoral campaign, at least at the federal level, cannot volunteer for a political party, and cannot write to their representatives, among other restrictions. While corporations cannot practically or legally engage in these types of political activity, their executives, shareholders, and managers certainly do. Moreover, corporations are permitted to engage in other forms of first dimension political activity, including lobbying, campaign finance through PACs, Super PACs, and tax-exempt political organizations, and the dissemination of propaganda. A comparison of first dimension political activity, therefore, considers the political activity of corporations but also wealthy elites who function as corporeal representatives of corporate interests (Mills 1956; Domhoff 2014).

Electoral Activity

In the liberal model of democracy, voting is a key source of power for ordinary citizens to obtain political representation. But voter activity is not equally distributed among all U.S. citizens, meaning that certain types of people vote more than others. Commensurate with a long tradition of political research (see Almond and Verba 1963; Bartels 2008; Milbrath 1965; Verba, Schlozman, and Brady 1995), Leighley and Nagler (2014) found that for each election between 1972 and 2008, individuals with higher levels of income and education were more likely to vote than those with less income and education. Specifically, "[f]ewer than half of the households with incomes under $15,000 reported voting in the presidential election of 2008…In contrast, over four-fifths of those with incomes over $150,000 reported voting" (Bonica 2013:111). The gap in voter turnout between rich and poor is even more stark when considering midterm elections. Wealthy individuals not only vote more, they are also more likely than less affluent individuals to engage in other types of electoral activity, such as contacting representatives, donating money to campaigns, and working for a candidate's campaign (Page, Bartels, and Seawright 2013; Schlozman, Verba, and Brady 2012).

To win elections, politicians need to win more votes than their competitors. In the twenty-first century, winning votes, especially at the federal level, requires that candidates raise significant amounts of money to boost name recognition, spread their message, and pay for get-out-the-vote efforts. Moreover, as the cost of campaigns has increased over the decades, campaigns are more dependent than ever on political contributions made by supporters. Donating money to campaigns, parties, PACs, and tax-exempt political groups, therefore, is an important form of political action. However, like voting, making political contributions is highly stratified according to wealth.

Individual political contributions made directly to campaigns constitutes a major source of funds for candidates. Yet most U.S. citizens have never donated any money to an election campaign. It is impossible to know the exact figures of citizens who make political contributions because campaigns do not have to report donations of less than $200 to the FEC. Nevertheless, researchers estimated that in recent elections only between 11 to 13 percent of the adult U.S. population contributed any money to a presidential election, and the vast majority were small donations (usually defined as contributions of $200 or less) (Mann and Corrado 2014; Smith and Duggan 2012). The percentage of large donors contributing more than $200 to a campaign was significantly less. In the 2016 election, 0.68 percent of adult U.S. citizens donated at least $200 to a campaign. Furthermore, only 0.1 percent of the population maxed out their individual contribution limit of $2,700 to a campaign for a general election. The percentage of citizens making campaign contributions over $200 is even lower during midterm elections. In 2014, only

0.3 percent of the adult population contributed over $200 to a campaign, and only 0.05 percent maxed out their individual contribution limit (Center for Responsive Politics 2016).

This donor class comprises wealthy individuals. Data from 2008 indicated that nearly 30 percent of citizens in the highest socio-economic quintile and about 14 percent of citizens in the second highest quintile donated money to a campaign. In contrast, less than 10 percent of those in the second lowest quintile donated money to a campaign and less than 5 percent of citizens in the bottom socio-economic quintile donated (Scholzman, Verba, and Brady 2012). The result is that a miniscule fraction of the adult U.S. population, who are wealthy, makes the lion's share of political contributions to campaigns every election.

Although small donors, who tend to be less wealthy, constitute the numerical majority of citizens who donate to campaigns, the few large donors completely overshadow the contributions of small donors. For example, while Barack Obama raised small donations from more than 3 million individuals in 2008, these donations constituted only 24 percent of his total campaign funds. In 2012, he raised small donations from 3.6 million individuals, or 28 percent of his total funds. Thus, large donors contributed the majority of Obama's total campaign funds in both elections (Mann and Corrado 2014). In the 2016 presidential election, the pattern of candidates relying on contributions from large wealthy donors continued. Individuals with a net worth greater than $1 million, which only makes up 3 percent of the general population, gave Clinton 42 percent of her campaign funds and 27 percent of Trump's funds (McElwee, Schaffner, and Rhodes 2016).

Congressional election campaigns also rely on large donations made by wealthy citizens. In the 2012 elections, donations of $1,000 or more constituted 55.1 percent of all individual contributions to House and Senate campaigns (Bowie and Lioz 2013). From a different angle, in both the 2012 and 2014 Congressional elections, individuals possessing more than $1 million in wealth contributed 45 percent of all donations made to Congress members' campaigns (McElwee, Schaffner, and Rhodes 2016).

Donating directly to a candidate's campaign is only one part of a larger campaign finance system. Wealthy individuals who have maxed out their contribution limits to campaigns can readily find additional avenues to support their candidates. In the post-*Citizens United* era, individuals, corporations, unions, as well as trade and professional associations, political leaders, ideological groups, and issue-oriented groups, are permitted to form independent political committees through which they can contribute additional funds directly to campaigns and funnel unlimited amounts of moneys to support or attack candidates.

PACs comprise the second largest source of funds for Congressional campaigns (Jacobson 2013). They are especially appealing to wealthy donors because the PAC can legally contribute up to $10,000 to any candidate to fund their primary and general election campaigns ($5,000 contribution limit for each election). Thus, wealthy individuals can max out their individual contribution limit of $5,400 and then donate money to PACs who can then each provide an additional $10,000 to the candidate's campaign. Since the 1980s, business-oriented and corporate PACs have constituted the greatest share of PAC contributions. In the 2012 elections, corporate PACs contributed $329.7 million to Congressional candidates in both parties compared to labor PACs' paltry $58.3 million. Even within the Democratic party, which was historically the primary beneficiary of labor PAC contributions, corporate PACs outspent labor PACs—$122.6 million to $52.4 million (Domhoff 2014). In the 2016 Congressional elections, corporate PACs again outspent labor PACs as they constituted 73 percent of all PAC contributions compared to labor PAC's 10.7 percent (Center for Responsive Politics 2016).

Although PACs continue to be an important source of campaign funds for candidates, their political activity is regulated by FECA and subject to contribution limits and disclosure requirements. Following the rulings of *Citizens United* and *SpeechNow.org*, wealthy individuals have increasingly created independent political committees, most importantly 501(c) groups and Super PACs, to skirt FECA regulations. Tax-exempt 501(c) organizations have become an important source of outside spending since 2010 mainly because they are not regulated by FECA and are not required to reveal their donors. While Super PACs are still regulated by FECA and must disclose their donors, the advantage of Super PACs over ordinary PACs is that Super PACs can raise and spend unlimited amounts of money to support or oppose candidates, albeit so long as that money is used independently of campaigns.

In the 2012 federal elections, outside groups spent more than $1 billion dollars. Of that spending, 501(c) groups accounted for 29 percent and Super PACs contributed 61 percent. Thus, 501(c)s and Super PACs together accounted for 90 percent of all outside spending in the 2012 federal elections compared to unions' 1 percent (Bowie and Lioz 2013).

In light of the exorbitant sums of money spent by 501(c)s and Super PACs, who funds these outside political committees is a matter of increasing importance. Because Super PACs must disclose their donors and the biggest contributors to Super PACs are individuals (70 percent), some information is known about donors. For example, "[i]n 2012, 58.9% of Super PAC funding came from just 159 donors contributing at least $1 million. More than 93% of the money Super PACs raised came in contributions of at least $10,000—from just 3,318 donors, or the equivalent of 0.0011% of the population" (Bowie and Lioz 2013:8). A more striking illustration of the vast power of few wealthy donors is that 31 of the top Super PAC donors, who donated an average of $9.9 million each, equaled the contributions made by 3.7 million small donors in 2012 (Bowie and Lioz 2013). In the 2016 elections, Thomas Steyer gave almost $89.8 million to outside groups, and Sheldon Adelson spent $77.9 million (Center for Responsive Politics 2016). What is known for sure is that election after election, a few ultra-wealthy individuals spend millions of dollars influencing elections, thereby creating a perpetual stratum of individuals who disproportionately make or break campaigns.

Many wealthy donors and corporations do not want their identities revealed when making campaign contributions. To their advantage, wealthy donors and corporations use the complex campaign finance laws to conceal their identities. For example, pairing a 501(c)(4) organization with a Super PAC is a recipe to hide donors. Moreover, donors can create shell corporations through which they funnel donations to Super PACs without having to reveal the actual identities behind the contributions. Both these paths have resulted in a rise of so-called "dark money" (Mayer 2016) because its origins are impossible to trace. When Super PACs disclose their donors to the FEC, they only need to disclose the name of the 501(c)(4) or shell corporation, not the original donors. In the 2012 election, 31 percent of all outside spending was dark money that did not disclose their original donors. Because issue ads, which are virtually indistinguishable from express advocacy ads, are not tracked by the FEC, Bowie and Lioz (2013) estimated that the actual total of dark money in 2012 was closer to 58 percent of total outside spending.

The bottom line is that affluent individuals vote more often than less affluent citizens, and they are far more likely to donate money to campaigns and political committees. Corporations also contribute significantly more money to PACs than do labor unions. Moreover, wealthy individuals and corporations can pump unlimited amounts of money into the campaign finance system through a plurality of avenues with a large percentage of that money being completely undisclosed and hidden from public view. Consequently, wealthy individuals and corporations unambiguously and overwhelming dominate the most important forms of electoral participation.

Even if electoral activity was more evenly distributed throughout the population, it is not certain that ordinary people would acquire greater representation by politicians. Rather, politicians bring with them to their elected positions personal biases that lead to unequal representation of constituents. For example, Butler (2014) demonstrated that when contacting elected officials, the socio-economic status and occupation of the constituent matter for eliciting a response from the politician. Specifically, politicians tend to discount the views of low-income constituents who work in low-status jobs, like being a janitor, because politicians assume that poorer citizens are less capable of forming thoughtful opinions. In contrast, politicians assume that more affluent citizens who work in more prestigious jobs, like being an attorney, are knowledgeable about issues, and therefore, their views are taken more seriously by the politician. Thus, one reason low-income people participate less in politics is simply because they feel that politicians ignore their preferences, which is a feeling supported by the data (Butler 2014; Verba, Schlozman, and Brady 1995).

Organized Interest Group Activity

Once in office, politicians are at the helm of a vast legislating system comprising three branches of government—executive, legislative, and judicial—that are reproduced at three levels of government—federal, state, and local levels. It is through these various access points that organized interest groups attempt to influence the activity of politicians to defend their interests. An organized interest group is "an organization that engages in political activity—that is, activity designed to affect what the government does" (Nownes 2006:6). As such, organized interest groups encompass a broad range of organizations, including mass membership groups as well as nonmembership organizations such as corporations and think tanks. Because organized interest groups engage in actions that influence the policy-making process, their political strategies are targeted not only at politicians but also citizens.

Primarily, organized interest groups act to provide information to their targeted audiences (Nownes 2006; Wright 1996).[5] Organized interest groups, therefore, employ lobbyists to provide information to politicians about specific bills and regulations in the hopes that such information

[5] Secondarily, organized interest groups will provide monetary contributions to politicians' electoral campaigns, which was a form of political action covered in the previous section.

will influence the actions of the targeted politician. Additionally, organized interest groups and lobbyists use PAC money to air ads through a variety of different media streams to provide information to the electorate about candidates and issues. Organized interest groups also mobilize citizens for or against specific issues to inform politicians about citizen views and what is at stake if those views are ignored. Moreover, think tanks conduct and disseminate research to the public in order to indirectly influence policy making by informing politicians and citizens about how corporate interests ostensibly intersect with public interests.

In all these cases, the process by which organized interest groups provide information to targeted audiences costs significant amounts of money. Hence, which organized interest groups have the most monetary support is an important factor for understanding why politicians represent the interests of corporations and wealthy individuals in the policy-making process. Parallel to the case of campaign finance, organized interest group activity is dominated by corporations and trade associations, along with their lobbyists and think tanks. However, in contrast to campaign finance, corporations spend far more on lobbying activity than they do on campaign finance expenditures (an average of 12-1), which makes lobbying an even more important form of political action for corporations (Boggs 2011; Drutman 2015).

Lobbying denotes the process by which organized interest groups engage in efforts "designed to affect what the government does" (Nownes 2006:5). In fact, any citizen or group can lobby the government to influence the policy-making process; however, it is corporations and trade associations who devote the vast majority of resources to lobbying activities. Consider the gap in expenditure between corporate lobbying and union/citizen advocacy lobbying. According to Drutman (2015), between 1998 and 2010, corporations increased their spending on lobbying by 85 percent—from $1.13 billion to $2.09 billion; trade associations also augmented their lobbying expenditure by 53 percent—from $387 million to $590 million. Like their corporate counterparts, unions and citizen advocacy groups also spent more on lobbying during this period; however, their expenditures have not kept pace with corporate lobbying. Unions increased their lobbying spending by 32 percent—growing to $486 million in 2010. Citizen advocacy groups augmented their lobbying expenditure by a mere 23 percent—reaching $41.3 million in 2010. The millions spent by unions and citizen advocacy groups pales in comparison to the billions spent by corporations and their trade association allies.

Similarly, in the period between 1998 and 2012, Drutman (2015) demonstrated that corporations and trade associations have consistently comprised the top 90 to 95 of the 100 largest lobbying organizations. It is useful to quote Drutman at length to grasp the gravity that corporate interests exert through lobbying:

> In both 2009 and 2010, 96 of the top 100 organizations by spending represented business. In 2012, 95 of the top 100 organizations represented business. Of the top 100 spending organizations in 2012, 71 were individual corporations, down slight from the high-water mark of 75 in 2010. By contrast, [citizen advocacy groups] and unions have never collectively accounted for more than three of the top 100 spending organizations. But they haven't reached that high-water mark since 1998 and 1999. Every year since, they've only been represented either once, twice, or not at all. In 4 of the 15 years (2006, 2008, 2009, and 2010) not a single diffuse interest group or union shows up in the top 100 spending organizations. (P. 12-13)

Thus, corporations and trade associations are not only the biggest lobbying spenders, but also their lobbying presence is only growing compared to that of citizens advocacy groups and unions. In 1998, for every one dollar spent on lobbying by citizen advocacy groups and unions combined, corporations spent $22. In 2012, that ratio became 1-34 (Drutman 2015).

Despite his campaign promise to "drain the swamp" (Arnsdorf 2017) and his executive order that banned executive branch officials from some lobbying activities, corporate lobbying has experienced a new dawn in the Trump administration (Wilson 2017). In addition to an executive order reviving both the Keystone Pipeline and the Dakota Access Pipeline, President Trump also signed bills that both deregulated the energy sector such that oil and energy corporations no longer have to disclose payments made to foreign countries and permitted coal corporations to dump waste into waterways. Key to understanding Trump's pro-fossil fuel agenda is the network of lobbyists employed in his administration (Lee-Ashley, Auel, and Moser 2017). According to Mufson (2016), Trump's transition team is stacked with oil, coal, and gas lobbyists who have connections to the largest corporations in those industries. Central to Trump's energy plan is Mike Catanzaro who is the special assistant to Trump on domestic energy and environmental policy. Catanzaro is a partner in the lobbying firm CGCN and has served fossil fuel clients such as Halliburton, Devon Energy, Encana Oil & Gas, and Koch Industries. The legislative actions aimed to deregulate the fossil fuel industry are some of the earliest policies enacted by the Trump administration and demonstrate the power of fossil fuel lobbyists to make their agenda a priority for the new administration.

Lobbying government officials is not the only way organized interest groups influence the public policy-making process. Organized interest groups also create institutions through which they disseminate information to a wider public audience to gain support or sow opposition to certain policies. Domhoff (2014) calls the web of people and institutions dedicated to informing the public about research, including charitable foundations, think tanks, and policy-discussion groups, "the policy-planning network" (p. 74). The policy-planning network is buttressed by an "opinion-shaping network" (p. 110) that consists of the many public relations corporations, the public affairs departments of large corporations, and the mass media that communicate the results of the policy-planning network to citizens, voluntary associations, schools, churches, and other social institutions. It is through these networks that corporations manufacture pro-corporate ideologies and disseminate them to the public.

The policy-planning network is not monopolized by pro-corporate interests. Instead, any group can create a think tank to disseminate their particular ideology, and there are many foundations and think tanks dedicated to citizen advocacy issues and research. Nevertheless, over time, a pro-corporate policy-planning network has been entrenched because of the generous funding provided by large corporations and wealthy elites. This pro-corporate sector is internally divided between moderate conservatives and ultraconservatives; however, according to Domhoff (2014), these factions "have a tendency to search for compromise policies due to their common membership in the corporate community, their social bonds, and the numerous interlocks among all policy groups" (p. 76). Their disagreements, therefore, are overshadowed by a larger unity in promoting the interests of corporations.

Domhoff (2014) demonstrated the close connections between the leading corporate executives and the major institutions of the policy-planning network through overlapping memberships on the boards of various corporations, foundations, think tanks, and policy-discussion groups. For example, three of the most visible think tanks, the Brookings Institution, the American Enterprise Institute, and the Heritage Foundation, all have significant ties, in terms of both board members and funding, to core members of the corporate community. While there are liberal-labor policy-network institutions, Domhoff indicated that they are much smaller in size and less publicly visible than their corporate counterparts. Of all media mentions of think thanks in 2011, liberal think tanks received only 20 percent of coverage compared to 47 percent for moderate think tanks and 33 percent of ultraconservative ones.

The policy-planning network promotes pro-corporate policies by disseminating research to the public. By contrast, the opinion-shaping network directly intervenes in the public to manufacture a positive image of corporations and the policies they advocate. Thus, while policy-planning institutions aim to engage with a broad public audience through their research, the opinion-shaping network of institutions is narrower in scope and targets particular audiences. Because the opinion-shaping network directly intervenes in the various public spheres through grassroots forms of political mobilization to cultivate a positive image on behalf of corporations, the activity of the opinion-shaping network will be examined in the next chapter that deals with grassroots mobilization.

So far, what has been discussed is the ways in which organized interest groups provide information to politicians through lobbying and how they provide information to the public through the dissemination of research and propaganda. In both cases, corporations with their massive capital reserves overshadow citizen advocacy and union groups. Thus, there is an informational inequality that privileges corporate interests because they are the ones who predominately lobby politicians and flood the public airwaves with their messages. However, there is an additional informational factor that facilitates the representation of corporate interests by politicians.

Politicians do not only bring with them to office their personal biases, but also informational biases that compel politicians to represent corporate interests. The fact is that politicians themselves tend to be demographically similar to their elite and corporate donors. In his study of U.S. senators, Barber (2016) finds that "the distribution of wealth among donors is quite similar to the distribution of wealth among senators. Among both groups, a large proportion report a net worth of more than $10 million." Similarly, Domhoff (2014) indicated that the top elected politicians tend to be drawn from the highest ten to fifteen percent of incomes and occupations. Like members of the corporate community, politicians disproportionately come from business and legal backgrounds. This shared background translates into politicians having their own material interests in representing wealthy constituents because they themselves likely benefit from pro-corporate policies.

Moreover, as affluent members of society, politicians have personal experience with issues affecting wealthy individuals. Because it takes significant amounts of time, energy, and resources to legislate on issues, politicians tend to work on issues to which they have personal experience. Thus, because they have first-hand experience with issues affecting the wealthy and corporations, politicians strategically maximize efficiency and reduce time, energy, and resource costs by disproportionately working on issues affecting those interests (Butler 2014). Consequently, issues affecting lower-income people and minority groups can be so remote from most politicians that they receive less attention. According to Butler (2104), "[w]ith fewer women, minorities, and low-income representatives in office, issues of importance to these groups will receive less attention because fewer legislators will proactively research these issues, propose bills on these topics, provide good information during deliberations on these issues, help constituents who need help with them, and so on" (p. 81). Thus, corporate interests receive more representation not only because they participate more in electoral and organized interest group politics, but also because of personal and informational biases among politicians that make it easier and more strategic for those politicians to represent wealthy and corporate interests.

Party-Related Activity

Although the U.S. Constitution is completely silent with regard to their role in the political process, political parties mediate the entire democratic system in the United States. Most importantly, political parties organize the whole policy-making process of government. Nothing happens in the legislative system without the heavy hand of the two dominant parties in the United States—the Democratic Party and the Republican Party. As Sorauf (1964) explains, "[i]n the United States Congress and in state legislatures the basic unit of organization is the party caucus; from it flows the appointment of powerful presiding officers, committee chairmen, floor leaders, and steering committees" (p. 3). In other words, political parties are the engine of democracy because they structure the gears through which policy is created.

That political parties organize the policy-making process is dependent on those parties being elected into office every election cycle. Therefore, political parties play an additional role as the organizers of the electoral process. They select candidates for office through primary elections, provide monetary and informational resources for candidates, and mobilize voters in support of particular candidates. Because they must turn out voters every election, political parties' success is predicated upon socializing voters into the particular worldview of the respective party. Hence, for their members, the political party "arranges the confusion of the political world" (Sorauf 1964:3).

Because they structure the machinery of government, organize the electoral system, and perform the task of political socialization, political parties are the intermediaries between government and citizens. Representation of the citizenry can only occur through the actions of political parties. Hence, who participates in party activities, who donates money to parties, and to which constituents parties respond are important factors for explaining why politicians represent wealthy and corporate interests.

Despite the centrality of political parties to the democratic process, citizen identification with political parties has declined in recent decades. According to Putnam (2000), voter identification rates:

> Fell from more than 75 percent around 1960 to less than 60 percent in the late 1990s. Despite a partial recovery in the late 1980s, at century's end party 'brand loyalty' remained well below the levels of the 1950s and early 1960s. What is more, this form of political engagement is significantly lower in more recent cohorts, so that as older, more partisan voters depart from the electorate to be replaced by younger independents, the net attachment to the parties may continue to decline. (P. 36-27)

Indeed, Putnam's prediction of declining rates of party identification, especially among the youth, has been borne out by the data. In 2014, only 55 percent of the citizenry identified with either the Democratic (32 percent) or Republican (23 percent) parties. The relative majority of citizens instead identify as independents (39 percent), which is "the highest percentage of independents in more than 75 years of public opinion polling" (Pew Research Center 2015). Moreover, half of all millennials (whose ages range from 18 to 33) did not identify with any political party making this generation the least party-affiliated since the Pew Research Center began studying party affiliation (Pew Research Center 2014). Participation rates in party activities are also low and declining. In the 1990s, only 5 percent of the population indicated that they were involved in a political party. In 2004, that number dropped to just 3 percent (Hershey 2009).

