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Oligarchy

For centuries, oligarchs were viewed as empowered by wealth, an idea muddled by elite theory in the early twentieth century. The common thread for oligarchs across history is that wealth defines and empowers them, and inherently exposes them to threats. The existential motive of all oligarchs is the defense of wealth. Their pursuit of wealth defense varies with the threats they confront, including how directly involved they are in supplying the coercion underlying all property claims, and whether they act separately or collectively. These variations yield four types of oligarchy: warring, ruling, sultanistic, and civil. Democracy does not displace oligarchy but rather fuses with it. Moreover, the rule-of-law problem in many societies is a matter of taming oligarchs. Cases studied in this book include the United States, ancient Athens and Rome, Indonesia, the Philippines, Singapore, medieval Venice and Siena, Mafia commissions in the United States and Italy, feuding Appalachian families, and early chiefs *cum* oligarchs dating from 2300 B.C.E.

Jeffrey A. Winters specializes in oligarchy and elites in a range of historical and contemporary cases, including Athens, Rome, medieval Europe, the United States, and several countries in Southeast Asia. His research, publications, and teaching focus on the areas of comparative and international political economy. Themes in his work in addition to oligarchy include state-capital relations, capital mobility and the structural power of investors, human rights, authoritarianism and democratic transitions in postcolonial states, and the World Bank. He has conducted extensive research in the region of Southeast Asia, especially Indonesia, Vietnam, Thailand, the Philippines, Malaysia, and Singapore. He is the author of *Power in Motion: Capital Mobility and the Indonesian State* (1996). He coedited *Reinventing the World Bank* (2002, with Jonathan Pincus). He has also published two other books in Indonesian. Professor Winters has received grants and scholarships from the John D. and Catherine T. MacArthur Foundation, the National Science Foundation, the Rockefeller Foundation, the Sawyer-Mellon Foundation, the Henry R. Luce Foundation, the J. M. Kaplan Fund, and a J. William Fulbright Senior Specialist Grant.

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In memory of Gordon Bishop

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Preface

When Michael Bloomberg was running for his third term as mayor of New York, he was compared unfairly in the media to the Roman oligarch Marcus Licinius Crassus, who had "deployed his wealth in the service of his political ambitions" (Hertzberg 2009, 27). Drawing on a fortune estimated in 2010 at $18 billion, Bloomberg had "spent more of his own money than any other individual in United States history in the pursuit of public office." It is true that both men are oligarchs. However, the comparison is misleading because it fails to recognize important changes in oligarchy over the centuries. When oligarchs like Crassus spent their resources to become consul, it was one of the most important things they could do politically to secure their core oligarchic interests. For modern American oligarchs like Bloomberg, buying public office with private funds is driven more by vanity than motives of oligarchic survival.[1] Unlike in Rome, oligarchs in America enjoy strong property rights enforced by others, and thus do not need to rule to pursue their core interests. When they do hold office, it is neither *as* nor *for* oligarchs. It is unlikely that Bloomberg the billionaire would do anything differently as mayor had his political career been entirely funded by donations or public resources.

If direct rule is much less vital for American oligarchs than for their Roman counterparts, why even label someone like Bloomberg an oligarch? This book argues that the answer lies in the very different ways that oligarchs defend their wealth in a civil oligarchy like the modern United States. A clearer insight into Bloomberg's oligarchic behavior was provided a year later in an exposé (Roston 2010) detailing how the Bloomberg Family Foundation had moved hundreds of millions of dollars into "various offshore destinations – some of them notorious tax-dodge hideouts."[2] Hiding wealth, restructuring it to evade

[1] Steen (2006) studies self-financed candidates and finds that the vast majority of them lose their bids for office. There is no hint of oligarchic inclinations among the few who prevail.