While party identification and participation rates have plummeted in recent years, especially among the youth, political parties are surprisingly flush with millions of dollars of capital. The 2002 Bipartisan Campaign Reform Act (BCRA) may have stymied the flow of 'soft money' into the coffers of the Democratic and Republican parties; however, the two dominant parties replenished their coffers by raising FECA-regulated 'hard money'. While small donors donating less than $200 to political parties comprised a significant part of this 'hard money', it is the wealthy large donors making contributions of over $200 that make up the largest percentage of party donors in the post-BCRA era. During the 2006 and 2008 elections, the Democratic

National Committee (DNC), the main fundraising arm for the Democratic party, raised about $29 million more from small donors per election cycle than it did in the pre-BCRA elections of 2000 and 2002. However, during the same election cycles, the DNC raised about $49 million more from large donors making contributions of at least $1,000 per cycle. Moreover, extremely large donors making contributions of at least $20,000 accounted for about $40 million of that money. The numbers for the Republican National Committee (RNC) are similar. Small donors contributed about $19 million more in the 2006 and 2008 elections than they did in the pre-BCRA era. But large donors giving at least $1,000 contributed $86 million more per election cycle, with about $52 million of that money came from large donors contributing at least $20,000 (Malbin et al. 2011).

Data from the 2016 election cycle further confirmed the reliance of both parties on wealthy individuals and corporate PACs. The Democratic party collected millions of dollars for the 2016 elections from leadership PACs and corporations. Chuck Schumer's Friends of Schumer PAC gave $3,655,000, while Nancy Pelosi's Nancy Pelosi for Congress PAC gave $1,422,952. Furthermore, large corporations, many of them financial corporations like the Pitzker Group, Renaissance Technologies, and the Blackstone Group, have all contributed well over $1 million dollars each to the Democratic party (Center for Responsive Politics 2016). The Republican Party exhibited the same pattern. Leadership PACs like Paul Ryan's Ryan for Congress PAC gave $6,571,704 and Kevin McCarthy's Kevin McCarthy for Congress PAC contributed $2,974,926. Moreover, large corporations like AT&T, Koch Industries, Microsoft Corp, and Cisco Systems all contributed more than $2 million each to the Republican party (Center for Responsive Politics 2016). The two dominant parties rely more than ever on the contributions made by wealthy individuals and corporate PACs.

The Democratic and Republican parties not only rely on wealthy individuals to fund their parties but also to fill their ranks. According to Hershey (2009), party activists, referring to those who devote time and resources to political parties, "tend to have higher incomes, more years of formal education, and higher-status occupations than does the average American. People with incomes over $75,000 are four times more likely to do campaign work as are people whose income is at or below the poverty line" (p. 94). Like all measures of first dimension political activity, wealthy individuals are more likely to be party activists.

With membership rates plummeting and few nonaffluent individuals contributing resources and time, political parties rely more and more on wealthy individuals and corporations to finance and run their political activities. Confirming this trend, Crouch (2004) states:

> the classic party of the twenty-first century would be one which comprises a self-reproducing inner elite, remote from its mass movement base, but nested squarely within a number of corporations, which will in turn fund the sub-contracting of opinion-polling, policy-advice and vote-gathering services, in exchange for firms that seek political influence being well regarded by the party when in government. (P. 74)

Crouch's theory of modern day political parties is reminiscent of Weber's theory of political parties being "machines" (Weber [1919] 1946:103) whose sole purpose is to turn out voters for elections but the parties themselves are run by professional politicians. The missing ingredient in Weber's theory is corporations to which political parties depend on more than ever.

Both the Democratic and Republican parties have sacrificed mass membership for corporate sponsorship. In turn, those wealthy elites and corporations provide enough funding and services to assist political parties to churn out voters every election cycle. As a result, the agendas of the two dominant parties are united in protecting wealthy and corporate interests, even though they distinguish themselves through opposing social policies. No better example is needed than the 2016 presidential election where the Democratic party colluded against the Social Democratic candidate Bernie Sanders in favor of corporate sycophant Hilary Clinton, while the Republican party rallied behind the billionaire, reality television star Donald J. Trump. Regardless of which candidate won, wealthy elites and corporations could be assured that their interests would be protected.

CONCLUSION: LIBERAL DEMOCRACY IN CRISIS

The pluralist theorists codified the conditions of the post-World War II golden age into the liberal model of democracy. Because they lived in a period characterized by stability and rising prosperity that translated into material gains for all sectors of society, albeit unequally, the liberal model they devised reflected these conditions. In this context, competitive elections, robust interest group activity, and responsive parties were all that were needed to secure a healthy functioning democracy. Even the overwhelming political apathy among most citizens posed no threat to democracy; instead, it was perceived to be a safeguard against totalitarian politics and a buffer to ensure equilibrium in the political system.

The postwar pluralists formulated a model of democracy that functioned on auto-pilot, meaning that the mechanisms already in place were theorized to be sufficient to maintain representation of the citizenry. The constitutional checks and balances that concerned the classic liberal theorists like Madison were buttressed by social checks and balances that were said to inhere in the liberal democratic system of the postwar decades. By its very design, the liberal model of democracy purportedly ensured stability, representation, and social justice, so long as everyone fulfilled their roles, including the few party leaders and activists, the many party supporters, and the apathetic majority. No force was needed to secure a healthy democracy, just reverence for the democratic creed.

Unable to step outside of their reading of U.S. history, the pluralist theorists, who understood the world through the vantage point of the postwar decades, had no way of understanding how contradictory and flawed their model was. While the mechanisms that underlie the liberal model of democracy continue—elections, interest groups, and political parties are staple features of twenty-first century politics—these mechanisms no longer function to ensure the representation of the citizenry by leaders. The result is a political system that has become detached from its normative foundation. Like a zombie, the liberal model of democracy lives on even though its human features died long ago.

The political apathy among citizens with regard to first dimension political activity has grown into a cancer. Moreover, the structural changes to the economy during the 1970s and 1980s further atrophied the political power of the citizenry as the neoliberal economy assaulted labor power and redistributed wealth into the hands of the 1%. The apathetic citizenry combined with the declining power and resources of labor have left a power vacuum that wealthy elites and corporations readily filled. Campaign cost soared, bills became more complex, and political parties shed membership. Yet corporations, not ordinary people, filled the void with vast sums of capital, networks of information, and free advertising on behalf of parties and candidates. Thus, corporations deployed their vast resources to manage elections, dominate interest group activity, and control political parties. The liberal democratic system on auto-pilot careened into the rocky shores of corporate control. On the field of first dimension political activity, wealthy elites and corporations are unambiguously in command.

What the pluralist theorists got wrong was that a healthy democratic society requires force to be maintained. Not violent force, but the force of social institutions and political organizations to socialize citizens and mold them into capable democratic agents that are informed, can discriminate between fact and fiction, and understand the nature of compromise in a society characterized by heterogeneity and diversity. As capable democratic agents, people would then have to expend considerable time and energy practicing democracy, as if it was as significant to people's lives as going to church or watching a football game. Maintaining a democratic society requires work that few people are trained or desire to do. The pluralist theorists assumed that the existing social and political institutions in place inculcated the values of the democratic creed; however, they did not foresee how the economy would fundamentally recode every social and political institution in society such that they no longer performed their democratic function but their function for augmenting capital accumulation in a capitalist society.

First and foremost is the education system, which Dahl understood to be the primary means by which citizens learned the values and practice of a democracy. Yet the education system today produces degrees, not democratic agents. It is not enough for schools to teach the formal mechanisms of democracy, such as when to vote, what the branches of government are, and the Preamble of the Constitution. This sort of information does not train democratic citizens but instead breeds incompetence because citizens come to believe all that is needed of them to sustain a healthy democracy is to vote, or even to not vote at all. In no way is this form of education enough to sustain the foundation for real democracy.

What the pluralists could not see became the focus of the next generation of political scholars who witnessed liberal democracy descend into crisis by the 1970s. Habermas' (1973) *Legitimation Crisis* stands as a testament to the new consciousness developing among political scholars that liberal democracies had entered a period of crisis. Participatory and deliberative democratic theorists spearheaded the movement to formulate new and innovate models of democracy to compensate for the failure of liberal democracy to ensure representation of the citizenry. For this next generation of political scholars, political apathy had to be overcome so that ordinary citizens could rescue democracy from the arms of wealthy elites and corporations. It is their participatory-deliberative model of democracy that is the subject of the next chapter.

CHAPTER 4

THE PARTICIPATORY-DELIBERATIVE MODEL OF DEMOCRACY

The crisis of liberal democracy has translated into a widespread legitimation crisis experienced by people living Western liberal democratic regimes, most acutely in the United States. Norris (2011) coins the term “democratic deficit” (p. 4) to denote the divergence between citizen aspirations for democratic governance and the reality that citizens are consistently under-satisfied with the democratic performance of their government. Capturing this sentiment, Cairns and Sears (2012) state that “democratic institutions have grown less responsive to popular influence and that citizens are becoming disenchanted with and disconnected from political institutions” (p. 5). The corollary, then, is that political institutions are more responsive to corporations and wealthy elites who remain enchanted with and connected to political institutions.

Moreover, contrary to the assessment of Norris that citizens remain committed to democratic values, the democratic deficit is weakening the attachment among citizens for the values of liberal democracy, and as a result, threatens to undermine the stability of democratic regimes. U.S. citizens, according to Foa and Mounk (2016) “have not only grown more critical of their political leaders. Rather, they have also become more cynical about the value of democracy as a political system, less hopeful that anything they do might influence public policy, and more willing to express support for authoritarian alternatives” (p. 7). Significantly, this deteriorating support for liberal democracy is strongest among younger generations who have grown much more indifferent with regard to the principles of democracy than their parents and grandparents. Compared to 72 percent of citizens born before World War II, only 30 percent of millennials indicated that living in a democracy is “essential” (p. 7). Thus, citizens are increasingly aware of the failure of representative government to actually represent their interests, and as a result, citizens are not only participating less in the formal mechanisms of democracy, but they are also less committed to democratic principles altogether.

The crisis of liberal democracy is well known and lamented among political sociologists. The formal mechanisms of democracy, or “Democracy 1.0” as Rothschild (2016:9) calls it, are organized along bureaucratic and hierarchical lines that support oligarchical tendencies and forms of authoritarianism. The first dimension forms of political action do not empower ordinary citizens but wealthy elites and corporations. Confronting this unsettling situation, della Porta (2013) asks “[c]an democracy be saved?” (p. 1). While cautious, the unambiguous answer among political sociologists is affirmative. As della Porta herself states, “the answer could therefore be optimistic, but the (ever-mutable) solutions require changes in conceptions and practices of democracy as much as in our ways of looking at them” (p. 189). In other words, democracy can be saved so long as citizens are willing to change how they view and practice democracy.

The response to the crisis of liberal democracy among political sociologists is to advocate for a participatory-deliberative revolution to reclaim control of democracy from corporate interests and realize a true direct democratic society from the bottom-up, following a model of democracy akin to what Rothschild (2016) calls “Democracy 2.0” (p. 9). For Rothschild, Democracy 2.0:

> Rejects, often utterly, the procedural and legalistic version of democracy that preceded it in favor of an image of organization that is at its core, insistent on individual voice and human cooperation. I also call it ‘co-operative’ or ‘collectivist’ democracy because it is defined by and requires a social bond between members that is co-operative in nature…In this new type of co-operative democracy members cannot be dismissed, marginalized, or rendered inferior in the decision-making process because members’ rights to be heard and to learn from others are primary and thus trump the efficiency or hierarchical claims that prevail in Democracy 1.0. (P. 9)

The participatory-deliberative model of democracy is a vision of democracy that is antihierarchical, radically egalitarian, co-operative, and collectivistic. Hence, political sociologists study the institutions, organizations, and social contexts in which people practice collectivist-democratic forms of organization. Like pluralism before it, this research focus doubles as a normative political program that attempts to realize a participatory-deliberative democratic society as an alternative, or at least a supplement, to liberal democracy. The participatory-deliberative model of democracy (Democracy 2.0) can be boiled down to a simple political formula without being too reductionist: more participation + better quality deliberation = a healthy democracy. The solution to the crisis of liberal democracy is, therefore, more democracy. It is this political program that political sociologists embrace and proselytize.

According to political sociologists, the participatory-deliberative model of democracy is not simply a fantasy but a reality of our age. Indeed, Walker, McQuarrie, and Lee (2015) declare that U.S. society is living in the midst of a “participatory renaissance” (p. 13) that has unfolded across the nation. Similarly, Polletta’s (2014) states that, “participatory democracy has gone mainstream” (p. 457). In Rothschild’s (2016) words, “an authentically egalitarian and democratic alternative to hierarchy is not only possible but is indeed proliferating in the modern and postmodern world” (p. 8).

The increased levels of political activity predominantly occur outside the domain of traditional first dimension politics. Examining voter turnout since the 1970s, voting rates remain depressed and consistently hover in presidential election years between a low of 51.7 percent in 1996 and a high of 61.6 percent in 2008; even fewer citizens vote during midterm elections, ranging between a low of 35.9 percent in 2014 and a high of 42 percent in 1980 (McDonald 2017). Moreover, individual participation rates in political parties are significantly lower than voting rates and have been declining in recent decades (Hershey 2009; Putnam 2000).

In contrast, extraparliamentary, nonelectoral, and nontraditional forms of political participation, which I call *participatory-deliberative activities*, have ostensibly proliferated around the world and within the United States. Surveys from 2003 and 2007 indicated that between 18 percent and 25 percent of U.S. citizens have participated in a face-to-face or online deliberative problem-solving forum in the past year (Cook et al. 2007; Lee et al. 2015). Although nowhere near a majority of Americans, a substantial number of citizens have participated in the participatory renaissance in the United States.

The purpose of this chapter is to interrogate the participatory-deliberative model of democracy that has purportedly taken root in the United States. I will first explore the theoretical roots of this model of democracy by reconstructing the core arguments of participatory and deliberative democratic theorists. Next, I will take stock of the participatory renaissance and classify the diverse forms of participatory-deliberative activities that are currently unfolding across U.S. society. Third, I will demonstrate how the normative impulse to realize a bottom-up, direct democratic society is negated by the political power of corporations that co-opt and subordinate participatory-deliberative activities to support their interests. In the final section, I will demonstrate how the participatory-deliberative model of democracy relies on a false binary created between economy and politics.

PARTICIPATORY AND DELIBERATIVE DEMOCRATIC THEORIES

The participatory-deliberative model of democracy is a hybrid model comprised by two distinct but complementary theoretical trajectories, participatory democratic theory and deliberative democratic theory, that have over time coalesced into one participatory-deliberative theory of democracy. Responding to the Civil Rights movements and New Left student movements, political scholars in the 1970s codified the protest and social movement activity into a participatory theory of democracy that examined how increased participation among ordinary citizens created the foundation for a more equitable and socially just democratic polity. Building upon their theories, a new generation of political philosophers in the 1980s into the twenty-first century developed a deliberative theory of democracy to refine the mechanisms and institutions through which more participation translated into a stronger and healthier democracy. Participatory and deliberative theories of democracy, therefore, share a common ethos in striving to achieve a truly self-governing society not beholden to elites, experts, or corporations by involving all citizens in the decision-making processes of politics and social life more broadly. With this goal in mind, political sociologists devised a participatory-deliberative model of democracy to actualize these theories in practice.

While the social movement activity of the 1970s was the material catalyst that prompted political scholars to rethink the meaning of democratic participation, participatory democratic theory began with a critique of liberal democratic theory (Pateman 1970, 1985; Macpherson 1977). From the standpoint of participatory democratic theorists, liberal democratic theorists failed to thoroughly examine the actual equality of individuals and instead assumed that the formal rights of individuals equated to real equality. Thus, because the pluralist theorists believed that voting in the context of free and competitive elections was a key mechanism ensuring citizen representation by leaders, the adoption of universal suffrage, which occurred in the United States in the 1960s, made it seem as if all citizens were equal, despite social and economic inequalities that continued to persist. The pluralist theorists, therefore, mistook formal equality for real equality.

For participatory theorists, formal equality had been undermined by inequalities of class, race, gender, and sexuality, which were never erased even after the gains made by the Civil Rights movements (Pateman 1985). Macpherson (1977) articulates a similar point when he critiqued liberal democratic theorists, including J.S. Mill, Dewey, and the postwar pluralists, for having "increasingly lost sight of class and exploitation" (p. 70). Moreover, contrary to pluralist theorists who viewed the state as a neutral entity arbitrating between contending classes, participatory democratic theorists understood the state to be "part and parcel of the mechanisms that maintain and reinforce inequalities of everyday life" (Pateman 1985:173).

Participatory democratic theorists took seriously the inequality built into the fabric of Western liberal democracies, like the United States. They theorized that the central mechanism maintaining social and economic forms of inequality was the nonparticipation of the masses in crucial areas of social life. As Macpherson (1977) states, "low participation and social inequity are so bound up with each other that a more equitable and humane society requires a more participatory political system" (p. 94). The foremost problem with nonparticipation on behalf of the majority of citizens was that individuals failed to learn the skills necessary to maintain a truly democratic society, which resulted in high levels of political apathy. Without those skills and uninvolved in politics, citizens may be formally free and equal, however, political power was concentrated in the hands of those individuals who control the key social, economic, and political institutions.

For participatory democratic theorists, the solution to social and economic forms of inequality was to further democratize state and society in the effort to create a "participatory society" where "all political systems have been democratized and socialization through participation can take place in all areas" (Pateman 1970:43). A participatory democracy, then, is one that expands the scope of political action both within and outside of the sphere of national or local government. Participatory democratic theorists sought to maximize participation in all spheres of social life because it is by participating that individuals learn the essential "attitudes and psychological qualities" that underlie a truly and substantively democratic society (p. 42).

Citing Rousseau, J. S. Mill, and G. D. H. Cole, Pateman (1970) described how the act of participation itself develops cognitive capacities and pragmatic skills within individuals such that they learn how to become democratic agents. The result was that individuals cultivated a sense of "political efficacy" (p. 46), which is a feeling of confidence within individuals that their political participation has an impact on the political process, and therefore, is a meaningful act. Political efficacy is a precondition for a participatory democracy because in developing a sense of political efficacy, individuals develop a conviction that their participation matters, which is necessary for individuals to want to participate in politics. As Almond and Verba (1963) state, "[p]ersons who feel more effective in their everyday tasks and challenges are more likely to participate in politics" (p. 140). Like a bodybuilder who lifts weights to grow muscle mass, Pateman theorized that through participation in key areas of social life, individuals grew their democratic cognitive capacities that made them effective political actors. In Pateman's (1970) words, "the experience of participation itself will develop and foster the 'democratic' personality, i.e. qualities needed for the successful operation of the democratic system" (p. 64).

Pateman (1970) pays particular attention to the interrelationship "between individuals and the authority structures of institutions within which they interact" (p. 103). Organizations that were open to participation by workers or members functioned to inculcate the skills and cognition necessary for a participatory society. However, the organizational structure of most institutions in modern liberal societies, most importantly the government and the workplace, did not foster the development of democratic skills and cognition because those structures were organized according to hierarchical and authoritarian social relationships that limited the scope of participation of ordinary individuals. Restricted from participating in the decision-making process of institutions, individuals were unable to flex their democratic muscles, which instead atrophied. As a result, many individuals failed to develop a sense of political efficacy.

In particular, Pateman (1970) focuses on industry because "with its relationships of superiority and subordination," the workplace "is the most 'political' of all areas in which ordinary individuals interact and the decisions taken there have a great effect on the rest of their lives" (p. 83-4). Individuals spend a great deal of time at their jobs, so the way in which the workplace is structured has a profound effect on the cognitive capacities of workers. Highly rationalized production processes, where the worker has little to no autonomy or control over their work, provide little space for workers to exercise creativity and develop a sense of political efficacy. Subservient to their managers, workers reproduce their subservience to their political representatives. As G. D. H. Cole states (1918), "[a] servile system in industry inevitably reflects itself in political servility" (p. 35).

In contrast, where workers exercise personal control in their work environment, feel a sense of collective responsibility for the work process, and participate in decision-making processes, workers cultivate a sense of political efficacy. Thus, "[o]nly if the individual could become self-governing in the workplace, only if industry was organized on a participatory basis, could this training for servility be turned into training for democracy and the individual gain the familiarity with democratic procedures, and develop the necessary 'democratic character' for an effective large-scale democracy" (Pateman 1970:39). Changes in the organization structure of the workplace, it is thought, can lead to a larger transformation of passive workers into active democratic agents.

Pateman recognized a wider definition of the concept of ‘political’ than theorists of the liberal model of democracy because her participatory democratic theory understood that politics is inherent in all spheres of social life, not merely within the context of government. Not only the workplace but also all areas of social life must be democratized for the creation of a participatory society, including such hierarchically organized spheres as education, family, sports, religion, and culture. Hence, Pateman (1970) writes that “participation in non-governmental authority structures is necessary to foster and develop the psychological qualities (the sense of political efficacy) required for participation at the national level” (p. 50).

Participatory democratic theorists sought to quantitatively expand the number of areas in which citizens could participate in the decision-making processes of institutions and organizations. More voices and opportunities to participate was the motto of participatory democratic theorists. How that participation would translate into a healthier democracy with more equality was a question largely left unanswered, except for their belief that individuals learned the requisite cognitive skills for a democracy by participating. A new generation of political philosophers writing in the 1980s into the twenty-first century, however, understood that it was not sufficient simply to multiply the number of individuals in decision-making scenarios. A cacophony of voices in democracy was just as problematic as an elite-driven chorus. Instead, researchers began to focus on the mechanisms and institutions through which individual voices filtered into a democratic harmony. Discursive processes of deliberation became the rallying cry for the next generation of political scholars who built upon the participatory theory of their predecessors.

While there are a variety of strands of deliberative democratic theory, they are all united in the belief that the only legitimate democratic system is one where all decisions that affect the political community are subject to a process of deliberation among those members who are treated as equals. In modern societies, however, the political community is not comprised by homogenous members with like-minded preferences but heterogenous individuals with private interests that conflict with one another. Therefore, the social and cultural pluralism in U.S. society, where self-interested individuals hold divergent interests and preferences, has posed an obstacle to a deliberative conception of democracy. Deliberative democratic theorists have dealt with this challenge by rejecting liberal democratic theories that sought compromise and equilibrium between irreconcilable interests, and instead, advocating for a model of democracy that stressed consensus among all individuals living in a political community.

To achieve consensus, self-interested individuals must be transformed into publicly oriented citizens, which is a fundamental precondition to realize a deliberative democracy. For Barber ([1984] 2003), deliberative democracy "seeks to create a public language that will help reformulate private interests in terms susceptible to public accommodation; and it aims at understanding individuals not as abstract persons but as citizens, so that commonality and equality rather than separateness are the defining traits of human society" (p. 119). Through deliberation, self-interested individuals and their private interests are transmuted into community oriented citizens who understand the value of public goods. It is the act itself, the process of deliberation, that transforms the substance of individuals. In a deliberative democracy, 'I' becomes 'we' only because the 'I' is engaged with the 'we' in a process of constant communication. Thus, conflict is transformed into cooperation through deliberation, which is not a one-time affair but an on-going and never-ending process.

Similar to participatory democratic theories that view public participation as an educative device through which individuals learn the norms and value that underlie a substantive democracy, deliberative democratic theories view deliberation as a transformative process where individuals see themselves and each other differently as a result of the process of deliberation. Early deliberative democratic theorists, therefore, specified the ideal conditions, procedures, and institutions through which deliberation should occur to maximize both the transformative potential and the legitimacy of outcomes (Bohman 1996; Cohen 1989; Dryzek 1990, 2000; Gutmann and Thompson 1996; Habermas 1996, 1998; Offe and Preuss 1991; Rawls 1997).

Bohman (1997) articulates the golden rule of deliberative democracy when he stated that "[d]eliberation is democratic, to the extent that it is based on a process of reaching reasoned agreement among free and equal citizens" (p. 321). For Cohen (1989), citizens must be free in the sense that they are bound to no other decision than those that derive from the process of deliberation. Citizens must also be both formally equal, such that the law applies equally to each, and substantively equal, such that power and resources do not disadvantage any individual or privilege others. The deliberation process itself must conform to certain conditions for it to produce legitimate results. Primarily, deliberation should be 'reasoned' meaning that any statement, preference, or proposal is subject to justification through the use of rational arguments that appeal to collective interests, or the common good, not self-interested reasoning. Reasoned deliberation also means that individuals will voluntarily submit to the "force of the better argument" (Habermas 1996:182) because individuals understand that their collective interests are also constitutive of their individual self-interest. This line of theorizing necessitates that individuals learn how to evaluate the arguments of others, be self-reflexive with regard to the preferences they hold and self-critical of those preferences, and ready to change those preferences as the process of deliberation unfolds.

Finally, for the deliberation process to be legitimate, it must be authentic. For Dryzek (2000), "democratic authenticity" refers to "the degree to which democratic control is engaged through communication that encourages reflection upon preferences without coercion" (p. 8). Deliberative democrats, therefore, were concerned that deliberative processes could be distorted by the intrusion of domination. The only legitimate form of deliberation is one that is immunized from the corrupting influence of power relations that exist generally throughout modern capitalist societies.

Della Porta (2013) articulates four critiques of these so-called "liberal deliberative" theories of democracy (p. 65) that participatory-deliberative theorists have sought to redress in their theories. First, Fraser (1997) argued that the ideal-procedures underlying the classic conception of deliberative democracy excluded marginalized individuals who instead have resorted to counterpublics to contest the supposed superiority of bourgeois public spheres (Fraser 1997). Second, classic theories of deliberative democracy overly focused on the formation of preferences within public institutions while they downplayed the importance of preference formation in alternative institutions, social movements, voluntary groups, and associative networks (della Porta 2013; Mansbridge 1994; Offe 1997). Third, participatory-deliberative scholars critiqued the attention paid to reason and rationality as the foremost principles guiding deliberation and instead have been advocating for emotions and narration to play a role in deliberative settings (Perrin 2015; Polletta 2006; Young 1997, 2000). And finally, early accounts of deliberative democracy stressed consensus as the ultimate goal of deliberation; in contrast, a newer variant of deliberative democracy, known as agonistic democracy, sees conflict as inherent and ineradicable (Mouffe 2000, 2013; Perrin 2015).

Guided by these principles and the long history of participatory and deliberative democratic theories, political sociologists have devised a participatory-deliberative model of democracy to turn their ideal democratic system into reality. The key to the participatory-deliberative model of democracy is to engineer empowered forms of participation that include all people into the decision-making process of institutions, organizations, and informal settings through deliberative processes. Fung and Wright (2003) voice this call to arms when they called on the academic Left to "develop transformative democratic strategies that can advance our traditional values—egalitarian social justice, individual liberty combined with popular control over collective decisions, community and solidarity, and the flourishing of individuals in ways which enable them to realize their potentials" (p. 4).

The participatory-deliberative democratic theories of the past were never meant to be locked up inside the ivory tower. Instead, their theories have catalyzed an empirically minded generation of political scholars to design and study participatory-deliberative forms of democratic action to realize their normative values in practice. The content of participatory-deliberative actions is the focus of the following section.

THE SECOND DIMENSION OF POLITICAL ACTION

Although participatory-deliberative democratic theorists themselves have tended to abstract away from the material contexts in which participation and deliberation unfold, their theories have inspired the proliferation of participatory-deliberative actions and experiments across the United States. These forms of political activity are motivated by pragmatic concerns to address and redress pressing issues that individuals confront in the course of their everyday lives through reasoned deliberation among all those affected. It is conventional wisdom among participatory-deliberative advocates that any issue or problem can be remedied not through political elites or professional expertise but through ordinary people empowered to make decisions. This section will describe the contours of the participatory renaissance by reconstructing the forms of participatory-deliberative activities that have been devised by political scholars working within this tradition. The following section will demonstrate how their idealizations of participatory-deliberative activities have been twisted by and subordinated to corporate political power.

First dimension forms of political activity are relatively easy to define because they can be confined to the political realm, *per se*, insofar as they denote forms of activity intended to directly affect public policy making. In contrast, participatory-deliberative activities, which I will refer to as *second dimension forms of political action*, encompass a much broader set of activities and behaviors that supplement or operate outside of liberal democratic political institutions. The common denominator among all second dimension activities is that they seek to realize a bottom-up democracy by expanding forms of participation beyond electoral, interest group, and party politics, which are conceived to be captured by elite and corporate interests. Hence, participatory-deliberative practitioners seek inclusion for those who have been previously excluded from traditional means of representation. At its core, then, second dimension forms of political action are *participatory* because they seek to include all those affected by an issue into decision-making settings, especially those from the poorest and most marginalized segments of society, and they are *deliberative* because they focus on creating egalitarian social settings where people can dialogue with each other using reason and narratives to derive collective solutions.

Empirically minded political scholars working within the participatory-deliberative theoretical framework, more often than not, fail to catalogue the variety of participatory-deliberative forms of political action. Instead, it suffices for these researchers to pick a participatory-deliberative activity and study it from a variety of angles—asking the "what, who, when, why, and where" questions (Leighninger 2012:20) to gain knowledge of that particular political activity. Rather than jump into the thick descriptions of participatory-deliberative activity, taxonomizing the various forms of participatory-deliberative activity is a worthwhile endeavour ignored for far too long in the literature.

Because they can erupt in any social setting so long as people gather to talk about common problems, there are an endless number of configurations that constitute participatory-deliberative forms of political action. Second dimension forms of political activity, thus, comprise the most diverse set of activities of any of the three dimensions. The point is not to artificially constrain what counts as participatory-deliberative activity by constructing an arbitrary definition that delimits the spectrum of such activity to a few specific forms. Rather, the entire point of participatory-deliberative activity is that it defies traditional boundaries and abides by no singular standardization. The challenge, then, is to acknowledge the spectrum and find a way to classify, without restricting, participatory-deliberative forms of political activity.

A useful starting point is the classification of participatory-deliberative activities pioneered by Geissel (2012) and refined by Baiocchi and Ganuza (2017). For these political scholars, participatory-deliberative activities can be broken down into three categories—"*collaborative governance*, *deliberative procedures*, and *direct democracy*" (Baiocchi and Ganuza 2017:40).

Collaborative governance forms of participatory-deliberative action refer "to initiatives that directly involve the citizenry in a public process of decision making" (Baiocchi and Ganuza 2017:41). However, collaborative governance is not only confined to the public realm. Like governments, some corporations also use mild forms of collaborative governance within their private spaces. What is most important in this conception of participatory-deliberative political action is that the hosting institution allows workers or citizens to make decisions about issues that affect their lives, which results in autonomy and control in the case of workers and public policies in the case of citizens. Because collaborative governance necessitates that institutions devolve a certain amount of authority to make decisions to individuals and U.S. institutions have historically been organized hierarchically, collaborative governance is relatively scarce in the United States. Nevertheless, corporations and government administrations in the United States are capitalizing on the participatory hype and adopting collaborative governance practices to achieve the goals of each respective institution and legitimate their activities.

For example, some corporations are implementing collaborative governance forms of work organization to improve the quality, efficiency, and productivity of production processes, as well as increase worker satisfaction. Quality circles, self-managed worker teams, and other innovative business practices bring workers together to make decisions and solve work-related problems. Therefore, to a degree, these corporations are decentralizing the decision-making process to workers themselves (Appelbaum and Batt 1994; Laloux 2014; Osterman 1994; Robertson 2015).

Government administrations, too, are making use of collaborative governance initiatives to combat democratic deficits and increase the legitimacy of government decisions in the eyes of citizens. Participatory Budgeting (PB) is the classic example of government-sponsored collaborative governance. PB, in its current form, is only applicable on a municipal level because of both scaling issues that limit its potential at the state or federal level and representative institutions that resist greater involvement of citizens. However, at the local level, PB appears to be flourishing as it is today practiced in major municipalities such as Chicago, New York, Boston, Long Beach, San Francisco, and Vallejo with plans to spread into other cities including Detroit, Greensboro, and St. Louis. Through PB, citizens are delegated an authority that is traditionally monopolized by elected representatives—the power to delegate how portions of a budget are spent. According to advocate and Harvard scholar Hollie Russon Gilman (2016), PB "empowers citizens to identify community needs, to work with elected officials to craft budgeted proposals to address these needs, and to vote on where and how to allocate public funds" (p. 2). Thus, there is a direct connection between citizen deliberation about projects and the winning projects being implemented by local governments.

The second category of participatory-deliberative political action is "deliberative procedures," which refer to those activities that "involve citizens in public debate on political matters but do not necessarily link them to decision-making processes" (Baiocchi and Ganuza 2017:41). Deliberative procedures are administered by a variety of institutions, including government agencies, for-profit and nonprofit corporations, and nongovernmental organizations (NGOs), often working with one another. It is in deliberative procedures that most participatory-deliberative activity takes places, which may be precisely because the activity does not necessarily translate into concrete policy outcomes, and therefore, can increase the legitimacy of hosting institutions without mandating that they follow participant proposals. Rather than directly link to policy outcomes, all deliberative procedures primarily function as transmission belts to inform the hosting institution about the values and preferences that participants adopt following a structured process of deliberation that attempts to realize, as much as possible, ideal conditions.

One type of deliberative procedure is the "*educative forum* that aims to create nearly ideal conditions for citizens to form, articulate, and refine opinions about particular public issues through conversations with one another" (Fung 2007:160). Deliberative Polling, for example, is the deliberative version of the opinion poll. Rather than assess public opinion by aggregating private interests that are formed in isolation, Deliberative Polling assembles a random, representative sample of a population, provides participants with information, convenes a weekend forum where participants deliberate about issues with each other and experts in a highly structured environment, and then surveys participants at the conclusion of the deliberative forum to assess how preferences have changed over the course of the activity. Results indicate that participants often dramatically change their preferences because of the deliberative process (Fishkin 1997, 2009; Fishkin and Luskin 2005). Thus, Fishkin (1997) argues that the preferences formed through Deliberative Polling are "a representation of the considered judgments of the public—the views the entire country would come to if it had the same experience" (p. 162). Deliberative Polling is primarily educative in its intention; however, the preferences that do arise out of the deliberative setting are sometimes used to advise policy-makers.

Other examples of educative deliberative procedures include the Study Circles Resource Center, created by the Topsfield Foundation, and the National Issues Forums, started by the Kettering Foundation. In both these deliberative forums, moderators convene small groups consisting of five to twenty people to educate them and host deliberation among participants about social issues (Gastil 2000; Walsh 2007). Conversation Cafés can also be included as educative deliberative procedures because such forums host a nonrepresentative sample of individuals interested in deliberating with one another about common issues to find common ground (Collingwood and Reedy 2012). In any of these cases, there is no direct link to policy outcomes.

Another subset of deliberative procedures, *advisory panels*, is situated in between educative deliberative forums and collaborative governance. Like educative deliberate forums, advisory panels also intend to improve the quality of opinions through a structured process of deliberation. However, advisory panels also aim to communicate preferences formed through deliberation to those institutions hosting the advisory panel—whether it be a local government, nonprofit or for-profit corporation, or NGO. Thus, advisory panels can lead to concrete policy outcomes, although this need not be the case (Fung 2007). For example, citizen juries and planning cells are advisory panels hosted by nonprofit organizations to convene individuals in a structured deliberation setting to review public policies and publicize their conclusions (Crosby 1995; Karpowitz and Raphael 2014; Smith 2009).

Trademarked and hosted by the nonprofit AmericaSpeaks, the 21st Century Town Hall Meeting is another example of an advisory panel that brings together a large number of citizens, between 500 to 5,000, for a single day to deliberate about various issues, derive collective decisions, and advise sponsoring organizations on how to resolve issues. Among other forums, AmericaSpeaks has organized 21st Century Town Hall Meetings to advise the Washington DC mayor on the city's budget priorities from 1999 to 2005 ("Citizen Summit"), to redevelop Lower Manhattan following the 9/11 terrorist attacks ("Listening to the City"), to guide economic development in Northeast Ohio ("Voices and Choices"), to rebuild New Orleans after Hurricane Katrina ("Unified New Orleans Plan"), to deliberate about health care reform in California "CaliforniaSpeaks"), and to recommend to then-President Obama solutions to the fiscal challenges facing the United States ("Our Budget, Our Economy") (Fung 2007; Lee 2015; Smith 2009).

Government agencies and for-profit corporations also organize advisory panels. In 1994, the Chicago Police Department began a system of community policing to involve ordinary citizens in the policing strategies of the department. According to Fung (2007), the department divided the city into 280 "beats," each of which hosts a monthly meeting between police officers and citizens to "deliberative about how to improve public safety in their neighborhood" (p. 177). In South Carolina, the State Superintendent of Education worked with the nonprofit South Carolina School Boards Association to host deliberative forums in four districts to assemble citizens and advise the school districts on how to improve the quality of South Carolina education (Weatherford and McDonnell 2007). For-profit corporations are also convening advisory panels. According to Lee (2015), "Unilever's Dove promotes encounter-group-styled forums on 'real beauty,' and Shell sponsors dialogues on climate change" (p. 46). While government administrations and nonprofits constitute the largest sponsors of deliberative forums, for-profit corporations still comprise 17 percent (Lee 2015).

Collaborative governance activities and deliberative procedures do not alter the fundamental power relations of institutions because they simply supplement existing institutions with citizen input, which may or may not be binding. In contrast, direct democratic forms of participatory-deliberative activity place a limited amount of power to create policies directly in the hands of ordinary individuals. However, calling such activities direct democracy is a misnomer because such actions still exist within a larger system of representative democracy in the United States. Rather than use direct democracy to refer to these types of actions, I opt instead to use the term *quasi-direct democratic actions* to indicate that such forms of political activity are always already embedded within a representative political system.

The classic example of a quasi-direct democratic action is the referendum, which invites "citizens to decide directly on a specified political issue" (Baiocchi and Ganuza 2017:42). In the United States, referendums are conducted in two different ways. Existing in several states and cities, "popular referendums" (Smith 2009: 112) permit citizens to revoke an existing law. To do so, citizens must first collect a certain number of signatures within a specified time period. If this is accomplished, the policy "is tested by being put to a binding vote. If the vote is won, the policy is revoked" (p. 112). Used in California, another form of referendum is the "direct initiative" (p. 112) that allows citizens to directly propose legislation if they accumulate the required number of signatures. Like popular referendums, once enough signatures are collected, the legislative measure is subject to a binding vote by the wider citizenry. In both cases, the power relations of representative democracy are transformed because citizens themselves become quasi-policy-makers. While referendums have been critiqued for mitigating the process of deliberation insofar as citizens do not need to deliberate with one another to vote on legislative measures, Baiocchi and Ganuza (2017) said that referendums still encourage political deliberation between citizens.

Baiocchi and Ganuza's (2017) use of the term is restricted to the traditional political sphere, but co-operative forms of organization also qualify under this rubric. Worker co-operatives, where the means of production are owned collectively by the workers themselves, allow workers to make collective decisions about the operation and policies of those co-operatives. To a lesser degree, Employee Stock Ownership Plans (ESOPs) also provide workers with a degree of ownership in the corporations in which they work. Moreover, food co-operatives, housing co-operatives, community gardens, community supported agricultural organizations, small-scale collectives, and advocacy groups actualize a quasi-direct democratic society by expanding ownership of citizens in institutions traditionally controlled by corporations (Lappe 2006; Rothschild 2016).

These three categories, collaborative governance, deliberative procedures, and quasi-direct forms of democracy, cover the range of institutionalized forms of participatory-deliberative activities, but they do not cover the entire spectrum of second dimension forms of political action. What is missing is noninstitutional forms of participatory-deliberative action that often arise outside of existing institutions. Specifically, social movements do not necessitate a hosting institution to exist. Moreover, the proliferation of social movement activity in the United States is a one of the key pillars supporting the claim that a participatory renaissance is unfolding. The focus on institutional forms of participatory-deliberative action, therefore, must be rounded out with an analysis of social movement activity as a noninstitutional form of participatory-deliberative action.

As citizens have grown more distrustful of electoral politics in the past forty years, political activity shifted to protest and other forms of direct action (Dalton and Welzel 2014). Danaher and Mark (2003) and Juris (2008) studied the citizen mobilizations against corporate power in the United States at the turn of the millennium. But it was the 2008 financial crisis that catalyzed the largest wave of protest activity in recent decades. The fallout of the financial crisis weighed most heavily on the backs of ordinary U.S. citizens in the middle, working, and poor classes. Following the sharp increase in economic inequality that further concentrated wealth in the highest echelons of society while wiping out the much of the savings and wealth of the middle and lower classes, concerned citizens began to assemble in New York City to discuss a strategy for resistance. The result was a mass movement to ‘Occupy Wall Street’. Rejecting hierarchy and embracing horizontal social relationships, Occupy experimented with and embraced participatory-deliberative political actions. For example, decisions were made by consensus in face-to-face deliberative settings with thousands of people participating in Zuccotti Park. As one participant speaks about the deliberative process, “[t]his is not electoral—it’s not institutional…it’s just like, my voice is heard, everyone’s voice is heard, and we come together and we decide what to do with that” (Sitrin and Azzellini 2014:166). Much of this activity in the twenty-first century is facilitated through new technologies, most importantly the Internet, that have broadened opportunities for social movements to organize and mobilize people by making communication “easier, faster, and cheaper” (Polletta 2013:42).

CORPORATIONS AND THE SECOND DIMENSION OF POLITICAL ACTION

In light of the participatory renaissance unfolding across U.S. society, there is a need to examine how second dimension activities fare in distributing resources. This research focus, however, is complicated because participatory-deliberative activities exist within a larger system of liberal capitalist democracy. The authority to allocate resources through participatory-deliberative activities, then, is limited by the prevailing power structures embedded within liberal democratic institutions and the capitalist economy.

Participatory-deliberative activities unfold across the United States every day. Even if such activities are restricted in their political effects, their entire purpose is to remedy the democratic deficit by bringing politics as close as possible to ordinary individuals living in society. By doing so, it is theorized that people will be empowered in ways that contest the existing elite and corporate-controlled democratic system. As Walker, McQuarrie, and Lee (2015) summarize:

> Participation is held up as a means of placing power in the hands of everyday citizens, a device for creating new forms of self-governance intended to put citizens in the role of collaborators in making major institutional decisions, and, importantly, for breaking down rigid hierarchies and entrenched inequalities within state, corporate, educational, health care, and other institutions in society. (P. 7)

In light of this ideal, how well do participatory-deliberative activities actually prepare and empower citizens to combat economic inequality?

The evidence that second dimension forms of political action empower citizens to reclaim democracy from the hands of wealthy elites and corporations is thin. A resolute advocate of participatory-deliberative activities, even della Porta (2013) confesses that "most of these [participatory-deliberative] experiments do not seem to live up to the expectations they create, as standards of inclusiveness, discursive qualities and, especially, empowerment, remain low" (p. 183). This conclusion is surprising given the normative cathexis political scholars invest in participatory-deliberative activities as the antidote to corporate-controlled democracy. Rather than abandon their commitment to Democracy 2.0, political scholars retain their optimistic outlook by evaluating participatory-deliberative activities according to a much more modest set of criteria. While they concede that there are areas in need of improvement, advocates of Democracy 2.0 claim that participatory-deliberative activities and experiments result in positive outcomes that frequently achieve their ideals in practice.