[2] Funds from the Bloomberg Family Foundation had been transferred to The Caymans, Cyprus, Bermuda, Brazil, Mauritius, Japan, Luxembourg, and Romania. In an interview, Bloomberg

taxation, and designing complex tax shelters are high-priced services provided to American oligarchs by a sophisticated Income Defense Industry. The very existence of this industry is an expression of oligarchic power and interests. When individual oligarchs hide and defend their money, causing an estimated $70 billion in annual losses to the Treasury according to Senate investigations, it is referred to by the professionals as "cross-border abusive tax avoidance transactions and schemes" – something not only unknown to Crassus, but as unnecessary for ensuring his oligarchic interests in Roman times as governing is for ensuring Bloomberg's today. This study traces what oligarchs in different eras have in common, but also how oligarchy has evolved as the circumstances confronting oligarchs have changed.

There are many important cases, from the ancient to the contemporary, in which available explanations of the politics of minority power and influence over majorities are either unpersuasive or poorly theorized. Continuing the focus on the United States for a moment, consider the problem of decades of rising inequality. In 2004, an American Political Science Association (APSA) task force tried to explain why a vibrant American democracy was becoming increasingly unequal with regard to wealth, despite real progress overcoming inequalities in other areas like race, ethnicity, gender, sexual orientation, and disability. The task force framed the matter as a classic problem of democratic participation.

The argument is familiar. With overwhelming numbers on their side, the poor have potential power based on votes. However, participation, skills, resources, and information all increase as one moves up the wealth ladder. With these advantages comes government responsiveness. The theory is founded on the notion that underparticipation by the poor and full participation by the rich results in policies that leave the poor behind. This pluralist-democratic optic would be plausible except for one major problem: on closer inspection, the data on wealth and income in the United States show that the lion's share of the gains causing the yawning wealth gap accrued to a sliver of the population far too tiny to account for such exaggerated power and responsiveness on democratic participation grounds alone. The largest gains went to 1/10th and even 1/100th of the top 1 percent of households. The drop-off beyond that was steep.

Starting from the 95th percentile downward, incomes and wealth were stagnant or negative for the decades covered by the APSA study. Even more problematic for the theory is that the very wealthiest fraction of a percent at the top managed to shift tax burdens downward – not to the middle class or poorest segments of society, but to households in the 85th to 99th percentile income

stated that "the first rule of taxation is, you can't tax too much those that can move" (Roston 2010). In his capacity as mayor, Bloomberg is as aware of this fact as Mayor Daley of Chicago, a man of modest wealth. However, as an oligarch, Bloomberg has a far greater appreciation than Daley of precisely *how* the rich move their money and defend against taxation – and equally important, he has enough money to hire the services to do it.

range. It is one thing for the poor, despite their numbers, to lose in the game of democratic participation. However, democratic theory would predict that Americans in the "mass affluent" income range ought to have the votes, skills, and resources to prevent a vastly smaller stratum at the very top from grabbing a much larger share of the wealth pie while avoiding commensurate tax burdens.

A key problem with the APSA study is that the analytical framework it employs is incapable of treating concentrated wealth and the influence it confers as a distinct basis of minority power for excluding or dominating majorities. The political inequalities that arise from wealth inequalities are qualitatively different from others that have been effectively addressed in recent decades through democratic participation and social movements. Indeed, the APSA study was prompted by the worrying fact that the distribution of wealth was becoming more unequal during the same decades when all the other indicators of injustice were showing significant improvements. The case study presented in Chapter 5 offers a more plausible explanation of how American oligarchs, under inviolable protections of private property and assisted aggressively by an Income Defense Industry propelled by fees from oligarchs, achieve this outcome. The evidence is clear both from U.S. history and from European comparisons (including Scandinavia) that when inequality is reduced through government transfers to the poor, the wealthiest fraction of a percent at the top consistently deflects the tax burdens downward to those whose wealth is insufficient to buy an effective defense.

Oligarchic theory explains how and why this occurs. The starting premise is that concentrated wealth in the hands of individuals empowers them in ways that produce distinct kinds of oligarchic politics that are not captured within a generic pluralist framework. In place of viewing ultrawealthy actors as one among many competing interest groups (in this case "the rich"), the theory developed in this work argues that whatever other forms of power may exist in society, extreme wealth has a profound influence on the capacities of oligarchs to defend and advance their core interests. The unusual aspect of oligarchic politics is that massive fortunes produce both particular political challenges – the need to defend wealth – and the unique power resources for pursuing that defense. This approach helps explain why those most able to pay are also the ones most empowered to avoid doing so, and why ordinary democratic participation is an ineffective antidote.