Thus, Black (2012) concludes that "[t]he available research indicates that when citizens are gathered together in deliberative forums and given appropriate structure and guidance, they engage in conversation that generally embodies the analytic and social aspects of deliberative civic engagement" (p. 76). Studies have demonstrated that participatory-deliberative activities have an educative effect on participants such that their sense of political efficacy improves, and their commitment to civic engagement strengthens (Black 2012; Luskin and Fishkin 2004). Moreover, individuals find their participation in such activities meaningful, and according to one study, satisfaction rates for 21st Century Town Meetings are above 90 percent (Gilman 2016; Lee 2015). At the societal level, participatory-deliberative activities have been found to solve local problems, build community ties, and increase the legitimacy of decisions made by the group (Kinney 2012; Weatherford and McDonnell 2007). Also, research has shown that worker co-ops and corporations using ESOPs exhibit high rates of labor productivity, profitability, and less employee turnover, as well as nurture feelings of worker solidarity and social cohesion (Rothschild 2016). This evidence suggests that participatory-deliberative activities are meaningful activities at both an individual and collective level.

Despite the positive assessment of the effects of participatory-deliberative activities, other empirical research points to conclusions that are diametrically opposed to the optimistic picture painted by advocates of Democracy 2.0. Examining a wealth of empirical studies on participatory-deliberative experiments, Brennan (2016) flatly states that "[m]ost studies find that actual deliberation fails to deliver the results deliberative democrats would like to see. In fact, it frequently delivers the *opposite* ones" (p. 66). Citing work from Mendelberg (2002), Kerr, MacCoun, and Kramer (1996), Landemore (2012), Pincock (2012), Sunstein (2002), Downs (1989), Ellsworth (1989), Cohen (1982), Marsden (1987), Ryfe (2005), Mutz (2006), and Somin (2013), Brennan (2016) captures the extent to which participatory-deliberative activities "are more likely to corrupt than ennoble us" (p. 73).

A brief summary of the strongest findings against the positive effects of participatory-deliberative activities follows: affiliation in social groups, which is a pervasive feature of society, can thwart cooperation among individuals in a deliberative setting and lead to greater levels of conflict between groups. Also, disagreement can result in the formation of in-groups and out-groups that undermine consensus. Moreover, rather than find common ground, individuals tend to seek status and power by winning arguments over others. Status creeps into the picture in another dubious way—high-status individuals, whether or not they are actually more knowledgeable, tend to dominate the deliberation by talking more, having more influence, and being seen as more credible. Furthermore, individuals do not arrive to deliberative settings with an open mind; rather, they are motivated to protect their preformed preferences against challenges by accepting evidence that legitimates their preferences and rejecting evidence that contradicts what they believe. Rather than moderate their positions, individuals tend to become more extreme in their ideologies as a result of deliberation. And, if consensus is achieved, it is often because individuals are manipulated, not because the consensus is genuine. Or, consensus is achieved because controversial topics are intentionally avoided, which completely undercuts the purpose of such activities. Also, individuals tend to become more apathetic following deliberation, not more politically active. And finally, research demonstrates that participants dislike deliberating and would rather such activities not last long. These findings hold across a range of participatory-deliberative activities.

The problem with participatory-deliberative theorists, for Brennan, is that their idealizations of participatory-deliberative activities are too abstracted from reality. Power relations and irrationality are pervasive features in modern societies that undermine participatory-deliberative activities from unfolding as they are theorized. As Brennan states (2016), "[i]n the real world, politicians and others will seek to control the agenda, frame the debate in a way that is favourable to their position, distribute informational materials that favor their side and make the other side look dumb, and so on" (p. 66).

While the forgoing analysis indicates that the results of participatory-deliberative activities are at best ambiguous and at worst corruptive, nothing of their potential to challenge the unrepresentative institutions of liberal capitalist democracy has yet been said. In their volume, *Democratizing Inequalities*, Walker, McQuarrie, and Lee (2015) specifically address how "certain new forms of apparently 'empowering' public participation may be doing more to reinforce authority than to challenge it" (p. 4). The problem with contemporary participatory-deliberative practices, according to the contributors to this volume, is that they are often not expressions of bottom-up, grassroots activity but are instead becoming increasingly professionalized and penetrated by corporate structures and logic.

Unable to constitute autonomous power centers from which ordinary citizens can challenge elite and corporate power, participatory-deliberative activities are instead management techniques deployed by institutions to bolster their legitimacy at a time when citizens are demanding increasing involvement in the decision-making processes of the major institutions of society. Participatory-deliberative activities, then, do not fundamentally alter hierarchical and unequal power structures but legitimize capitalist processes that result in economic inequality. Growing rates of participatory-deliberative activity reinforce the elite-driven, corporate-dominated status quo while disguising the reproduction of inequality (Panageotou *forthcoming*). As Calhoun (2015), states "[t]o a very large extent, the new forms of participation have obscured inequality or made it more palatable, not limited it or even challenged its sources" (p. x). "Citizen power is simulated, not actually empowered" (Panageotou *forthcoming*).

The key to understanding why participatory-deliberative activities seldom empower individuals is the way in which such activities have becoming professionalized and made commensurate with capitalist structures and values. Most participatory-deliberative activities are large-scale endeavors that cost significant sums of money, effort, and time to conduct. Because institutions are more concerned than ever to boost their public legitimacy and citizens are demanding inclusion into the decision-making processes of institutions throughout society, such institutions are willing to pay a premium to contract the creation and administration of participatory-deliberative activities to public engagement professionals and public affairs consultants who work in corporations that specialize in facilitating participatory-deliberative activities.

Beginning in the 1990s and expanding throughout the 2000s, a "public engagement industry" (Lee 2015:2) emerged in the United States whose primary imperative has been to facilitate deliberation procedures for clients as diverse as government agencies, for-profit, and nonprofit corporations. That Lee calls public engagement an "industry" denotes how it operates according to a corporate model where forums are facilitated by professional organizers and experts, the deliberation is itself framed to be commensurate with business values and interests, and the outcomes are evaluated in terms of business measures (Panageotou *forthcoming*). Public engagement professionals themselves are well trained in corporate management literature and business logics and integrate "the latest trends in corporate culture and labor management" (Lee, McNulty, and Shaffer 2015:39) into their designs. Thus, Lee, McNulty, and Shaffer find that the guidebooks used to plan participatory-deliberative forums "draw on corporate change management models, including Six Sigma, General Electric's WorkOut method, and Ford's Whole-Scale Change method, as models for deliberative process" (p. 39).

The ways in which public engagement professionals merge corporate logic with participatory-deliberative activities has significant effects for the outcomes produced within such settings. Ostensibly, participatory-deliberative activities are valued because of their potential to realize authentic forms of political action that empower participants to co-create solutions amenable to all. However, quite the opposite is often the case. Such activities are valued by sponsoring institutions because of their commensurability with neoliberal forms of governance that transform social issues into individual problems to be solved through personal responsibility. Thus, for example, the organizer of 21st Century Town Hall Meetings, AmericaSpeaks, sells its services to sponsoring institutions by claiming that its deliberative procedures will result in fiscal responsibility, in their words the "wise use of resources" (Lee 2015:162), among participants. Participatory-deliberative forums, therefore, are administered in ways such that participants deliberate and create solutions that are amenable to the goals of the sponsoring institutions, thereby reducing the independence of the process from the hosting institutions and undercutting the autonomy and authenticity of decision making.

In the post-2008 financial crisis period where budgets are tight, participatory-deliberative forums are useful tools to get those most directly affected by the budget cuts to make do with less and even empathize with the tough choices faced by institutions. Deliberation is not intended to alter the macro-social, political-economic environment such that budgets need not be cut because participants collectively decide to strengthen social spending, but rather, deliberation is "a standardized best practice used to achieve particular goals of cost-cutting and social control, while producing legitimacy for sponsors" (Lee 2015:155). Following the participatory-deliberative process, participants come to expect less from government or corporations and become accustomed to the neoliberal assault on the social protection role of institutions. Participatory-deliberative forums, then:

> Limit more substantive political action by providing opportunities for small-scale change and allowing stakeholders to vent. Citizens are encouraged to govern themselves as a way of enacting civic virtue: by eating responsibly and staying healthy, by caring for their spouses and parents, and by making sure that children are educated, productive members of society. The grassroots action encouraged in deliberation typically reinforces institutional authority—whether of agribusiness companies to manage commodity and consumer product supply chains, of governments to impose taxation on citizens, or of companies to reduce health benefits. (Lee 2015:221)

What were once issues of the common good are reframed to be private troubles that require personal responsibility and self-sacrifice. This is quite ironic given that the original theorists of deliberative democracy insisted that deliberative forums are particularly suited to bringing to the fore a common good that is concealed beneath the particularities of everyday capitalist life.

Lee's examination of the public engagement industry is quite compatible with Brown's (2015) analysis of how the spread of neoliberalism recodes democratic processes according to an economic logic. Specifically, Brown argues that "neoliberal reason…is converting the distinctly *political* character, meaning, and operation of democracy's constituent elements into *economic* ones" (p. 17). Infected with neoliberal logic, participatory-deliberative activities do not create the sort of democratic agents envisioned by participatory and deliberative democratic theorists. On the contrary, rather than transform citizens into democratic agents capable of self-governance, participatory-deliberative practices and the public engagement industry transform participants into the minions of capital who participate, deliberate, and problem-solve in ways that are commensurate with neoliberal modes of governance (Panageotou *forthcoming*). While participants may feel that their experiences are authentic and even empowering, such feelings are channelled to serve the existing goals of sponsoring institutions.

Consider the Deliberative Poll launched by James Fishkin, produced by the Center for Deliberative Democracy at Stanford University and MacNeil/Lehrer Productions, and funded by the W.K. Kellogg Foundation. Titled "Hard Times, Hard Choices," the administrators convened a random, representative sample of 300 Michigan residents to engage in face-to-face deliberation "around critical issues related to the state's economy and budget choices leading up to the 2010 election" (Center for Deliberative Democracy 2010:2). The specific goal was to see how the public would choose to solve the state's impending fiscal crisis if it they were all informed and deliberated the issues in depth according to a mock ideal-speech situation created by the hosting institutions. The results were that participants expressed support for raising taxes that directly affected their lives, including the sales tax, income tax, and tax on beer and wine, while decreasing business taxes. While heralded as a success, the outcome supports the theory that participatory-deliberative forums transform individuals into neoliberal subjects. The results resemble "the neoliberal tool of austerity where citizens shoulder the burden of fiscal adjustment while the interests of capital are protected" (Panageotou 2015).

If public engagement professionals host deliberative procedures for client institutions, public affairs consultants focus less on the deliberation side of the equation and more on simply mobilizing mass public participation on behalf of client institutions. Walker (2014) defines "public affairs consultancy" as corporations that contract "with an *organizational client* in order to *manage the client's political and social environment strategically* through *campaigns that mobilize public participation*, often in coordination with traditional forms of lobbying" (p. 23). Client institutions are primarily for-profit corporations; however, "trade associations, advocacy organizations, labor unions, government agencies, and political parties" (p. 25-6) also use the services of public affairs consultants. Public affairs consultants, therefore, function as intermediaries between paying clients and targeted groups who are the object of the public affairs campaign.

While there are a number of reasons that institutions seek the services of public affairs consultants, the primary motivation is to manage their social and political environments by enhancing the image of the client institution in the public sphere. Corporations, therefore, readily avail themselves of the services of public affairs professionals to mobilize support for their favored policies or mobilize support against unfavorable policies. For instance, corporations facing tax increases or regulation may contract with public affairs consultants to mobilize popular support in defense of the client institutions' interests. Best Buy did just that when it contracted with public affairs consultants to mobilize employees to protest against taxes on computer services (Walker 2014). Or, when the Obama administration announced the gainful employment rule that would regulate the for-profit education system, for-profit universities spent millions of dollars contracting with public affairs consultancy firms to mobilize students of those for-profit universities to fight the regulation (Walker 2015). Mass participation, then, can be used as a means to legitimate elite agendas.

To mobilize grassroots support on behalf of paying clients, public affairs consultants blend first and second dimension forms of political activity. Traditional forms of lobbying, like letter writing campaigns, petitions, and Get-Out-The-Vote efforts, are combined with second dimension activities such as protests and partnerships with local community organizations and social movement organizations. Similar to the public engagement industry, public affairs consultants "commercialize citizen advocacy, offering the repertoire of participation originally developed by advocacy organizations and social movements as a professional service in the political marketplace" (Walker 2015:8).

The public affairs consultancy industry is changing the face of citizen activism in the United States. What may appear to be an expression of spontaneous and authentic forms of grassroots mobilization in the front stage is often crafted in the back stage by public affairs professionals. Certain demographics are targeted, such as "pre-existing political activists, strong political partisans, likely voters, and the college educated" (Walker 2015:11), which means that participatory inequalities are further aggravated as certain segments of the population are mobilized, particularly the affluent and advantaged, while others are excluded.

Social movement organizations, activist groups, and NGOs also contract with public affairs corporations to mobilize grassroots support for their political campaigns. Progressive social movement organizations, like Greenpeace, the Sierra Club, Save the Children, and the Human Rights Campaign, who had previously directed their own independent political campaigns now outsource the management of their political campaigns to public affairs consultancy firms. While social movement organizations find that it is easier and more cost effective to hire professional organizers to manage their campaigns than do it in-house, those public affairs consultants run political campaigns like a factory—political campaigns become bureaucratized, standardized, and hierarchical. As Fisher (2006) remarks, it is a model "that treats canvassers as replaceable cogs in a well-oiled machine, where every aspect of the campaign is scripted, including the words that canvassers are required to say at the doors and on the streets" (p. 109). What were once idealistic and motivated youth, after they work in a professional campaign, often leave feeling "excluded, exploited, and disinterested in politics as a whole" (p. 4).

Not only contracting with public affairs professionals, social movement organizations, activist groups, and NGOs are also partnering with corporations to achieve their social justice goals, which Dauvergne and Lebaron (2014) label "the corporatization of activism" (p. 3). According to these authors, "[n]ot only are more and more corporations financing and partnering with activist groups, but activists are increasingly communicating, arguing, and situating goals within a corporatized frame. And more and more activists are seeing corporate-friendly options as logical and effective strategies for achieving their goals" (p. 2-3). Today, it is common for activist groups to work alongside giant corporations in a range of industries including oil, pharmaceuticals, retail, and manufacturers. The list of partnerships is simply too long to cover here but some examples are useful. On a mission to reduce greenhouse gas emissions, Greenpeace has worked with major food and drink retailers, including Coco-Cola, PepsiCo, and Unilever, to develop environmentally sustainable natural refrigerants. The Sierra Club allied with the Clorox Company to sell "natural" cleaning products. And, through the matchmaking of the Fair Labor Association, organizations like the Global Fairness Initiative, Human Rights First, and the Maquila Solidarity Network worked alongside corporations such as Apple, Nike, Adidas, and Nestlé to promote ethical production standards (Dauvergne and Lebaron 2014).

Radical activism, defined as activities that "challenge political and corporate authority and call for structural change to alter the outcomes of markets and politics" (Dauvergne and Lebaron 2014:26), is fading fast from the heady anticapitalist days of the 1960s student movements. On the one hand, capitalist rationality and values have penetrated so deeply into the consciousness of individuals over time that their ability to form critical thought against the capitalist system has been crippled (Thompson 2016). As a result, many activist groups do not define their work as anticapitalist (Dean 2009).

On the other hand, the increasing alliance between activists and corporations has altered the goals and projects of many social movement groups in a less radical direction. Facing the sober reality that fundamentally changing the capitalist economy is a political nonstarter with governments, corporations, and citizens alike, social movement organizations are moderating their goals and fighting for much smaller improvements within the existing system. The problem with this strategy, however, is that "moderating goals and methods to pay salaries and run projects is legitimizing an unequal and unsustainable world order while simultaneously decreasing the power of activism to transform capitalism in any real and meaningful way" (Dauvergne and Lebaron 2014:25).

Even worse, as activist groups increasingly depend on corporations to meet their fundraising targets, such groups can even legitimate pro-corporate policies that are against the very social justice goals that these organizations claim to advance. For example, telecom corporations have given millions and in some cases billions of dollars to civil rights groups like the Multicultural Media, Telecom & Internet Council (MMTC), National Association for the Advancement of Colored People (NAACP), Asian Americans Advancing Justice, Organization for Chinese Americans, and the National Urban League, and in return, these civil rights groups have backed ending net-neutrality rules regulating high-speed internet (Fang 2017). If net-neutrality is ended, the digital divide will be further widened as internet prices skyrocket and thereby disenfranchise the poor from internet access.

The professionalization, commercialization, and corporatization of public engagement have not colonized every nook and cranny of participatory-deliberative activities, which has so far been primarily confined to deliberative procedures and protest activities. Nevertheless, collaborative governance activities and quasi-direct democratic activities also face difficulties in realizing truly empowering forms of political action for their own reasons.

Because they unfold within a larger system of liberal capitalist democracy, collaborative governance activities, like Participatory Budgeting, may be doing more to reinforce inequality than to challenge it. Labeled as a 'best practice' by the UN Development Programme in 1997, PB has gone through a transformation as it traveled from Porto Alegre to major cities in the United States. Because it has been "decoupled from the administrative reforms and the machinery of the state" (Baiocchi and Ganuza, 2015:199), PB has lost its radical edge and has become a standard tool for governments to simulate political engagement among citizens without fundamentally challenging the status quo. Thus, PB "largely excludes administrative reforms and is removed from political-institutional projects; further, a move towards controlling larger sources of funding or having a say over other parts of government machinery does not seem forthcoming" (Baiocchi and Ganuza 2017:131).

All too often, experts and local leaders exerted their authority over citizens and stonewalled projects that moved beyond the boundaries and limited funds accorded to citizens through the PB process. Even when citizens do get their way, the projects funded through PB are often reduced to civic rejuvenation through bike lanes and more dog-friendly areas, not egalitarian economic development. The institutions of power that create and reproduce economic inequality remain completely immune to PB. The major winners throughout the process appear to be the local leaders, like Chicago's Forty-ninth Ward alderman Joe Moore, who are able to increase their electoral success by introducing PB at a time when active citizens clamor for greater inclusion into the political process, even if such forums do little to actually empower citizens (Baiocchi and Ganuza 2017).

The challenge for quasi-direct democratic political actions is similar to PB in that such forms of political activity are also embedded within liberal capitalist democratic structures. As a consequence, their potential to fundamentally alter the hierarchical and inegalitarian structures of society are severely restricted by the existing system, even if they confer substantial benefits to participants either by permitting them to vote directly on legislation or socially co-own parts of the means of production. With regard to referendums, organized interest groups spend massively to influence the voting behavior of citizens, as do political elites attempt to shape discourse, thereby undercutting the independence of the process from distortions and manipulation. Moreover, once ratified by popular referendum, policies must still be implemented and enforced by unelected bureaucrats (Smith 2009). And, the most decisive decisions are still largely immune to popular referendum. For example, decisions like entering into NAFTA, bailing out the banks in the wake of the 2008 financial crisis, and drone striking terrorist suspects were all made without popular referendum. It remains to be seen if referendums can empower people to enact significant policies, like health care reform towards a single-payer system. Recently, such a referendum was held in Colorado, where around 80 percent of voters rejected the proposed single-payer system (Jaspen 2016).

Quasi-direct democratic actions in the economy, most importantly co-operative forms of ownership of the means of production, constitute only a tiny sliver of the existing capitalist economy. Especially in the United States, the federal government has done little to support the growth of the co-operative economy, and instead, it has formed a symbiosis with large, hierarchically organized corporations, as was demonstrated in Chapter 2. Rothschild (2016) herself acknowledged that Democracy 2.0 forms of social organization, like worker, food, and housing co-operatives, are only viable at the organizational level. For Rothschild, "[a]t the national level, it is expected in the foreseeable future that Democracy 2.0 forms could *supplement but not* *replace* Democracy 1.0 forms" (p. 18). Thus, elections, the three branches of government, and the overwhelming political power of corporations are likely to remain intact at least into the near future, if not much further. All that can really be hoped for is that Democracy 2.0 forms of organization will spread like weeds in the green grass of corporate democracy. And even here, co-operative forms of organization must compete with traditional, bureaucratic forms of organization to grow their presence in US society, which is a formidable challenge given the economies of scale that provide large corporations with a competitive edge over smaller rivals.

As we have seen, participatory-deliberative activities may be doing more to reinforce those power structures that reproduce inequality than challenge them. None of this is to say that second dimension forms of political action and the vision of Democracy 2.0 should be jettisoned. Rather, participatory-deliberative forms of political action must be situated within the context of twenty-first century liberal capitalist democracy. Doing so shifts the focus from a myopic view of how such activities may be meaningful at the individual or collective level to a larger view of how such activities can be co-opted by and often subordinate to the existing power structures of modern society.

CONCLUSION: THE FALSE BINARY BETWEEN POLITICS AND ECONOMY

Similar to the liberal model of democracy, the participatory-deliberative model fulfills two purposes for its advocates—1) it reflects the empirical conditions of protest and social movements that unfolded during the 1960s and 1970 and have been reinvigorated in the twenty-first century, and 2) it is a normative vision for an egalitarian, co-operative, and socially just political system that could overcome the democratic deficits of liberal democracy. For these political scholars, the empirical and normative dimensions have blended together into a political program that seeks to capitalize on the existing momentum and further realize the ideal of Democracy 2.0 in reality. Thus, there is a certain inflationary attitude with regard to the future of the participatory-deliberative model of democracy. Speaking of the viability of Democracy 2.0, Rothschild (2016) epitomizes this stance when she states that "they are trying to create actual, functioning communities in which people can live, share, play, and work that are, to the greatest extent possible, shielded from the rapaciousness of the outside world, even though they continue to live and work in a market economy" (p. 29-30). For Rothschild, Democracy 2.0 is being created from within the womb of the market economy, but it is somehow outside of its predatory logic.

It is at this precise moment that advocates of the participatory-deliberative model reveal themselves to be ideologues and their theory to double as a political program. The problem is not the political values—the proliferation of antihierarchical, egalitarian, co-operative, and collectivist forms of social organization are exactly what would be needed to achieve a substantively democratic society. However, the problem lies in an unrecognized contradiction. How can Democracy 2.0 be created from within the existing liberal capitalist democratic system? In other words, is there an outside from which a pure political program can be cultivated that can function as an alternative to market society, even though the people creating that alternative must still live and work within the market society? It is with these questions that the political program begins to unravel.

The research focus and political program of advocates of the participatory-deliberative model of democracy is mistaken. Political sociologists maintain a false binary between politics and economy, as if they had a logic that was distinct and divorced from the other in reality. Nitzan and Bichler (2009) discern the tendency to create a "bifurcation of politics and economics" (p. 25) within the work of scholars committed to either liberal or Marxist ideologies; however, it also applies directly to political sociologists. At the extreme, some political sociologists operate as if economics and politics can be studied independently of the other. For example, in his book *American Democracy: From Tocqueville to Town Halls to Twitter*, Andrew J. Perrin (2015) defines democracy as "not only, or even primarily, a political phenomenon. It is also a deeply social, institutional, cultural, and historical phenomenon" (p. 13). In Perrin's analysis, the economy figures into the study of democracy only indirectly, if at all. Other political sociologists understand that what happens in the economy affects the political system, and *vice versa*, but they still rely on the analytical dualism between economy and politics to serve as the ontological foundation for their research focus and political program.

The binary created by political sociologists shapes the way that they understand corporations in democratic societies. Political sociologists generally adhere to the ideology of liberalism that treats corporations as private entities. According to liberalism, a corporation is created through private contracts between private persons, which makes it "a pure creature of the market rather than a creature of the government" (Ciepley, 2013:140). As a consequence, private shareholders are understood to be the owners of corporations. And, corporations are thought to have no necessary connection to politics other than the political activity they undertake to influence governmental processes to suit their private interests. As Barkan explains (2013), "[s]cholars demarcate the corporation as an economic institution whose power threatens states. Although politically constituted and with political effects, corporations are considered to be separate from the fundamental structures of political order" (p. 3).

Furthermore, when corporations directly intervene in the political realm, it is viewed as a form of colonization whereby corporate interests corrupt the democratic process. From the perspective of the political sociologist, this colonization is an error, "in which corporate economic interests overtake and wield undue influence within liberal law and public policy" (Barkan 2013:3). Corporations, therefore, are considered to be private and external enemies colonizing and corrupting the pure logic of democracy by illegitimately interfering in the public policy-making process.

To save democracy, political sociologists take refuge in an imaginary outside of the existing corporate political order. In just about every case where political sociologists speak about them, corporations are treated as the enemy of democracy that are pitted against virtuous citizens. These scholars advocate for participatory-deliberative political activities and nontraditional forms of organization to decolonize democracy of its corporate parasites. Second dimension forms of political action are intended to reclaim democracy from corporations and give it back to the people. Thus, political sociologists understand politics and economy to be connected through the colonizing logic of capitalist processes and corporations; however, they posit that pure, uncorrupted participatory-deliberative activities and ready-made democratic agents can be harnessed to decouple capital from democracy.

McNay (2014) would call this type of research focus and political program "socially weightless" (p. 4) because it abstracts so far from reality that it has become untethered from the actual conditions underlying society. For McNay, there is no pure political logic that can be isolated from the corrupting influence of power relations, which in this case means that participatory-deliberative activities are thoroughly infected by the economic power relations emanating from wealthy elites and corporations. Moreover, democratic subjects themselves are hardly ready-made. Rather, all individuals living in the market economy are socialized according to capitalist values, norms, and ways of thinking. Consequently, individuals develop distorted forms of cognition that are unable to grasp reality, unable to think through the world rationally, and uncritically accepting of the predominant capitalist norms and values (Thompson 2016). In participatory-deliberative activities, deformed consciousnesses participate and deliberate with other deformed consciousnesses to the benefit of corporations. As was demonstrated, the outcomes of participatory-deliberative activities tend to reinforce corporate power, not challenge it.

What must be confronted at the outset is the fact that politics and economy are so intertwined that they cannot be separated in theory without great violence being done to the object of study. The participatory-deliberative model of democracy, therefore, must be viewed not simply as a means to challenge corporate democracy but as a model that also reproduces the capitalist logic and resulting inequalities, often in a disguised form. This is because the normative impulse motivating the participatory-deliberative model is negated by corporate political power. Participatory-deliberative activities do not so much foster authentic, antihierarchical, collectivistic, and egalitarian outcomes. Rather, such activities tend to be co-opted by and subordinated to corporations. This also means that citizens themselves are not outside of the market economy but deeply embedded within it, and contrary to Rothschild, subject to its rapacious logic.

Political sociologists maintain a false dichotomy between politics and economy, which also means they misconstrue the relationship between state power and corporate power. Because they consider corporations to be external enemies colonizing and corrupting democratic society, political sociologists posit that corporations undermine state sovereignty. However, corporations are integral components of the modern political order, just like nation-states. Specifically, Barkan (2013) argues that "corporate power should be rethought as a mode of political sovereignty" (p. 4). In other words, corporations and states are both legally sanctioned entities to govern over social life, which makes corporations part of the biopolitical apparatus of modern societies.

In fact, corporations began as extensions of the public body, and states chartered them to create public goods, such as infrastructure, schools, hospitals, and prisons, which would not be undertaken by single individuals because of the large, upfront expense. In this way, corporations, since their inception, have been central to the governance structures of modern societies and have existed to meet the demands of society, for example, by providing them goods and services. Over time, corporations became the engine of the industrial economy and the primary institution of social development. In doing so, individuals must purchase from corporations, and as a consequence, corporations have amassed large sums of capital that they translate into political power through lobbying, contributing capital to political campaigns, and shaping public opinion. Thus, corporations since the beginning of the U.S. Republic have been integral components of the modern political order.

Rather than reduce corporations to private entities, David Ciepley's (2013) theory of corporations as "franchise governments" (p. 140) explicitly highlights how corporations straddle the nexus between the private and public spheres. Corporations are neither completely public nor private entities but firmly situated in both camps. Corporations are created by governments to complete tasks they are unwilling or ill-equipped to do, which makes corporations a constitutive part of governance itself. Based on the current configuration where governments rely so heavily on corporations to create jobs and stimulate economic growth, attempts to decolonize the political sphere of corporations misrecognize how integral corporations are to the political order of capitalist democratic societies. It is therefore problematic to understand corporations simply as economic actors that don a political mask to protect their interests. Rather, corporations are franchise governments who owe their existence to states but expose the limits of state sovereignty. This line of analysis blurs the distinction between economy and politics. "The political realm as it has been traditionally understood is disappearing. In its place is an economic mode of governance that manufactures its own version of the political" (Panageotou *forthcoming*).

The realization that corporations are fundamental components of the political realm has important implications for the false distinction between evil corporations and virtuous citizens. For political sociologists, even those who are critical of participatory-deliberative activities, citizens are depicted as either fighting against corporate democracy or are being manipulated into subservience. While this may be the case for many citizens, all citizens, either by choice or by necessity, must still live, work, and consume in the market economy. Hence, citizens that practice and desire Democracy 2.0 are placed in the contradictory position of trying to create a new political order from within the old one. On the one hand, they seek to reclaim democracy, while on the other hand, their everyday economic activity within the market economy supplies corporations with the ammo that corporations use to destroy democracy, which is accomplished by transforming their economic capital into political power.

There is, therefore, no outside of the womb of the market economy to midwife Democracy 2.0. If someone owns a share of their local food coop and volunteers in the community, that person still pays their internet plan through Comcast and buys gas from Shell. If someone participates in Deliberative Polls and attend 21st Century Town Halls, that person still has a 401k plan invested in the stock market that is tied to the fortunes of corporations. Or, think about the contradictory position of sociologists who are part of the university structure. At least at the University of Tennessee-Knoxville, the university purchases its paper from Georgia-Pacific, a subsidiary corporation of the reviled Koch Industries. There is a grim irony to the fact that professors print anti-Koch rhetoric on Koch-printed paper (as occurred explicitly when the Center for the Study of Social Justice and the Committee on Social Theory hosted an academic panel on Jane Meyer's *Dark Money*, which chronicled the Koch brothers' unscrupulous takeover of U.S. politics). None of this is to deny the genuine forms of resistance that some individuals practice against capitalism every single day. Rather, it is to highlight the contradictory position of all individuals who have no choice, so long as they live in a market economy, but to contribute to reproducing that which they fight against.

The contributors to the *Democratizing Inequalities* volume were correct to point out how participatory-deliberative activities are increasingly penetrated by corporate structures and logic, which is why such activities reinforce inequalities. However, their analysis did not venture far enough and cannot alone explain why inequality continues to increase amidst the participatory renaissance. What they neglected to theorize is how corporations amass so much political power in the first place, which occurs through citizens themselves. The next chapter deals with this issue by examining how the market model of democracy legitimizes forms of economic political activity through which corporations accumulate economic capital that they deploy as political power.

CHAPTER 5
THE MARKET MODEL OF DEMOCRACY

The rational choice and New Right theorists writing during the Cold War fashioned the foundation for the market model of democracy, even if they never referred to their theories as such. But these political scholars did explicitly seek to marry market rationality and democratic processes. Pledged to uphold the principles of liberal capitalist democracy, these theorists believed that only the market could safeguard individual freedom. In contrast, government was depicted as inherently threatening to personal liberty because it imputed an artificial collectivity over a society comprised only by sovereign citizens. Foregrounding the emergence of neoliberalism, rational choice and New Right theorists would wholeheartedly agree with Thatcher's famous words 'there's no such thing as society'. Hence, government intervention paved the road to fascism and totalitarianism.

For rational choice and New Right theorists, government was not just an imaginary threat. Researching in the midst of the Cold War and the New Deal at home, these theorists were responding to governments that increasingly intervened in economic and social affairs. Their response was to devise the market model of democracy that, like the two other models, also functioned as a normative political program. Yet, unlike liberal and participatory-deliberative theorists that sought to strengthen collective processes, rational choice theorists wanted to destroy the very idea that a collective existed, and therefore, to also reduce the scope of government activity in the economy and society. However, rather than proclaim their research focus as a political program, rational choice theorists instead chose to hide their normative position beneath the cloak of purportedly objective science and complex mathematical formulas that scholars considered to be politically neutral. Thus, they did not have to declare that their intent was to undermine collective decision making and government; the research findings would speak loudly.

The scientific approach to studying politics made bedfellows out of pluralist theorists and rational choice theorists, but their methodology could not be more different. Pluralist theorists began their research from inductive observations about the distribution of power in society. In contrast, rational choice theorists did not formulate their theories by observing reality, and even more, they did not even seek to describe reality accurately. Instead, they opted to positively deduce abstract scientific models about political behavior that could be tested against empirical reality.

The rational choice theorists initiated their separate research projects from a common axiom—methodological individualism. All that existed were individuals who were themselves the only legitimate authors of their own private ends, and furthermore, these theorists posited that individuals chose their ends according to rational and self-interested principles. As Downs (1957) makes clear, "whenever we speak of rational behavior, we mean rational behavior directed primarily towards selfish ends" (p. 27). However, as the market model has increasingly penetrated U.S. society, it has more and more become a description of the relationship between politics and economy today.

The market model of democracy revolves around the principle of self-interested individual action as the only rational guide to political behavior. The premise of self-interest was imported from economic theory, which was based in the premise that "firms maximize profits and consumers maximize utility" (Downs 1957:5). This form of utility-maximizing rationality prevalent in economic theory became the language for political discourse. The ends chosen by individual are not judged; instead, rationality is attributed to how individuals go about attaining their goals. For their political action to be considered rational, citizens must maximize output while minimizing costs.

In reconceiving democracy according to market principles, rational choice theorists left the door wide open for the market itself to be a site for political action. Within their market model, economic forms of activity like consumer actions and investment decisions can be rational forms of political action. As a consequence, the market model of democracy has transformed politics from the inside out by reconsidering rational political action in market terms and recoding traditional political issues in terms of economic discourse. Exercising political voice, in this model, is tantamount to exercising one's purchasing power.

In this chapter, I examine the market model of democracy that has increasingly transformed politics into an economic affair. First, I will expose the theoretical roots of the market model by interrogating the work of rational choice and New Right theorists who devised this model during the turbulent days of the Cold War. Second, I will explore how this model has come to life since the 1980s, and the key forms of market political activity that are at the foundation of the market model of democracy—political consumerism and socially responsible investing. Third, I will bring to the surface aspects of market political activity that have been ignored and undertheorized in the literature but must be considered to grasp how inequality is maintained in the market model.

And finally, I will demonstrate how the market model does not safeguard individual freedom but instead undercuts freedom by revealing the political domination of corporations.

THE RATIONAL CHOICE AND NEW RIGHT THEORIES OF DEMOCRACY

Like the other two models of democracy, the market model is inseparable from the socio-historical context in which it was bred. Beginning in the 1950s, rational choice and New Right theorists embarked on a political project to fortify democratic theory against the totalitarian menace of Eastern communist societies. From the early days of the Cold War, there was a real fear that their communist competitors would ultimately triumph over Western capitalist democratic societies. To prevent this perceived dystopia, political scholars worked to purge democratic theory of any similarities with communist or collectivist political theory, which Schumpeter initiated when he attacked the Classical theory of democracy for being ill-suited to modern capitalist societies. A new interdisciplinary school of rational choice theory emerged to continue the crusade through the support of a variety of institutions including think tanks, most importantly the RAND Corporation, which was itself supported through universities and generous contracts and grants from the U.S. government (Amadae 2003). Thus, the Cold War was not merely an external battle of military might waged by proxy in Korea, Vietnam, and other theaters but also an ideological war of ideas over the definition of 'democracy'.

In the *Road to Serfdom*, Friedrich von Hayek ([1944] 2001) discursively argued that the mechanism of central planning embodied by communist regimes was antithetical to the core tenet of liberalism—individual freedom. For von Hayek, communist societies were totalitarian because they sought to mobilize the entirety of society to achieve a common purpose and did not recognize a sphere of individual autonomy where individuals could decide for themselves which ends they wanted to pursue. At issue was precisely how to derive a common purpose in modern capitalist democratic societies. For von Hayek, a society of comprised by free individuals would never be able to reach a consensus on collective goals.

Von Hayek's philosophical treatise on the compatibility of central planning and individual freedom set the stage for Kenneth Arrow's (1963) Nobel-prize winning text *Social Choice and Individual Values*. In this work, Arrow inquired into the possibility of deriving rational and fair social decisions out of the multiplicity of private wills. This research focus dovetailed with that of deliberative democratic theorists who dealt with the same political quandary, albeit some thirty years after Arrow and deriving diametrically opposite conclusions. Unlike deliberative democratic theorists, Arrow did not believe that any common good could be discerned and that no method existed to produce rational collective decisions. For Arrow, deliberation could not transform disparate individual preferences into a common good because such preferences were irreconcilable.

Not content to argue the point discursively, Arrow used formal proofs to demonstrate the impossibility of deriving rational collective decisions in a pluralistic society. He engaged in several thought experiments, one of which consisted of three individuals who must make a social choice about the direction of society from three distinct options. Starting with the premise of methodological individualism and establishing other minimalist conditions, Arrow inquired into the possibility of using an electoral system, like majority voting, to aggregate the discrete preferences among individuals into a single ordering of preferences to which all individuals would agree. Using complex mathematical formulas, Arrow demonstrated the impossibility of achieving a collectively rational ordering of social preferences that satisfied every individual equally. Simply stated, any outcome chosen would not be the result of mutual consent but of a dictator imposing their set of preferences on everyone else.

With this set of scientific proofs, Arrow made the first systematic step in constructing the market model of democracy by reconceiving of citizens in terms that economic theory has bestowed upon consumers. Fundamental to Arrow's (1963) analysis was the requirement of "citizens' sovereignty" (p. 28), which meant that the individual was the only legitimate decider of his or her own preferences. In theorizing that individual preferences were inviolable, Arrow equated citizens' sovereignty with consumers' sovereignty (Amadae 2003). As it is up to individual consumers to decide for themselves what to purchase, it is up to individual citizens to decide for themselves to which goals they want to work towards. Thus, the imposition of a collective will over an individual's will was considered to be a violation of that individual's basic freedom.

Whether or not they paid explicit homage to Arrow, his theory stimulated a generation of rational choice theorists who worked out the implications of the impossibility theorem for democratic processes. Downs (1957) applied Arrow's impossibility theorem to the operation of government in a democratic society. If no collective will can be discerned amidst a plurality of private wills, then how can the government act rationally?

That there is no collective will need not trouble government in the market model of democracy. Instead, Downs devised a model of democracy based in self-interested rationality that in no way required the existence of a collective will to govern. In his model, all actors are rational agents that seek to maximize utility and reduce costs. Therefore, governments behave as economic actors when legislating by acting in whatever ways will maximize their political support among the electorate. According to Downs (1957):

> When a newly elected (or reelected) government sets up its plan of action, it asks about each expenditure, "Is it worth its cost in votes in terms of votes gained?" just as a profit-making firm asks about each of its expenditures, "Is it worth its cost in dollars in terms of added revenue?" (P. 69)

Moreover, governments themselves are comprised by the political parties that are elected into power. Political parties create party platforms that will maximize votes in the hopes that they garner enough political support to elect them into government and maintain power. For their part, politicians run for office "to attain the income, prestige, and power which come from being in office" (p. 28). And, individual voters themselves are rational political actors who will vote only if the benefits outweigh the costs. Those who vote select politicians who they expect will maximize their individual interests.

Downs' model is thus a self-contained system that operates at all levels according to the application of market rationality to political behavior. No concept of a public, common good, or collective will survived Downs' analysis; it is all about weighing benefits and costs. *Homo politicus* is *homo economicus*, no matter what the political entity.

Downs focused particularly on how governments and political parties could act rationally in democratic societies. In contrast, Buchanan and Tullock ([1962] 1999) applied rational choice principles to individuals acting in democratic society. Their guiding question asks, "when will an individual member of the group find it advantageous to enter into a 'political' relationship with his fellows?" (p. 43-4). Thus, they focused on constitution-making, and why individuals would voluntarily submit to a collective constitution given the coercive power invested in governments.

Committed to methodological individualism, Buchanan and Tullock ([1962] 1999) centered their analysis on the rational, utilizing-maximizing behavior of individuals. For these theorists, an individual would enter into a constitutional arrangement in the same way that one would enter into a market transaction. Individuals voluntarily engage in market transactions because they expect that the exchange will benefit their individual self-interests, thereby creating a situation of mutual gain. Likewise, consenting to a constitution denotes a process of exchange, whereby individuals submit to the power of the state in exchange for the benefits that accrue from living under the rule of law. Thus, in Buchanan and Tullock's model, individuals ask themselves if the costs of entering into a constitutional arrangement outweigh the perceived benefits. Here again, citizen sovereignty is viewed in terms of consumer sovereignty because "the individual himself is assumed to be the only one who is able to measure or to quantify his own utility" (p. 172).

Because individuals are theorized to accede to a constitution only if it benefits their individual self-interest, Buchanan and Tullock joined Arrow and Downs in abandoning the notion of a public or common good as a meaningful political category. Rational choice theorists, however, did not stop at destroying the notion of the collective. Olson ([1965] 2002) in his classic text, *The Logic of Collective Action*, ventured a step further by directly challenging the idea that there is any benefit to engaging in collective action altogether.

In contrast to the longstanding tradition of economists, political theorists, and sociologists that claimed that it was rational for individuals to cooperate with others in order to accomplish collective goals, Olson took the opposite stance and painted collective action as irrational. Olson's ([1965] 2002) main point is that, "*rational, self-interested individuals will not act to achieve their common or group interests*" (p. 2) unless there was coercion involved. Olson based his theory in the cost-benefit analysis pioneered by Downs, Buchanan, and Tullock.

Using formal models and mathematical analysis, Olson demonstrated that the costs associated with contributing to a form of collective action outweighed the benefits that the individual would derive from the overall collective enterprise. Focusing on the rationality of joining a union, Olson ([1965] 2002) introduces the concept of the "free rider" (p. 76). For Olson, even if unions deliver benefits to members, it is still not rational for individuals to join a union because the individual's contribution to the union "would not have a noticeable effect on the outcome, and whether he supported the union or not he would still get the benefits of its achievements" (p. 76). Thus, Olson theorized that it was rational for individuals to devote the least amount of resources and effort for a collective action while still receiving the maximum benefits possible from that collective action. This theory, however, undercut the viability of collective action because such forms of action would atrophy as individuals rationally abstained or dedicated minimal effort, thereby undercutting the effectiveness of collective activities.

Olson's theory of democracy is fundamentally opposed to the theories developed by pluralists, in particular David Truman, and participatory-deliberative theorists that extolled the value of collective action in politics. Joining an organized interest group like a union or participating in a deliberative forum were considered by rational choice theorists to be irrational. If those forms of collective action are irrational, then what is the status of the most vaunted political act in liberal democracy, voting, for rational choice theorists?

Based in cost-benefit analysis, Downs' (1957) model of democracy cast doubt on the rationality of voting. According to Downs, voting is a costly act because it entails a considerable time, effort, and monetary commitment. Specifically, Downs cites the following costs associated with voting—"time to register, to discover what parties are running, to deliberate, to go to the polls, and to mark the ballot. Since time is a scarce resource, voting is inherently costly" (p. 265). Added to these costs are monetary expenses resulting from having to register to vote, obtain a proper voter identification, and transporting oneself to the voting station. Moreover, because elections do not occur during mandated holidays, individuals bear a cost in missing work or leaving work early to vote.

And most importantly, Downs illustrated how unlikely any individual vote will matter for the outcome of the election. For Downs, "millions of other citizens are also eligible to vote; so each man's ballot is only one drop in a vast sea. The probability that his vote will decide the election, given the votes of all others, is extremely small, though not zero" (p. 244). In addition to all these factors, Downs neglected to consider how the electoral college structure and gerrymandering both reduce the impact of an individual's vote. The act of voting, thus, evokes the image of the free rider problem—"[i]n rational choice terms, the 'voters' paradox' seemed to be a classic case of collective action in which the democratic decision-making process requires voters' input, but each voter has the incentive to free ride on others' participation given the insignificance of his single vote" (Amadae 2003:187).

While Downs questioned the rationality of voting from a cost-benefit analysis, William H. Riker (1982) used formal models and quantitative methods to demonstrate that voting could never realize a collective will. Riker argued specifically against the populist vision of voting that saw voting as the vehicle through which the collective will revealed itself. On the contrary, Riker saw voting simply as a means to make decision such that voting "is just a decision and has no special moral character" (p. 14).