Recognition of this fact does not amount to a denial of pluralist democratic politics across a range of issues in contexts like the United States, nor to claims that electoral democracy is a sham. It is, rather, an acknowledgment that under conditions of extreme economic stratification, there is also an oligarchic realm of power and politics that engages different power resources and merits separate theorization. This separate realm of minority power and politics involving concentrated wealth is unusually resistant to remedies based on widening participation.

Oligarchy in Varying Contexts

"I'll tell you, sometimes I feel like funding a revolution," an exasperated oligarch in Southeast Asia told me. It was a classic expression of oligarchic power that would be immediately familiar to Crassus. Instead, it was spoken late in 2007. After a quick calculation, the oligarch realized that it would only cost him about $20 million to $30 million to put 100,000 demonstrators on the streets of his capital for a month – a sum he considered cheap. In this instance, the oligarch did not rent a regime-destabilizing crowd. He was merely venting his frustration. Nevertheless, what is striking – and what this book helps explain – is how he could reasonably make such a calculation in the first place. For most of us, this would be an absurd exercise. To get demonstrators to pour into the streets and remain there for a month, one would have to lead a mass movement, the followers would have to be organized, and they would have to believe in the cause. Although some money would be needed for basic logistics, it certainly would not be paid as a *per diem* to the protesters. Only oligarchs have sufficient private resources to muse about such political actions.

Sometimes they do more than muse. A world audience was provided a glimpse in the spring of 2010 of what happens when ruling oligarchs clash in the streets. Dramatic broadcasts from Thailand showed government troops breaking through barricades and violently clearing thousands of "Red Shirt" demonstrators from Lumpini Park in the heart of Bangkok. Reporters explained that "Yellow Shirt" protesters were on the other side of the struggle. However, beyond this chromatic shorthand, the details of the political conflict were fairly murky. Missing from the story was the fact that this battle of shirts was also a titanic fight involving Thailand's most powerful oligarchs, including members of the royal family. Thaksin Shinawatra, a telecommunications mogul and Thailand's richest billionaire, was a master at buying Thai electoral outcomes. He became prime minister in 2001. With the support of poorer voters in the Northeast, his corrupt party won a landslide victory for a second term in 2005. Agitated oligarchs in Bangkok, each as corrupt as Thaksin, repeatedly failed to outflank him at the polls.

Sondhi Limthongkul, a media tycoon and former Thaksin ally, took it personally when several government decisions threatened his business. Combining cash from his private fortune with resources from his media empire, Sondhi launched a series of politically destabilizing protests in the same Lumpini Park at the end of 2005. His yellow shirts were eventually enjoined by Thaksin's red shirts. Various other political themes like corruption, democracy, and the dignity and rights of the downtrodden came and went as the conflict unfolded. However, these two oligarchs had engineered the eruption of Thailand's shirted proxy war through massive outlays drawn from enormous personal riches. In the event, Sondhi did not fund a revolution, but the faux "people power" attack he launched was profoundly destabilizing and resulted in Thaksin being ousted in a bloodless military coup in 2006. Sondhi, meanwhile, was repaid in typical ruling oligarchic fashion. One April morning in 2009, his car was riddled with a hundred rounds of automatic rifle fire from AK-47s and M-16s. Somehow he escaped with only a few shrapnel fragments lodged in his skull.[3] Oligarchic theory is indispensable for making sense of these events.