Despite Downs' assertion that voting can be irrational and Riker's de-fetishization of voting, significant portions of the adult U.S. population still vote, even if it is barely half the population in presidential elections and a little over a third of citizens for midterm elections. Rather than admit this to be a weakness of the model, rational choice theorists redefined the act of voting to be an act of consumption. Voting need not be rational; individuals only need to derive satisfaction from the act of voting much like an individual derives satisfaction from drinking a can of Coca-Cola. Thus, Amadae (2003) writes that "voting has come to be regarded by rational choice theorists as an 'expressive act,' in which a voter's goal is no more than 'expressing one's preferences'" (p. 188). For rational choice theorists, voting is an act of expression, not a rational act of achieving an electoral or policy outcome and certainly does not represent any collective will.

The types legitimate political activity, then, are those that do not cost too much or infringe upon an individual's basic freedom. In this way, collective forms of political action are delegitimized because they are necessarily seen to be costly and coercive, and voting is only rational because it provides satisfaction to voters, rather than concrete outcomes. Because rational choice theorists believed market rationality to be the only reasonable guide to political action, they saw market activities as legitimate forms of political action insofar as they allowed individuals to express their preferences unhindered by coercive forces.

The members of the Austrian School of Economics, who were also members of the so-called New Right, most importantly von Hayek and von Mises, both provided systematic justifications for the legitimate role of market activity as a mode of practicing politics (Schwarzkopf 2011). For von Hayek ([1944] 2001, 1960), market activity was more democratic than governmental activity because governments centralize decision-making authority over individuals, while markets permit individuals to choose their own ends. Thus, von Hayek argued that governmental activity must be kept at a minimum while activity in a free market was the true heir to legitimate political activity.

Von Mises (1949) concurred and theorized that purchasing commodities in the market was parallel to the voter casting a ballot in an election. However, true to their insistence that market activity was more legitimate than electoral activity, von Mises (1949) claims that spending money was actually more democratic than voting because:

> In the political democracy only the votes cast for the majority candidate or the majority plan are effective in shaping the course of affairs. The votes polled by the minority do not directly influence policies. But on the market no vote is cast in vain. Every penny spent has the power to work upon the production processes. (P. 271)

For von Mises, votes are wasted all the time in the course of liberal democracy, which makes the notion of the sovereign citizen a chimera. In contrast, every dollar spent in the market affects the course of the entire economy, even if it is in an infinitesimally small way. Therefore, individuals are voting every day in the market through their dollars spent. As Hobsbawm and Attali (2001) observe of the market model, "[p]articipation in the market replaces participation in politics. The consumer takes the place of the citizen."

THE THIRD DIMENSION OF POLITICAL ACTION

As a normative political program concealed beneath a veneer of objective science and mathematical formulas, the market model of democracy was a blueprint for politicians and business leaders wanting to fundamentally restructure the U.S. economy, which was experiencing growing pains after two decades of postwar expansion and prosperity. The explicit political program was to free markets from government regulation; however, little could be done in the shadow of the Great Depression that cast doubt on the idea of laissez-faire. The Cold War flipped the narrative and opened a window of opportunity for the market model of democracy to shape foreign and domestic policy making (Amadae 2003). As I demonstrated in Chapter 2, the Reagan administration buttressed by large corporations and their political associations freed the market from a host of regulations and taxes.

As the era of neoliberalism arrived, the rational choice and New Right theorists saw their theories come to life. Here, I am not making a causal argument that the devising of the market model triggered neoliberalism; rather, I am bringing to the surface the consistency and co-evolution between the market model and the neoliberal assault on the government spearheaded by the Reagan administration.

In popular culture by the 1990s, markets were no longer the boogeyman of the New Deal era but the savior that could stimulate economic growth and secure democracy better than governments ever could. In particular, the stock market boomed during this period and "democratized" (Frank 2000:93) as an unprecedented number of individuals, hovering at slightly over half the adult U.S. population in the early 2000s, owned securities or invested their retirement accounts in the budding mutual fund industry (Davis 2016). Fueled by finance capital, transnational corporations' capitalization grew even larger at the same time as they outsourced production to areas of the world with cheaper labor costs (Robinson 2004). While corporations accumulated more profits, they also provoked greater moral and ethical outrage for committing human rights abuses and contributing to environmental degradation either themselves or through their subsidiary chains. The result was an increasingly active segment of U.S. society that felt a responsibility to use their money to fight corporate abuses and support corporate ethical business practices through socially responsible investments and consumer campaigns (Micheletti 2003).

Economic forms of political action have a long history in the United States before they became systematically theorized by political scholars in the early 2000s (Vogel 2004). However, the avenues through which individuals could exercise market political power multiplied with the technological and financial advancements that accompanied the transition into the post-Fordist economy. Alongside the use of derivatives and credit-default swaps were Socially Responsible Investment funds that allowed investors to turn a profit while they supported their favored political causes. In addition, the ubiquity of corporate branding combined with the increase in stewardship certification schemes and product labeling schemes, like fairtrade, eco-labels, and organic food labels that denote ethical or sustainable production standards, made consumers more socially conscious about their purchases. Awareness of social and environmental injustices grew as the personal computer and Internet spread into the average U.S. household.

It was within this context that political scholars began to take seriously how investment and consumer activity could be theorized as a mode of political action, which prompted a myriad of new research in the early 2000s focusing on economic forms of political activity. These scholars devised new nomenclature to refer to these acts including "political consumerism" (Micheletti 2003), "creative participation" (McFarland 2010; Micheletti and McFarland 2012), and "lifestyle politics" (Bennett 1998; Shah et al. 2007, 2011). What these forms of political activity have in common is the recognition that politics can be practiced outside of the traditional sphere of political activity that denotes electoral or even participatory-deliberative activities. Rather, politics can be practiced daily by simply living one's life. As Micheletti (2003) states, "[p]olitical consumerism is becoming a form of everyday activism that can be expressed without exerting much effort and resources and without unwilling confrontation with other actors. The goal is a form of lowthreshold collective action that can be performed on daily trips to the market for oneself and one's family" (p. 110). Thus, what I call *the third dimension of political action* consists of activities that collapse the distinction between private and public spheres of life. What were once viewed as private activities, like shopping at a grocery store or choosing to buy a piece of stock, are now understood by some to be inherently connected to politics in the public sphere.

Political scholars borrowed from the rational choice and New Right theorists two core premises of the market model of democracy—that rational political action could be guided by market logic and practiced through market mechanisms. For political action to be considered rational, it must "pay-off" in the same way that "profit serves as the over-arching yardstick in assessing capitalist ventures" (Weissberg 2005:9). Ineffective or purely ceremonial political activities have no place in this conception of political activity because politics is all about securing beneficial outcomes.[6] And, there is no better arena to secure beneficial outcomes than through the market itself. As Weissberg (2005) contends:

> A free market, consumer-driven and reasonably prosperous economy makes seeking non-political avenues eminently reasonable, if not preferable. Rather than hurl oneself into vexing, time-consuming civic battles of uncertain outcome, the prudent takes matters into their own hands…Thus understood, abandoning politics is less a rejection of the public realm than a calculating adjustment necessary to accomplish tangible aims. (P. 122)

Political scholars, therefore, joined their rational choice and New Right predecessors in declaring that the market could be more democratic than government because it responds directly to the purchasing power of individuals.[7]

Key to understanding the legitimacy of market political activity is the way in which traditional political activity targeted at influencing the government has been delegitimated. Critiques of traditional political activity in the governmental realm follow two general lines of argumentation. On the one hand, scholars like Weissberg (2005) and Micheletti (2003) understand traditional political activities to be generally irrational because they are costly, time-consuming,

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[6] Sociologists studying consumption certainly depart from this instrumental view of market political activity; however, sociologists often study the more cultural aspects of consumption while leaving the political aspects for other disciplines who do tend adhere to an instrumentalist view of market political activity.

[7] It is here that there is a strange meeting of the left and right political ideologies. Theorizing market forms of political activity is the purview of those on both sides of the political spectrum. The conservative theorists delegitimated traditional forms of political action because they relied on a notion of the collective and a strong interventionist state. Similarly, but according to completely different principles, leftist political scholars delegitimated traditional forms of political action because they saw governments as being captured by corporate interests, and therefore, traditional political activity was bound to fail. Thus, both sides legitimated market political activity over traditional political activity, albeit for different reasons.

and rife with losses. The costs of collective action pioneered by Olson (1965) resurface in the work of these market political activity advocates. For these theorists, the solution is to retreat from group action and opt instead for "individualized collective action" where individuals "*create their own political home*" (Micheletti 2003:28) without the costs associated with collective action. For Micheletti, this self-interest can be harnessed in service of a larger collective good. Even more, she considered self-interest to be a more optimal source of motivation to engage in market political activity because if someone is motivated purely by an altruistic concern for others, that person is likely to burn out quickly because "[t]he demands on an individual's time and emotional resources are, in short, way too high for this to be a realistic scenario to encourage in real life" (p. 22). Contemporary advocates of market political activity, therefore, join rational choice theorists in theorizing the primary role of self-interest in politics, albeit while still retaining a notion of the public good, to which self-interest can serve.[8]

On the other hand, traditional political activity is conceived to be ill-suited to a world dominated by transnational corporations. This line of critique emanates from more Marxist-oriented political scholars. These scholars researched the changing global political-economic landscape and how globalization has increased the presence and augmented the power of transnational corporations to shape politics within nation-states all over the world. The activity of transnational corporations has created governability problems for nation-states and international human rights organizations, like the United Nations or Amnesty International, who depend upon the resources and services of transnational corporations to implement their objectives. As it was demonstrated in Chapter 3, compounding this problem is the reliance of politicians on corporate money to secure electoral success. Social problems appear in the operation of global production chains, including environmental degradation and human rights abuses; however, because politicians, nation-states, and international human rights organizations tend to be the allies of corporations, these actors and institutions cannot mount effective opposition to transnational corporations. As a consequence, traditional modes of political participation that operate within a particular nation-state context, such as the first and second dimensions, are unable to confront the

[8] It is important to note, however, that sociologists, do theorize a role for "altruism, solidarity, love, and charity" (Pellizzoni 2011:224), as well as the symbolic and communicative dimensions, as motivations for engaging in political consumerism; however, this line of argumentation is not my focus because these sociologists are not usually concerned with the political side of consumption (Rief 2008).

global social problems that affect citizens across the world. Because global problems defy national boundaries, these scholars advocate for new modes of political participation that operate outside of the traditional nation-state context. Where governments fail, individuals can take their issues directly to the source of the injustice itself through market political activity. Thus, market political activity is conceived to be well suited to a transnational politics because just by exercising one's consumer or investor power at home, one can affect the unjust production standards of a corporation or nation-state on the other side of the world (Hertz 2001; Micheletti 2003; Micheletti, Follesdal, and Stolle 2004; Scammell 2000).

Viewing the market as the legitimate site for practicing democratic politics, these progressive advocates of market political activity have redefined the concept of citizenship. In both the liberal and participatory-deliberative models of democracy, a dichotomy is maintained between public citizens and private consumers, which parallels the binary maintained between politics and economy (Scammel 2000; Soper 2004; Trentmann 2007). In these models, individuals live public and private lives that are strictly delimited from bleeding into each other. In the governmental sphere, individuals act collectively to realize their interests (liberal model) or the common good (participatory-deliberative model), while in the private sphere individuals consume privately and self-interestedly. In either case, the public role of citizens is separate from their private economic lives.

By contrast, in the market model, the private economic sphere is precisely the site where publicly oriented citizens can exercise their political voice. Citizenship, therefore, loses its strictly "*political* valence" (Brown 2015:39) and instead becomes suffused with economic principles. The result is a new class of "citizen-consumers" (Soper 2004:112) who practice their conception of good citizenship through market activities. Thus, as the public/private dichotomy collapses, so too does that of the citizen/consumer.

Implicit in every commodity is a "*politics of product*, which means that every product is embedded in a political context" (Micheletti 2003:12). Citizen-consumers exercise their political voice by purchasing or investing in corporations that produce commodities according to ethical standards and values, while signaling disapproval to corporations that violate those standards or values by refusing to purchase their commodities or divesting from their securities. What makes these forms of economic activity *political* is that they are "used as a means of expressing policy preferences and as a vehicle for exercising influence over the behavior of others in order to obtain specific political and economic outcomes" (Newmann and Bartels 2011:805). Thus, market activity is a means to shape the distribution of resources in society according to one's moral and ethical code, which thereby constitutes a form of political activity. Intentionality and awareness are crucial—"the actor involved has to have sufficient knowledge and a politically or socially inspired motivation for his/her consumer choices" (Stolle and Hooghe:280). Citizen-consumers are aware that their market activity has political effects and intentionally and regularly choose to consume or invest in ways that match their moral and ethical codes.

Political scholars devoted the most attention to researching two forms of market political action—political consumerism and socially responsible investing. Micheletti (2003) defines political consumerism as those "actions by people who make choices among producers and products with the goal of changing objectionable institutional or market practices" (p. 2). Consumers are turning to alternative modes of political action by directly targeting corporations through "boycotts" and "buycotts" (p. x). Boycotts encourage individuals to refuse to buy specific commodities, services, or brands, while buycotts do just the opposite by encouraging individuals to purchase certain commodities, services, or brands. Rates of participation in consumer campaigns are difficult to assess given that these actions occur in private; however, in one study, it was found that 48 percent of respondents have engaged in consumer campaigns (Copeland 2014). Zukin et al. (2006) estimated that 21 percent of individuals engage in consumer campaigns weekly. And, practicing political consumerism is highest among millennials, 73 percent of which would pay more to buy an ethically produced commodity (Landrum 2017).

The cottage industry of political scholars writing about consumer campaigns tend to view such actions through a leftist and progressive political lens. They focus on consumer campaigns that target the unfair labor practices and environment-harming practices of corporations and governments. Among many others, repeated targets of boycotts include Nestlé, Microsoft, Exxon, Nike, and Shell, as well as the country of Turkey because of its human rights violations (Micheletti 2003; Micheletti et al. 2004). Or, consider how the Coalition of Immokalee Workers, a human rights organization, has organized boycotts of food retailers and fast food restaurants that exploit farm laborers. Through nationwide boycotts against these large corporations, the Coalition has successfully pressured Yum Brands, who owns Taco Bell, KFC, and Pizza Hut, Aramark, Sodexo, Fresh Market, Chipotle, Subway, McDonalds, and Burger King to sign on to the Fair Food

Program that commits these companies to purchasing from growers that comply with humane labor rights standards (Greenhouse 2014).

However, it is important to acknowledge that it is not only individuals of the progressive ideological persuasion that engage in political consumerism. Rather, there are a plethora of examples of conservative consumer campaigns, including campaigns that encourage people to buy Chick-fil-A or Hobby Lobby for their hostility towards equal rights and reproductive rights. Thus, both sides of the political spectrum increasingly fight in the terrain of consumer campaigns. For example, President Trump encouraged his supporters to buycott L. L. Bean, ostensibly because one executive, Linda Bean, donated $60,000 to Trump's successful election bid (Villeneuve 2017). In response, the #GrabYourWallet movement emerged to boycott Trump-related products. Just like Newton's 3rd Law of Motion, for every positive consumer campaign, there is an equal and opposite negative consumer campaign.

Socially responsible investing refers to the way in which people can invest money in securities that reflect their political, moral, and ethical values, or divest money from securities that violate one's values. Like consumer campaigns, progressives and conservatives alike have ample avenues through which they can support political causes while receiving dividends or interest from their investments. Moreover, owning a share in a corporation's stock also accords to shareholders the political power to introduce resolutions at the corporation's annual shareholder meeting. According to Vogel (2004), the practice of introduction shareholder resolutions has become "routine" as "each year approximately one hundred public interest proxy resolutions are submitted by activist shareholders and included in proxy statements" (p. 96). In the decade that has passed since Vogel's research, it is safe to say that shareholder resolutions are even more commonplace today.

Progressive socially responsible investment vehicles include the Meyers Pride Value Fund that funds institutions that adopt antidiscrimination policies towards homosexuals, the Cruelty Free Value Fund that invests in businesses that do not harm animals, and the Friends Provident International that funds businesses engaging in socially responsible production, among many others (Micheletti 2003; Weissberg 2005). One can also find financial vehicles that invest in employee ownership models like worker co-operatives and ESOPs. Beyster (2017) found six Community Development Financial Instruments, two private equity funds, and one mutual fund that invest in employee-owned companies. For conservatives, one can invest in Timothy Partners

Ltd. or the Aquinas Equity Growth fund, among others, who only invest money in companies that protect conservative Christian values (Weissberg 2005).

While political consumerism and socially responsible investing are ways through which individuals exercise political voice, the theorists of these forms of political activity tend to ignore aspects of these activities that undercut the normative thrust motivating the market model. The next section will shift the focus from individuals intentionally exercising agency and individual freedom in the marketplace to the hidden aspects of third dimension political activities that function to empower corporations, not individuals.

CORPORATIONS AND THE THIRD DIMENSION OF POLITICAL ACTION

Those who study market forms of political activity see in this mode of politics the supreme avenue for expressing individual agency and freedom. Finding other avenues to express political voice neutralized of their power, individuals take the fight directly to the source of the perceived injustice by exercising their consumer and investing power against those institutions. Moreover, resistance can be conveniently practiced during one's weekly trip to the grocery store or by saving for one's retirement. Market political activity is theorized to be flexible, individual-oriented, efficient, and immediate; there is no need to rely on representatives, bureaucracies, or even interest groups. Rather, people self-curate their own political experiences with few of the collective costs commonly associated with more traditional forms of political action. And, by shopping or investing self-interestedly in a socially and environmentally responsible way, citizen-consumers can be assured that their individual activity is beneficial for the wider society. Hence, market political activity is the form of political action most suited to a neoliberal society. As Trentmann (2007) states, "[c]onsumer boycotts put to political use the ideal of freedom, choice and the sovereign consumer given circulation by neoliberal discourse and policies" (p. 149).

There is reason to doubt that market political activity is as empowering as it is theorized by its advocates. To be sure, evaluating the impact of market political activity is difficult because there is no set standard to measure the effectiveness of consumer campaigns or socially responsible investing. And there are certainly examples that can be found where corporations changed their production standards in light of targeted campaigns by consumers and investors (Stolle and Micheletti 2013). Nevertheless, Vogel (2004) concludes after a thorough investigation over the outcomes of market political activity, "the politicization of consumer and investor roles has had a relatively modest impact on the behavior of firms in the United States" (p. 96). Similarly, Stolle and Micheletti (2013) found contradictory results when they assessed the effectiveness of consumer campaigns. The reasons for the moderate impact of market political activity on corporate behavior is the result of the double-sided nature of market political participation. I will consider the limitations of politicized consumer and investor activity separately.

Mass Ordinary Consumption and the Politics of Everyday Life

Consumer campaigns are difficult to organize and maintain momentum once off the ground. There are also problems that arise because of visibility and access issues. Some commodities are purchased only by governments or other corporations, such as minerals, military equipment and weaponry, heavy machinery, and aircraft, which makes targeting the industries that produce these commodities virtually impossible through consumer campaigns. Instead, only the most "visible, identifiable, and accessible" commodities, services, or brands (Stolle and Micheletti 2013:245) are susceptible to consumer campaigns, which limits their range of use. Moreover, because most consumer campaigns are phenomena that occur in developed countries in the Global North, there is an inability to form consumer campaigns when the unethical commodities are not exported to Northern markets and are instead consumed domestically in Southern countries (Stolle and Micheletti 2013).

Buycotts tend to be more effective than boycotts, and their usefulness is enhanced when there is an abundance of conspicuous labeling schemes that signal to consumers which commodities are produced in a socially and environmentally responsible way (Stolle and Micheletti 2013). In the United States, however, there are relatively few labeling schemes in place, and therefore, fewer institutional supports for buycott campaigns. This is not to deny that there are more ethically produced commodities available today for purchase than ever in the past. Rather, the number of products produced ethically is still dwarfed by the vast majority of unethically produced commodities.

Furthermore, ethically produced commodities still require consumers to pay more than they would for a regular commodity, which few consumers are willing to do. For example, demand for fairtrade coffee is limited to about 3 to 4 percent of market share, which means that most coffee consumers choose unethically produced coffee over responsibly produced coffee (Stolle and Micheletti 2013). As a result, there is limited pressure on corporations to produce ethically because they can cater to the masses of consumers who do not engage in political consumerism. Even for those who do engage in socially and environmentally responsible production, such business activity hardly challenges the larger neoliberal economic system. Instead, corporations tend to water down the criteria to qualify as socially responsible to the most minimalist standards so that they can appeal to socially conscious consumers without having to truly engage in ethical production (Stolle and Micheletti 2013; Vogel 2004). Social responsibility becomes not an end in itself but a marketing strategy to attract socially conscious consumers to serve the primary profit goal of corporations (Brown 2015).

The literature on political consumerism also tends to focus on consumers making deliberate choices about what commodities to purchase while ignoring what Gronow and Warde (2001) call "ordinary consumption" (p. 5). The emphasis on intentional political consumerism allows advocates to claim victories while overlooking an entire layer of consumptive activity that reinforces the unethical production practices they fight against. The fact is that a substantial amount of consumption, if not the vast majority, consists of actions that "required little reflection, which communicate few social messages, which play no role in distinction, and which do not excite much passion or emotion" (p. 3).

While ordinary consumption is mundane and routine, paying attention to ordinary consumption is all the more urgent because much of this consumptive activity consists of commodities that are necessary and integral components of modern life. Ordinary consumption includes paying for utilities like electricity and water, purchasing internet, television, and telephone services, as well as kitchen appliances, buying gas for one's car, and paying to use other forms of transportation when traveling. The range of commodities that can be included under the ordinary consumption rubric is wide. Is one's house built with materials that were produced ethically? What about one's smartphone or television? What about the energy used to power one's house and phone? What about one's pet food?

Contrary to the commodities at the center of most political consumerism studies, like food, clothing, and coffee, most ordinary consumption consists of commodities that are not easily politicized (Jacobsen and Dulsrud 2007). For instance, there are a range of commodities to which there may be no alternative at all for socially responsible consumers to purchase. Pharmaceutical corporations patent their drugs, which makes finding a substitute difficult if not impossible when there are no available generic alternatives. Stolle and Micheletti (2013) cite the additional sectors of "energy, telecommunications, and transportation (air and rail)" (p. 248) as additional areas where political consumerism is limited.

If one wants to travel across the country or internationally, one's transportation choices are constrained by available technology and services. Most people choose between traveling by plane, boat, train, or car, which are all environmentally damaging. Even if these forms of transportation were run on renewable fuel sources, which is still not technologically viable outside of cars, the component parts of each form of transportation were likely produced through socially and environmentally damaging standards. Political consumerism, therefore, entails contradictory choices. According to Rief (2008), "[t]o consume in an eco-friendly, fair and politically correct manner is by no means a straight-forward affair, but is laden with dilemmas and ambivalences that require trade-offs between values, tricky judgements about the effects of certain actions and delicate choices between equally bad options" (p. 667).

Some production chains are so complex that it is difficult to locate the source of the injustice and target that source through market political activity. Transnational corporations today focus on design and branding, while outsourcing the production process to areas of the world with cheap labor and environmentally damaging productions standards. This has led Davis (2016) to speak about a "responsibility paradox" whereby corporations are "increasingly dispersed and 'virtual,' yet we ask them to be responsible for the actions of their suppliers, employees, and even countries where they do business" (p. 79).

The responsibility paradox means that more and more aspects of production are conducted away from public view or even knowledge by the parent or contracting corporation. The result is that even if citizen-consumers may spend a great deal of their time making conscious choices to consume responsibly, ultimately it is not possible to consume responsibly all the time. Thus, individuals often consume from environmentally damaging, human rights abusing transnational corporations out of necessity or sheer ignorance. Individuals may even think they are consuming ethically; however, because parts of the production process are so opaque, there is no guarantee that their consumption is actually ethical. As Stolle and Micheletti (2013) contend, an individual may choose to buy a more fuel-efficient model car, but "they will most likely be unable to discern where all automobile parts come from, and under what conditions they are produced, let alone discover the labor and environmental impact of the extraction of raw materials that go into those auto parts" (p. 248).

Scholars researching political consumerism are especially blind to the ordinary side of consumerism. Even for those who do take into consideration ordinary consumption, these scholars still retain a focus on the individual's relation to ordinary consumption (Gronow and Warde 2001; Jacobsen and Dulsrud 2007; Rief 2008). Other studies focus on collective consumer action through consumer campaigns and social movements but stop short of analyzing collective action with regard to the much more prevalent forms of ordinary consumption (Balsiger 2013; Dubuisson-Quellier 2015; Holzer 2006). Thus, there is a lacuna in the literature because no study I am aware of considers the implications of *mass ordinary consumption*, which refers to how masses of consumers engage in unreflective consumption daily. However, it is this form of consumer activity that is most significant for reinforcing the existing power relations in society and therefore contributes to the maintenance of growing economic inequality.

Considering the implications of mass ordinary consumption is necessary to connect the micro-actions of individual consumers and the macro-structural forces that produce and reproduce economic inequality. Most studies of political consumerism fail to connect these levels of social analysis and instead focus one-sidedly on the micro-aspects of political consumerism. For example, there are a plurality of sociological studies that center around what types of individuals engage in political consumerism, why they do it, and if they engage in other activities as well (Ferrer-Fons and Fraile 2014; Neilson 2010; Neilson and Paxton 2010; Willis and Shor 2012; Yates 2011). Even for those sociologists studying the social contexts and social structures in which individual consumer activity is embedded, they still retain the focus on the individual consumer (Manyukhina, Emmel, and Middlemiss 2017).

While intentional forms of individual consumption are important for understanding identity formation and personal expression in a market society, this form of consumption is unable to fundamentally alter the existing power structures of twenty-first century U.S. society for the reasons laid out above. The global political economy is much too large and complex for political consumerism to make a substantial dent in ending unjust standards. Simply stated, the activity of individual, socially responsible consumers pales in comparison to the millions, even billions worldwide, of ordinary consumers going about their life every day purchasing unethical commodities and services. Aggregated together, mass ordinary consumer activity feeds capital to transnational corporations and therefore is the lifeblood for the transnational capitalist class.

Not only mass ordinary consumption but also *institutional ordinary* consumption, which refers to the routine consumptive activity of bureaucracies like governments and corporations, must be considered. For example, business-to-business trading comprises 70 percent of global trade, which means that corporations purchasing materials from other corporations is also significant for understanding how inequality is perpetuated in the global capitalist system (Harris 2016). Few corporations are willing to spend extra capital to consume ethically, and there are no entrenched institutional mechanisms to force them to do so. Moreover, it would be difficult for political consumers to even find out whether or not corporations consume ethically because this information is kept private. Nonetheless, mass ordinary consumer activity combined with institutional ordinary consumption greases the wheels of the existing global capitalist economy.

Whether or not consumptive activity is politicized, all consumptive activity, including both human and institutional forms, is *political* because it is through the consumptive activity of all these actors that transnational corporations and their wealthy owners accumulate the economical capital they then translate into political power through avenues such as lobbying, making campaign contributions, and shaping public opinion (Domhoff 2014). Consider the millions of Comcast customers who use their internet, phone, and cable services. Every payment made to Comcast contributes capital to the corporations' vast lobbying machine. In 2016, Comcast spent $14.3 million on lobbying activities, as well as contributed $12.6 million to politicians on both sides of the aisle. Or, consider the lobbying activity of Alphabet, who is the parent company to the world's most used search engine Google. In 2016, Alphabet spent $15.4 million lobbying on internet legislation (Center for Responsive Politics 2016).

The political power of corporations is inseparable from the human and institutional consumers that purchase their commodities and services. Scholars researching political consumerism realize this connection; however, they focus on the more obvious but less significant aspects of political consumerism. For these scholars, markets are tools by which individuals are empowered and can alter the unethical production practices of institutions. However, mass ordinary consumption by humans and institutions challenges this conception of markets as democratic instruments. Rather, because mass and institutional ordinary consumption comprises the bulk of everyday consumptive activity, markets are more accurately conceptualized as the means by which corporations acquire the economic power that they readily convert into political power.

Mass Socially Irresponsible Investing and the Politics of the Mutual Fund Industry

Like the case of political consumerism, the effectiveness of socially responsible investing (SRI) also confronts significant barriers. It is perhaps even more difficult than in the case of political consumerism to demonstrate positive outcomes that result from SRI. According to Vogel (2004), "[t]here are very few cases of firms that have changed their policies or strategy in order to either avoid having their shares proscribed by ethical funds or advisory services, or to become eligible for inclusion by them" (p. 98). Moreover, Vogel contended that it is difficult to pinpoint any examples of how SRI altered corporate behavior.

SRI is unable to fundamentally challenge the existing power structure of the global economy because the scale of SRI is overshadowed by *mass socially irresponsible investing* (MSII). According to The Forum for Sustainable and Responsible Investment (2016), "[t]he total US-domiciled assets under management using SRI strategies grew from $6.57 trillion at the start of 2014 to $8.72 trillion at the start of 2016, an increase in 33 percent." While this tremendous growth in SRI is nothing to scoff at, the total amount of SRI invested capital still only comprises 22 percent of the $40.3 trillion in total assets under professional management (The Forum for Sustainable and Responsible Investment 2016). Thus, 78 percent of all financial capital is invested unethically in corporations that do not meet ethical standards of production.

The modest size of SRI compared to the overwhelming majority of MSII can be explained with reference to how individuals invest in securities. In general, investing is a practice reserved typically for those in the middle class and higher. One must have either enough disposable capital over and above what it takes to reproduce one's life and one's family to invest, or have a job that offers a retirement plan, usually a 401(k), that is invested in securities. To engage in SRI, one must take the added step of either purchasing securities from an ethical corporation or invest in a fund geared towards SRI. As a result, SRI is perhaps the most exclusionary form of political action because it requires a considerable amount of capital as a precondition to engage in this activity. In fact, 52 percent of U.S. adults owned at least one share of stock in 2016. Still a slim majority, this number has dropped in recent years from its apex of 65 percent in 2006 (Kurtzleben 2017). But because this percentage of individuals owning stock refers to all kinds of stock, not just the socially responsible ones, the percentage of individuals engaging in SRI is immensely lower than 52 percent, although the exact number is not known because these statistics are not tracked.

For those who do own investments in securities, most are invested through employer-provided Defined Contribution retirement plans, like 401(k)s, and to a lesser extent through Defined Benefit pension plans and Individual Retirement Accounts (IRAs). At all levels of income, households are significantly more likely to own securities if they are offered an employer-provided retirement plan (Sabelhaus, Bogdan, and Schrass 2008). Employers tend to offer employees a set of five to ten mutual fund options, most of which are operated by a handful of the largest brand-name mutual fund and exchange traded fund corporations including Fidelity, Vanguard, American Funds, T. Rowe Price, BlackRock, and Janus (Davis 2008, 2009). Flush with the capital derived from millions of retirement plans, these giant corporations, especially Fidelity, the American Funds, and BlackRock, use that capital to purchase corporate stock and are today "the most significant owners of corporate America" (Davis 2008:12; Harris 2016). While these fund families may oversee some socially responsible funds, most of their money is invested socially irresponsibly in human rights abusing and environment damaging transnational corporations. There simply is not enough money flowing through SRI funds to effectively counter the many trillions of dollars that prop up unethical corporations through MSII.

Another avenue to practice SRI is through shareholder resolutions. Introducing shareholder resolutions is a way shareholders can impose their will on the corporation in which they own shares because these resolutions allow shareholders to propose changes to corporate policies and procedures so long as they are passed. Even still, most shareholder resolutions, even when passed by a majority of shareholder votes, are legally nonbinding and do not necessitate that the corporation comply with the passed resolution.

Nonetheless, introducing shareholder resolutions is one way shareholders attempt to exert control over corporations. However, it is quite rare for individual investors, outside of the wealthiest strata of society, to own enough shares to cast the decisive vote on a shareholder resolution. Instead, it is often the case that mutual fund corporations own the largest block of shares in corporations, and therefore, are most significant for the passage or blockage of shareholder resolutions. Even more, when one invests their 401(k) through a mutual fund corporation, the individual investor delegates their vote to the fund managers. Thus, in contrast to impotent and atomized individual investors, it is the giant mutual fund corporations that disproportionately exert control over the corporations in which they own large blocks of shares because of their proxy voting power. For example, Fidelity has immense power because "as the largest single shareholder in hundreds of companies, it has the ability to adopt voting policies that can change the outcomes of corporate elections" (Davis 2008:18).

Analyzing the voting decisions on shareholder proposals made by 1,799 mutual funds, Morgan et al. (2011) found that mutual funds are the key actors determining the passage or blockage of shareholder proposals. While mutual funds do not usually own enough shares to determine the outcome alone, mutual fund corporations were seen as "swing voters" (p. 925) whose votes have often been decisive for the success or failure of shareholder proposals. Ordinary, socially irresponsible mutual funds tend to support management proposals that generate more wealth for shareholders while voting against shareholder proposals that attempt to change corporate policies and procedures to remedy environmental and social issues. Moreover, "[l]arger funds and funds with greater ownership holdings in the firm are more likely to vote against shareholder proposals" (p. 924). In contrast, socially responsible funds and pension funds tend to vote in favor of shareholder proposals that seek to impose more ethical standards on corporations (Davis and Kim 2007; Morgan et al. 2011).

According to the Business Roundtable (2016), corporations are "for-profit enterprises that are designed to provide sustainable long-term value to all shareholders. Accordingly, shareholders should not expect to use the public companies in which they invest as platforms for the advancement of their personal agendas or for the promotion of general political or social causes" (p. 6). Mutual fund corporations, therefore, are purposed to augment shareholder value, not vehicles through which individuals impose corporate social responsibility on issues related to human rights, environmental justice, and corporate transparency. While some social funds and pension funds exist that do attempt to impose corporate social responsibility through shareholder resolutions, these funds are outnumbered by ordinary, socially irresponsible mutual funds.

There are many examples where shareholder resolutions attempting to impose corporate social responsibility have been shot down by mutual funds that own large proportions of corporations. For example, Comcast shareholders recently introduced a shareholder resolution to force the company to disclose how much it spends on lobbying at the state and local level, as well as how much it donates to trade associations and political committees at the state and local level.

While socially responsible funds that own Comcast stock urged shareholders to vote in favor of the resolution, ultimately it was voted down by the majority of Comcast shareholders. Although the way shareholders voted was not disclosed, it is important to note that the largest blocks of shareholders of Comcast stock are ordinary, socially irresponsible mutual funds overseen by corporations like BlackRock, Vanguard, and Capital World Investors who oppose greater transparency (Dodge 2017). One report found that Vanguard voted against or abstained from voting on every single shareholder proposal in 2016 that sought to force corporations to disclose political spending. Out of 25 shareholder resolutions, if mutual fund corporations had supported them, 16 resolutions, or 64 percent, would have received majority support. Without mutual fund support, only one shareholder resolution on political spending disclosure passed with majority support (Curley 2017).

None of this is to suggest that the giant mutual fund corporations never support ethical shareholder proposals. For example, a majority of ExxonMobil shareholders voted to force the oil corporation to disclose the impact of complying with global climate regulations on its business operations. Importantly, both BlackRock and Vanguard voted with the majority of shareholders and against ExxonMobil managers. And, BlackRock also supported a similar shareholder resolution introduced at Occidental Petroleum (Mufson 2017). Rather, it is to acknowledge that the locus of power in the financial markets tends to reside in the giant mutual fund corporations.

As the ExxonMobil shareholder proposal example demonstrates, sometimes the interests of mutual fund corporations coincide with that of the public. Holding around $5.1 trillion in corporate assets around the world, BlackRock is particularly concerned about the impact climate change will have on the value of its assets. Recently, BlackRock CEO Larry Fink issued a "Darth Vader-style" threat (Johnston 2017) to warn the executives of corporations in which BlackRock owns stock that ignoring climate change would lead to their ousting. However, rather than view this as an act of goodwill, BlackRock seeks to augment the value of the shares it owns, which are held in corporations across the world, and understands that climate change threatens their bottom line. While sometimes in line with public interests, this profit motive more often pits mutual fund corporations against public interests. Consider how mutual fund corporations almost always vote in favor of executive pay raises. An analysis of the voting records of BlackRock, Vanguard, and Fidelity showed that these corporations voted in favor or raising executive compensation from 93 to 96 percent of the time, which is a much higher rate than public pension funds analyzed in this study (Morgenson 2016).

The stock market boom of the 1990s fueled by the tsunami of middle-class money in mutual funds supposedly ushered in the era of shareholder democracy where the locus of power in the global economy resided with shareholders (Frank 2000). However, rather than empower individual shareholders, it has been the mutual fund corporations that are today the supreme shareholders. Their power is constituted from the millions of individual investors who not only provide capital but also their voting rights to the mutual fund corporation in which they invest.

Ultimately, the market model of democracy does not promote individual agency but institutional agency, and more specifically, corporate agency because the global economy revolves around their activity. Corporations are the real political actors in market democracy. It is their economic activity that is most effective in obtaining political results. This is not simply corporate social responsibility, which deals with a corporation's internal mode of production. Rather, corporations are political actors in their own right that deploy their capital, like individuals or states, to achieve political objectives.

Consider the activity of corporations that want to defend net neutrality rules. Dozens of corporations, including Netflix, Amazon, Pornhub, Kickstarter, and Twitter, and Reddit, displayed an alert on July 12, 2017 to demonstrate to internet users the dangers of ending a free internet (Fight for the Future 2017). Importantly, this act of protest has pitted net neutrality-supporting corporations against giant Internet Service Provider (ISP) corporations that seek the end of net neutrality rules, including Comcast, AT&T, and Verizon. While the ISPs attempt to secure their interests by lobbying and contributing campaign funds to politicians (first dimension), the net neutrality defenders have exercised their political voice on their own websites that are visited every day by millions of internet users (third dimension).

Or, consider the activity of corporations and their wealthy owners who have acted to fill the vacuum left in the wake of President Trump's withdrawal from the Paris climate accord. Going by the name 'We Are Still In', some of the largest corporations in the world, including Apple, Amazon, Google, and more than a dozen Fortune 500 corporations alongside some states and cities, have committed to meeting the targets of the Paris accord by reducing emissions. The leader of the movement, Michael Bloomberg, whose wealth is inseparable from his ownership of the Bloomberg business empire, has himself promised to donate $15 million to the United Nations

Framework Convention on Climate Change (Gunaratna 2017). Combined with BlackRock's market political activity on climate change, it appears that transnational corporations and billionaires are leading the green revolution.

CONCLUSION: THE MARKET MODEL AGAINST INDIVIDUAL FREEDOM

Worshippers at the altar of liberalism, the rational choice and New Right theorists devised a model of democracy intended to realize the ultimate value of individual freedom. To do so, these theorists walked a different path than their pluralist counterparts and redefined democracy by purging the concept of any resemblance it once had with collectivist political theory. These theorists not only elided the notion of a public good, but they also severed reason from its link to objective truth concerning the social totality and instead instrumentalized it to serve individual interests (Horkheimer [1947] 2013). As positivists, the idea that an objective social whole existed was meaningless because their mathematical formulas purportedly proved that any recourse to a social totality was irrational. Foreshadowing Margaret Thatcher, all that existed were individuals.

In the market model, individuals determine for themselves which ends to pursue, and rationality is only applied to the means through which individual attain their goals. The rational individual applies market rationality to political behavior by only engaging in activities that maximize benefits while reducing costs. Following this logic, no space was more democratic than the market itself, which allowed individuals to escape costs of collective action to pursue an individualistic form of politics. Today, many political theorists on both sides of the political aisle agree, even if for different reasons, that market political activity is the only legitimate and rational means through which individuals pursue their personal political ends.

Abandoning a view of the social totality, what the originators of the market model did not foresee was the social and political cost of their market model as it came to life during the 1980s. They clung to a dogmatic faith that the unleashing of the market from government regulation was the equivalent to the unleashing of the individual from the shackles of government. And who would be the wiser? As Horkheimer ([1947] 2013) anticipates around the same time as the rational choice theorists began to fashion their market model, the more reason is instrumentalized, "the more easily it lends itself to ideological manipulation and to propagation of even the most blatant lies" (p. 24). Market liberation was equated with individual freedom, but the opposite is what actually transpired—the ideology of individual freedom concealed the truth of political domination by corporations.

The value of the market model resides in its purported ability to secure individual freedom by allowing citizens to decide for themselves what political ends to pursue. However, by the 1980s, corporations were maturing into the form we know them by today. The unleashing of the market and the consolidation of corporate assets amidst the global decentralization of production did not realize a system of individual choice but a system of corporate concentration and authoritarianism. The proliferation of brands created the appearance of choice; however, hidden was that these brands were organized under the umbrella of mega-parent corporations through subsidiary chains (Klein 2000). Choice was a mere illusion because of corporate monopolies and oligopolies. What sociologists saw in consumption as a mode of individual expression was in reality a rigidly structured "culture industry" (Horkheimer and Adorno [1944] 2002:94) that commodified culture, emptied it of its substantive content, and sold it back to the masses under the guise of authenticity. Likewise, what political scholars saw in political consumerism and SRI was not the expression of individual agency but the undercutting of that agency.

If market democracy offered individuals real choices and alternatives, market democracy could not be called a sham. One could imagine a system where every commodity and service had an equal amount of ordinary, unethical options as there were socially responsible and ethical options. Everything from mattresses to paint would be clearly labeled according to the truth of its production and labor standards. This would require global production chains to be stable and transparent. When one purchased a car, they would not only have the option of purchasing a gas-engine or an electric-engine, but also that certainty that the electric car itself, its frame and component parts, were all produced ethically. The same could be said for every commodity and service. When one purchases a smartphone, there would be an option to buy a smartphone that was both produced ethically and is hosted by a service provider that sources their energy ethically. Moreover, in this version of market democracy, every employer that offers a retirement plan to employees would have an equal amount of socially responsible funds as there are unethical funds.

But even in this ideal market democracy, there would still be limitations on individual freedom because this model is predicated on the purchasing and investing power of individuals. The massive economic inequality already experienced in society would translate into even greater political inequality as only certain individuals have enough money to engage in meaningful market political activity. Accordingly, the market model of democracy is the most elitist form of democracy because it requires an entry fee to participate. Market democracy is pay-to-play for the masses. One must have enough resources to not only sustain oneself and one's family, but also have enough to afford more expensive, ethical goods and enough to be able to invest in ethical funds rather than live paycheck-to-paycheck as so many already do. In the ideal market democracy, there would have to be some sort of publicly sponsored income program, like a basic income or investor subsidies, that funded every citizen so that they could engage in this form of political activity. Barring that, only some individuals would be truly free enough to engage in politics while the remainder would be excluded from exercising political voice.

This ideal market model is nowhere in sight from the vantage point of United States democracy in the year 2017. To be clear, market democracy in its present form does permit individuals to use their purchasing and investing power to create more ethical conditions, but these forms of political activity are overwhelmed by the ordinary mass of consumers and investors, both human and institutional, who consume from and invest in unethical corporations every day. The comparison is not even close.

For starters, most commodities and services are produced unethically by corporations that abuse human rights and contribute to environmental degradation, and there are few or no ethical alternatives. Like so many ordinary commodities, there is no ethical alternative for purchasing a refrigerator, internet service, or car tires. Moreover, there are simply more unreflective consumers and investors than socially conscious ones. And, even the supposedly socially responsible consumers and investors themselves, because of the limitations of the existing system, cannot live their entire lives as ethical consumers and investors. They might buy fairtrade coffee and clothing produced by laborers making a living wage; however, the energy they use to power their home, car, internet, TV, and phone plans was likely sourced unethically. As individuals consume from these unethical corporations, they can be assured that part of the money they gave these corporations will be repurposed as political capital to protect their corporate interests through campaign finance, lobbying, and disseminating propaganda.

And, what if they are like most employees who receive a retirement package through their employers who do not offer a socially responsible fund option? There is no readily available and costless remedy for socially conscious employees planning to save for their retirements; to invest ethically, they would have to abandon the benefits that derive from employee-sponsored retirement plans and navigate the perilous waters of the international financial markets themselves. The point is that ethical consumption and SRI, as it exists today, does not constitute an effective counterweight to the mass of socially irresponsible consumption and investment.