It is also useful for explaining certain important puzzles. The perception is widespread in Indonesia, for instance, that things have changed radically since Suharto's fall in 1998, and yet somehow barely changed at all. In 2009, Indonesia was ranked as the most democratic *and* the most corrupt nation in Southeast Asia. The country is beset by chronic political and economic problems that seem to have grown worse since the democratic transition. These are generally interpreted as the birth pains of democracy itself. However, the interpretation presented in Chapter 4 argues instead that there were two transitions in 1998: the obvious one from dictatorship to democracy, but also a separate and quite different transition from a sultanistic oligarchy tamed by Suharto to a ruling oligarchy that has been untamed since he was deposed. It is this second transition, no less important than the first, which is the source of many of Indonesia's difficulties. Why this is so is only explicable through a theory capable of discerning the power and politics of oligarchs. Often misinterpreted as a "quality of democracy" problem, the result in Indonesia has been the emergence of a "criminal democracy" in which oligarchs use their wealth both to compete unfairly for office and to defeat the rule of law when they get in trouble for things like corruption or causing environmental disasters.[4] This book argues that the specific manner in which democracy has been captured and distorted since Suharto's fall is best explained by a materialist oligarchic theory.

The case of Singapore poses a similar problem but in inverted form. Instead of being a criminal democracy, the city-state is an enduring example of "authoritarian legalism" characterized by the strong rule of law without democracy. Oligarchs in Singapore are well tamed by a reliable and impersonal system of laws and enforcement, but there are no liberal freedoms. Oligarchic theory predicts that strong safeguards in the realm of property and contracts, including arrangements that protect oligarchs from each other, can and do coexist

[3] The use of oligarchic resources in postcolonial societies is not restricted to major battles like the one that caused Thailand's democracy to collapse. An Indonesian oligarch happened to mention in an interview that he had just met with a group of nine other oligarchs to discuss how much each must contribute to a pool of funds to be paid in cash to members of parliament to break a logjam on key tax and labor legislation. The amount needed was $500,000 each. "All ten agreed to chip in?" I asked. "Done" was the reply. Confidential interview in Jakarta with Oligarch "C," August 12, 2008.

[4] The reference is to Indonesian oligarch Aburizal Bakrie's role in the May 2006 Lapindo mudflow disaster in East Java, Indonesia. Wantchekon (2004) writes on the equally surprising phenomenon of "warlord democracy." On the "quality of democracy" argument, see O'Donnell 2004. Criminal democracy adds to the list that Collier and Levitsky (1997) compiled of more than 550 examples of "democracy with adjectives."

with democratic freedoms. However, Singapore shows in a different way from Indonesia that there is no necessary relationship between law and democracy, and even that the same court system can consistently uphold impartial justice in matters of property while repeatedly trampling the human rights of political opponents. Authoritarian regimes are not supposed to have strongly institutionalized and independent infrastructures of law. Oligarchic theory helps account for why they sometimes do.

In addition to the critical issues raised in these examples, another that receives sustained theoretical attention across all the cases discussed in this book is the important relationship historically among oligarchs, the pressures to defend their concentrated wealth from an array of threats, and the locus of the coercion indispensable for this defense. A theory of oligarchy that emphasizes material power and places at its center the challenges of wealth defense is especially helpful in explaining not only the shift in coercive roles between oligarchs themselves and property-guaranteeing states, but also why oligarchs seem to appear and disappear. This has important implications for a range of literatures in the social sciences, but especially for analyses in the New Institutional Economics tradition.

Architecture and Cases

A few words are needed about what is and is not attempted in this book. First, oligarchy is approached through oligarchs, understood as individuals empowered by wealth. A fuller explanation of this is presented in Chapter 1, but to avoid confusion, it must be emphasized here that collectivities like corporations do not play a central role in defining oligarchs or oligarchic theory. Oligarchs can be sole or controlling owners of corporations and can use them as personal instruments of power. Under these conditions, corporations serve as vehicles to amplify the interests of the oligarchs who command them. There are periods in history when this has been the dominant pattern. However, corporations can also be owned in ways that are highly diffuse and impersonal, and they can be run by managerial strata that sometimes include workers or the state. Oligarchs existed long before corporations appeared, and they continue to exist despite the rise of managerial capitalism and state (or worker) ownership of firms. Corporations do not stand alone within oligarchic theory, but instead should be seen as potential instruments of oligarchs.[5]