The unleashing of the market from government regulations did not lead to a more democratic society, despite the claims of its originators. Specifically, the market model of democracy is not the realization of the principles of liberal democracy but the negation of those ideals. Equality and inclusion were never the goals of the rational choice and New Right theorists, but these principles have been degraded as those with more money de-facto have more political power while those without purchasing power are completely excluded. Even the supreme value of individual liberty is negated as the appearance of choice hides the reality that all choices are channeled back into a system of corporate authoritarianism over political life. As Marcuse (1964) makes clear, "[u]nder the rule of a repressive whole, liberty can be made into a powerful instrument of domination. The range of choice open to the individual is not the decisive factor in determining the degree of human freedom, but *what* can be chosen and what *is* chosen by the individual" (p. 7). Thus, the illusion of choice can be harnessed in the service of corporate control and political domination. No matter what is chosen, capital is supporting unethical practices, as it always has.

Most importantly, the market model of democracy completely abandons the notion of a public or collective and instead only acknowledges the existence of individuals in society. In contrast, the participatory-deliberative model cannot exist without a public, which is the arena in which individuals meet and deliberate to formulate a common good. Even the liberal model secures a space for the public, even if this public was fragmented amongst competing interest groups. The market model is unique because it is the only model that conceives of politics without a public.

Market democracy is a model of democracy that operates according to a specific form of economic rationality that represses the democratic impulse that has animated democratic theory for centuries (Brown 2015). The traditional modes of political activity are forsaken for a mode of politics that can be practiced in an individual's everyday life, which today means that politics is practiced through capitalism. Atomized individuals engage in politics alone or through dispersed networks. Even voting is reconceived as a private act of expression where if one votes at all, it is because that individuals enjoys the pleasure of donning the flag-stamped sticker that says 'I voted', not because one thinks their vote will actually matter. Rather, political power must be bought in this model.

CONCLUSION

In this dissertation, I demonstrated that ‘democracy’ is an abstract concept that acquires significance only when it is qualified to denote how exactly people are supposed to rule. The first goal of this dissertation was therefore to scrutinize the history of democratic theory to delineate three distinct models of democracy that all specify an idealized vision of rule by the people—liberal democracy, participatory-deliberative democracy, and market democracy. Each model is comprised to varying degrees by elements of description and normativity, meaning that each model corresponds in some way to reality but also espouses a normative vision of how people should rule that exceeds its descriptive content. Thus, models of democracy function as ideal types that are useful to measure the gap between the idealized version of democracy and the reality of the political system.

The rift between the ideal and the material has posed a problem for the theorists of the models of democracy. In each model, democracy is an unfinished project to which its advocates seek to further realize the ideal in reality through the practice of particular forms of political action. Hence, the second goal of this dissertation was to specify the forms of political action legitimated by each model of democracy, which I have termed the first, second, and third dimensions of political action.

The theorists behind each model of democracy concentrated on the ways in which human citizens should rule, and as a result, focused almost exclusively on human political activity. However, as we have seen, this attention to human political activity is only one side of the coin. On the flip side, corporations are also political actors with Constitutionally protected rights like any human citizen. While they are legally barred from certain forms of political activity, like voting or directly contributing capital to a federal candidate’s campaign, and physically barred from other political activities by nature of being an institution and not a human, like deliberating in a 21st Century Town Hall Meeting, corporations are still able to exercise their political voice through the three dimensions of political action.

Moreover, I have demonstrated how corporations’ dual identity as political actors and “franchise governments” (Ciepley 2013:140) have functioned as mutually reinforcing processes that have augmented the political power of corporations. Since its inception, the U.S. state contracted key aspects of economic development directly to corporations, including infrastructure, banking, and commodity production. Even more, the federal government and subnational states incentivized corporate economic development through privatizing state assets, subsidies, and favorable legislation. In yielding economic development to corporations, these institutions have become ever more integrated into the political fabric of U.S. society. If politics is about the distribution of values and resources, corporations are just as important as states in this regard. Their role as the primary institution of economic development has allowed corporations to accumulate the central political resource—capital. With more capital on hand than most of the population combined, the largest corporations today are the supreme political actors as they deploy their capital through the three dimensions of political action to protect their corporate interests.

In light of the dual identities of corporations, the third goal of this dissertation was to demonstrate how the normative impulse behind each model of democracy is negated by the political power of corporations. Corporations are designed for one purpose—profit making. Delegating power to people, in whatever form, poses a threat to the profit-making capacities of corporations. The ultimate threat being that people could use the state to nationalize the private property of corporations. Consequently, corporations deploy their political power to stunt substantive democratization by using the same political tools as human citizens, and in some cases, using forms of political action that are only possible by means of exorbitant wealth. One by-product of this process is that economic inequality is aggravated because of corporate political activity. Hence, the final goal of this dissertation was to specify how inequality is constituted politically by examining how humans and corporations practice politics through the three dimensions of political action.

I next explicate this dissertation's contribution to the political sociology literature. I will first do this by comparing the models of democracy to pinpoint areas of commonality and the distinctive qualities of each model. Next, I will show how the normative ideal is negated by corporations in each model of democracy, and how economic inequality is constituted. And finally, I will comment on the future of the participatory renaissance and democracy more broadly by considering the empirical reality that this dissertation has sought to illuminate.

COMPARING MODELS OF DEMOCRACY

Comparing models of democracy is not entirely absent in the political sociological literature. Notable attempts include Cairns and Sear's (2012) comparison of "official democracy" and "democracy from below" (p. 6), and della Porta's (2013) investigation of four models of democracy, including "liberal democracy," "liberal deliberative democracy," "radical, participatory democracy," and "participatory deliberative democracy" (p. 8).[9] Yet both attempts to catalog models of democracy exclude consideration of the market model of democracy. What is also missing in these texts is an explicit focus on corporations as political actors within each model. To fill this lacuna in the political sociological literature, I consider the market model alongside the liberal and participatory-deliberative models of democracy, and I consider corporations as political actors within each model.

The Relationship Between Politics and Economy

Each model of democracy expresses an ontology regarding the relationship between politics and economy; however, this relationship too often remains implicit in the models. Furthermore, because models of democracy are comprised by a mixture of description and normativity, the theorists of each model of democracy were not merely describing the relationship between politics and economy as it actually existed but as they desired the relationship to be. Each model, therefore, legitimates a certain relationship between politics and economy that serves as the foundation for the normative impulse harbored within each model, which I will bring to the surface in this section.

In the liberal model of democracy, the description and idealization of the relationship between politics and economy is the same because the pluralist theorists sought to develop a model of democracy based on their reading of democracy as it existed during the post-World War II

[9] Held (2005) also pursues a comparison of models of democracy, ranging from classical models like "classical democracy" and "republicanism" to twentieth century models including "liberal democracy" and "participatory democracy" (p. 5). Moreover, Held develops a model of "legal democracy" (p. 5), which is a model most akin to market democracy. However, Held focused more on how legal democracy establishes limitations on governmental activity and less on how the market can be a site for political action. For instance, Held had nothing to say for consumption and investment being a type of political action.

golden age. Using inductive scientific methodology, the pluralists saw the principles of democracy to be complementary to the capitalist economy, so long as they were strictly delimited from the other. More specifically, the legitimate relationship between politics and economy in the liberal model is one in which democratic politics is subordinate to the capitalist economy. So long as this dichotomy is maintained, marginalized groups can press for more social rights, like they did during the Civil Rights era, without altering the basic capitalist social relationships. The pluralist theorists, therefore, paid attention to the means by which citizens exerted control over political leaders while largely disregarding consideration of the economy. According to their model, economic elites did not wield disproportionate power in politics, so there was no need to engage in sustained analysis of corporations. Moreover, these theorists believed that democratic politics had no authority to impinge upon the civil rights of individuals and corporations, like the right to own property, that grounded the capitalist economy.

Participatory-deliberative theorists legitimated a relationship between politics and economy that was diametrically opposite to that of the liberal model. The problem with that model, in the eyes of the participatory-deliberative theorists, is that subordinating politics to economy translates into corporate control over politics. To remedy this perceived perversion of democracy, participatory-deliberative theorists legitimated a system whereby the economy would be subordinate to politics. These theorists, therefore, took refuge in an imaginary outside of the existing corporate-controlled political system to fashion participatory-deliberative activities that would empower citizens to reclaim control over politics. Even more, by permitting ordinary people to control political decision making, people could use political institutions like the state to control economic activity and coerce economic institutions, especially that of corporations. Thus, like the pluralists before them, participatory-deliberative theorists also maintained a binary between politics and economy because even though they understood that the two spheres overlap, they still believed that a pure democratic politics could be practiced in a way that was untouched by the "rapacious" logic (Rothschild 2016:30) of the market economy.

The market model, by contrast, collapses the binary between politics and economy. In this model, the legitimate relationship between politics and economy is one where politics is practiced through the economy. There are not two separate spheres where two distinct logics operate, as in the liberal and participatory-deliberative models. Instead, the market model envisions a singular logic where political power is economic power and *vice versa*. The originators of the market model, the rational choice and New Right theorists, devised this model of democracy not through induction, as was the case for the pluralist theorists, but through deduction. This means that the market model was not devised from an observation of empirical reality, and instead, was developed explicitly as a model, undergirded by scientific postulates and mathematical formulas, for how politics should operate. However, as it was developed throughout this dissertation, over the *longue durée* of U.S. history, the market model's idealization of politics and economy stands today as the most accurate depiction of the empirical relationship between those two spheres.

Corporations as Political Actors

As they were originally devised, all three models of democracy focused on how human actors practice politics and paid attention to corporations secondarily, if at all. Nonetheless, corporations have always used the political system to protect their corporate interests by engaging in political activity like their human counterparts, however, to a degree that surpasses the political power of most human citizens. This section will summarize the precise avenues through which corporations dominate politics.

In the liberal model of democracy, the legitimate forms of political activity are those that seek to influence the selection of political leaders or shape the creation of public policy itself, which include electoral, organized interest group, and party-related forms of political action. While corporations cannot vote, they do engage in electoral political activity by donating exorbitant amounts of capital to the campaigns of their favored politicians either directly through PACs or indirectly through Super PACs and tax-exempt 501(c) and 527 groups. Also, it is important to remember that even though corporations cannot vote, the owners and executives of corporations can vote, and furthermore, wealthier individuals tend to vote at higher rates than those with less wealth. Corporations are also the chief lobbying institutions that hire professional lobbyists to protect their interests. Moreover, corporations also fund a variety of foundations, think tanks, and policy-discussion groups in the policy-planning network to shape the discourse among the public on policy issues. And finally, facing declining membership, the dominant political parties today rely on corporate donations, as well being staffed by affluent individuals, and as a consequence, legislate when in office in the interests of corporations.

Participatory-deliberative forms of political action seek to include all those affected by a particular issue into decision-making settings and permit deliberation on behalf of participants to derive collective solutions. As nonhuman entities, corporations are physically unable to participate in participatory-deliberative activities like Participatory Budgeting and 21st Century Town Halls, vote in referendums, or engage in protests. Nevertheless, corporations do engage in such activities by sponsoring, hosting, and establishing the discourse within participatory-deliberative settings. Key to this form of corporate political activity is the emergence of the "public engagement industry" (Lee 2015:2) whereby professional organizers and experts frame deliberation in ways that are commensurate with corporate interests. Moreover, corporations also contract with public affairs consultants to mobilize grassroots support to promote the human face of corporations and defend corporate interests. And, corporations partner with social movement organizations, activist groups, and NGOs, which has the effect of diluting their radical aims and instead having them advocate for modest improvements to the existing status quo.

In the market model, economic activities, like consumption and investment, are the legitimate forms of political action. Here, corporations engage in political activity like their human counterparts, however, on a scale that vastly outweighs the economic power of ordinary individuals. For example, corporations engage in institutional ordinary consumption when they purchase commodities or raw materials from other businesses, which comprises a large part of global trade. Their purchasing power, which also means their political power in the market model, completely overshadows that of any ordinary consumer.

Corporations also exert political power through their investment activities. While most large corporations own stock in other corporations, it is the massive mutual fund and exchange traded fund corporations that exercise the most investment power. These giant corporations aggregate the capital derived from millions of retirement plans and use it to purchase stock in other corporations, often enough to own a controlling or decisive stake in those corporations. The ownership of corporations permits these mutual fund and exchange traded fund corporations to wield shareholder power to an extent that is greater than any ordinary human shareholder. As a result, is it often the will of these corporations that determine the fate of shareholder resolutions. Moreover, it is possible to see corporations as unique political actors in the market model. Corporations deploy their capital, in a way that is like individuals or states, to pursue their political goals, like defending net-neutrality rules or battling climate change.

It is through these three dimensions of political action that corporations exercise political power to defend their corporate interests. In all these avenues, capital is an essential political resource, as it is used to finance electoral campaigns, lobby, sponsor and host participatory-deliberative activities, consume, and invest. Owning an almost unfathomable amount of capital, the largest corporations exercise the vast majority of political power.

Negating the Normative and Reinforcing Economic Inequality

For democratic theorists, the models of democracy serve as blueprints for the ideal political system. It is thought that people need only to practice the legitimate forms of political activity to further realize the ideal in reality. However, democratic aspirations of 'rule by the people' are blocked in the face of corporate political power. One consequence of corporate political rule is the aggravation of economic inequality. This section will demonstrate how the normative impulse undergirding each model of democracy is negated by corporations, and how economic inequality is constituted through each model.

The normative desire in the liberal model of democracy is to realize a system of representation of citizens by political leaders. Citizens acquire representation primarily through electing leaders, forming political parties to channel party platforms into policy, and lobbying political leaders. However, considering the empirical studies on representation pursued by political scientists, the evidence is unambiguous that political officials represent corporate and elite interests over ordinary citizen constituents. This is largely because corporations exert so much political power through electoral, party-related, and organized interest group activity. This process gained momentum during the 1970s and 1980s as legal changes permitted a greater role for corporations in political campaigns and corporations increased their political contributions and lobbying activity both individually and through trade associations. Political leaders suppressed unions, scaled back welfare, lowered corporate taxes, approved free trade agreements that gave additional freedoms and protections to corporations, changed the legal structure to permit corporations to offshore production, and bailed out corporations in the wake of the 2008 crisis. In these ways, corporate control over politics aggravated inequality as the U.S. state shed its social protection role and privileged corporate interests.

The participatory-deliberative model jettisons the ideal of representation and instead replaces it with the ideal of direct democracy by ordinary citizens. The normative impulse in this model of democracy is to realize an authentic, antihierarchical, radically egalitarian, co-operative, and collectivistic form of political system. But participatory-deliberative activities are co-opted by and subordinate to corporations. We saw how authenticity and antihierarchical values are negated in deliberative forums as corporations contract with professionals to structure the discourse of such activities to be commensurate with corporate interests. As a consequence, such activities reinforce economic inequality rather than challenge it, as was the case with Fishkin's "Hard Times, Hard Choices" Deliberative Poll that resulted in participants endorsing a form of austerity to resolve Michigan's budget crisis. Moreover, participatory-deliberative activities are simply practiced at a scale that is far short of realizing their normative desire of creating a system of direct democracy. At best, participatory-deliberative activities are supplemental to liberal democratic procedures. This means that participatory-deliberative activities are unable to devolve enough authority to ordinary citizens to permit them to challenge economic inequality. For example, Participatory Budgeting delegates too small of a slice of the budget to constituents for them to fundamentally alter the status quo.

The normative impulse underlying the market model is to realize a political system that permits individuals to maximize their freedom. To do so, individuals are encouraged to practice their politics in the economy by exercising their purchasing and investment power. This is an individualistic form of political action that is intended to elide collective action costs and fashion a democratic politics that can be practiced over the course of one's everyday life. The bedrock of individual freedom, in this model, is being able to choose which political causes one wants to support or oppose through their consumer and investment decisions. However, individual freedom is curtailed because the exercise of individual freedom requires capital in the first place, which means that less affluent people are practically barred from exercising this form of political power. Moreover, the range of commodities and services open to political consumerism is quite narrow. Most ordinary consumption is constituted by commodities and services that are produced unethically. And, because the majority of U.S. citizens invest through their employee-sponsored retirement plans, socially responsible investing is often a luxury not accorded to ordinary employees who must choose to invest in one of their employer's unethical mutual funds. Individual freedom is revealed to be the political domination of corporations because most consumer and investment decisions supply corporations with the economic capital that they then leverage as political power through the three dimensions of political action to protect their interests. It is simply not possible to live one's entire life outside of purchasing from socially irresponsible corporations. Individuals are not autonomous agents exercising individual freedom but the cogs of corporate authoritarianism. Economic inequality is generated as most capital is channeled into large corporations that pay workers low wages, invest in labor-saving technologies that reduce employment, and offer limited benefits to employees, as well as leverage their capital to protect their corporate interests through the other two dimensions of political action.

Negating the normative impulse underlying each model of democracy invalidates half of the model itself. All that is left of each model is its material manifestation through the three dimensions of political action that leave traces of democracy; however, the practice of these forms of political action do not add up to a system of 'rule by the people'. The unfinished project of each model of democracy stands today as an unfulfilled promise that may never be substantiated. And, in realizing a system of corporate rule, these dominant political actors actively engineer their economic, political, social, and cultural environments to engender greater rates of economic inequality to the benefit of corporations and their wealthy owners and managers.

TOWARDS A CRITICAL RESEARCH AGENDA IN POLITICAL SOCIOLOGY

What sort of lessons can political sociologists learn from this dissertation? First, models of democracy cannot not substitute for reality. If political sociologists forget this lesson and instead assume their model is congruent to reality, they are engaging in an ideological process because those scholars would be mistaking what they desire to see for the actual reality of the system. In other words, when one equates a model with reality, an ideal is being superimposed over a reality that defies being subsumed within a particular model, thereby serving to conceal that reality. Models of democracy, then, are useful insofar as they are tools to measure how far reality strays from an ideal system, but they cannot be used as a shortcut for reality. Rather, reality must be faced in all its complexity, and moreover, political scholars must be ready to face unpleasant facts (see Dahms 2017) that the normative impulse underlying their model is negated by the reality itself.

Facing unpleasant facts leads into the second lesson of this dissertation—political action is ambiguous and double-sided. The models of democracy posit political participation as the means by which citizens achieve the normative desire of rule by the people. However, political action has no inherent teleology, and even more, political action can create that which the model attempts to guard against. For example, voting and joining a political party may lead to the unintended effect of electing leaders who represent corporate interests. Or, deliberating in forum may result in participants deriving collective solutions that privilege corporate interests. And, one may attempt to consume ethically, yet be unaware how their purchases reinforce human rights abuses. Moreover, political action is not the sole purview of human citizens. Corporations also engage in forms of political participation that can lead to negative outcomes from the perspective of a given model. When corporations dominate the policy-making process through a swarm of lobbyists, then this form of political action is subverting representation of human citizens.

Of course, the argument can be made that what is needed to realize the normative impulse underlying each model of democracy is more participation of ordinary human citizens through all dimensions of political action. Let a thousand forms of political action bloom, as the saying goes. In this way, political sociologists could claim that the participatory renaissance is a prelude to a participatory revolution that will finally unseat corporate rule and create the ideal democratic system in reality. After all, the fundamental difference between democracy and all other forms of political systems is that democracy is indeterminate because it is based on the will of the people who can always decide to organize society differently through the political system and the coercive power of the state. If more people practice democratic political actions, it could be argued that this is the recipe for realizing rule by the people.

Given the empirical reality that I have uncovered in this dissertation, I have reason to doubt that this strategy would work as intended, and furthermore, I am skeptical that a participatory renaissance has occurred at all and will continue into the future. A growing body of empirical evidence suggests that the positive assessments of participatory-democratic theorists with regard to the participatory renaissance are overblown. Specifically, as economic inequality increases, Solt (2008, 2010, 2015) found that political participation levels drop for all levels of income except for the most affluent. And, this correlation holds for all forms of political participation ranging from political interest and discussion about politics to electoral participation, protests, and even boycotts. Thus, Solt (2008) concludes that “[g]reater economic inequality increasingly stacks the deck of democracy in favor of the richest citizens, and as a result, most everyone else is more likely to conclude that politics simply is not a game worth playing" (p. 58).

In a parallel vein, Levine (2015) demonstrated that political activists attempting to mobilize grassroots support to fight economic insecurity often result in the obverse outcome of demobilizing citizens. Even though ordinary citizens have the most to gain from pressuring politicians to implement policies that combat economic insecurity, activists use rhetoric that Levine calls "self-undermining" (p. 14) because citizens become less likely to participate in politics following their interactions. When citizens are reminded of their own economic insecurity, they are less likely to donate money or volunteer time to a political campaign. In other words, citizens become anxious about their economic security to such an extent that they turn inward and hoard political resources rather than outward to engage in collective political action. For example, if citizens hear that healthcare costs will rise in the future, they are not likely to donate more time and money to political campaigns attempting to change healthcare policy but instead are more likely to save their money expecting to have to pay higher healthcare costs in the future. Similarly, Levine and Kline (2017) conducted an experiment where they explained to participants the risks of climate change on food security and personal health. Rather than catalyze political engagement, participants were less likely to become politically active after hearing about the destructive effects of climate change.

As corporations acquire greater political power domestically and abroad, it is possible that economic insecurity will be aggravated, economic inequality will widen, and the destructive implications stemming from climate change exacerbated. No doubt, the hope will remain that people will face these challenges through the hard work of political mobilization. However, in light of the empirical evidence, it is also possible that the opposite will transpire and people will retreat further and further into their private lives. Perhaps they will practice at higher rates less costly forms of political engagement like signing petitions online or participating in boycotts and buycotts; however, it should be noted that these cheap forms of political action are too often consistent with the status quo rather than fundamentally in opposition. Others might disengage from politics completely because the weight of the political reality is too much to bear and Netflix offers the only solace. Rest assured that corporations and wealthy elites will comprise the bulk of political participation, as they already do.

In my view, the horizon of democracy remains open but only by a sliver. It is possible that the twenty-first century is the twilight of democracy, although the seeds were sown much earlier.

This is not to say we should have a funeral service. After all, U.S. society will continue to refer to itself as democratic to maintain the legitimation device that the label accords. However, this is only to say that 'rule by the demos' is a chimera in the face of the current corporate-controlled political system.

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