A second point concerns the international dimension, which historically concerns the broader matter of oligarchs crossing territories and boundaries. The cases examined in this book include many instances in which oligarchs

[5] Mizruchi (2004) discusses the managerial transformation within firms dating back to the pioneering work by Berle and Means. *Citizens United v. Federal Election Commission* (U.S. Supreme Court 2010) allowed unlimited, secret spending by organizations, including corporations, during election campaigns. This enabled oligarchs using 501(c) nonprofit organizations as fronts to anonymously deploy tens of millions to sway political outcomes in the 2010 elections.

operate (usually violently) far from home. They have most often done this as collectivities – for instance, as commanders of invading armies from nearby warring or ruling oligarchies. Nothing in this study precludes analyses of how oligarchs in modern times interact, project their power (as individuals or collectively through corporate instruments), or defend their interests transnationally. Attempting such an analysis is, however, a major undertaking and beyond the scope of this book. One point that can be said with regard to international relations theory (which focuses far more on states and organizations than on persons) is that it is unlikely that a theory of oligarchs and oligarchy designed to illuminate the power and motives of actors at the level of the individual (including when they cooperate) can be applied without major modifications to the interplay of states (each of which would presumably contain numerous oligarchs and yet would somehow have to be treated as a unitary actor).

In writing a book on oligarchy, case selection is a daunting prospect. Cases were chosen for this study based on both analytical and practical grounds. With regard to the first, cases were selected that could inform and expand important aspects of oligarchic theory and could offer useful comparisons and contrasts. Cases were also deliberately chosen to demonstrate the historical and contextual reach of the approach. The claim is not that oligarchs in ancient Rome are interchangeable with oligarchs in the United States or modern Philippines. Rather, it is that oligarchs in all the cases studied are empowered by wealth and intensely focused on wealth defense, and that they pursue wealth defense in different ways and in highly variable contexts. The cases were chosen and organized in a manner that casts these differences and variations in the sharpest possible relief. The result is a sometimes-jolting but entirely intentional juxtaposition of materials.

On the practical side, cases were selected because the author could discuss them with a reasonable degree of confidence (and even then, with some obvious unevenness). After setting aside several cases because of space limitations, the book ends with major discussions of the United States, ancient Athens and Rome, and Indonesia. It has slightly more abbreviated (but still detailed) comparative discussions of the Philippines, Singapore, and the medieval Italian city-states, especially Venice and Siena. It also includes shorter discussions of Mafia Commissions in the United States and Italy; feuding Appalachian families in nineteenth-century Kentucky; and early chiefs, warlords, and oligarchs dating from around 2300 B.C.E.

As for the architecture of the book, it opens with a theoretical chapter establishing the material foundations of oligarchy. The important concept of wealth defense is also introduced. The theory chapter closes with a typology of four kinds of oligarchy that have predominated throughout history: warring, ruling, sultanistic, and civil. A chapter is devoted to each of these types, with additional theoretical discussions and case material presented in each. The chapters could have been presented in any order. The key reason this order was chosen is that in warring oligarchies, the actors are most personally engaged in rule and coercion and operate in the most fragmented manner. In civil oligarchies, at the other extreme, oligarchs are fully disarmed, do not rule, and submit to the property-defending laws of highly bureaucratic institutional states. The other two forms in the middle – ruling and sultanistic – exhibit certain hybrid characteristics. Despite the appearance of an evolutionary progression across these types (and especially the decidedly late appearance of the civil form), there is no easy linearity to the history of oligarchy.

Studies structured around typologies can sometimes be static. There are, however, highly dynamic elements built into the cases presented, and major transformations are tracked and explained in several of them. That said, a unifying theory of oligarchic change from one type to another (assuming such a theory is possible) is beyond the scope of this book. The last chapter offers a brief conclusion addressing selected issues and comparisons not developed in the other chapters. It also discusses how oligarchic theory intersects with important literatures and themes in the social sciences. A key theme running throughout the book is that oligarchs and oligarchy result from extreme concentrations of wealth (and wealth's power) in private hands. This implies that where such stratification is absent, oligarchs and oligarchy are also absent.

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