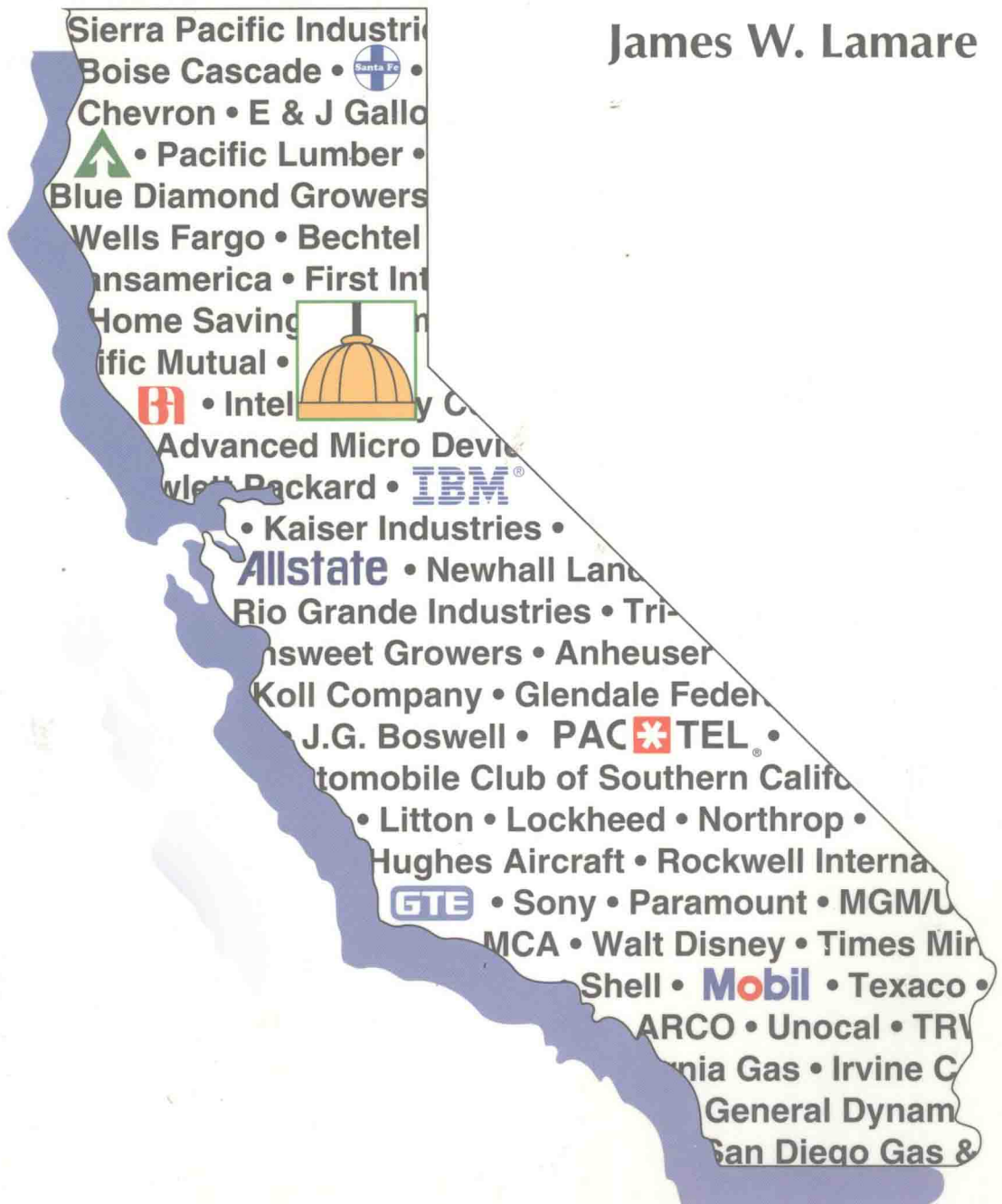


California Politics

Economics, Power, and Policy

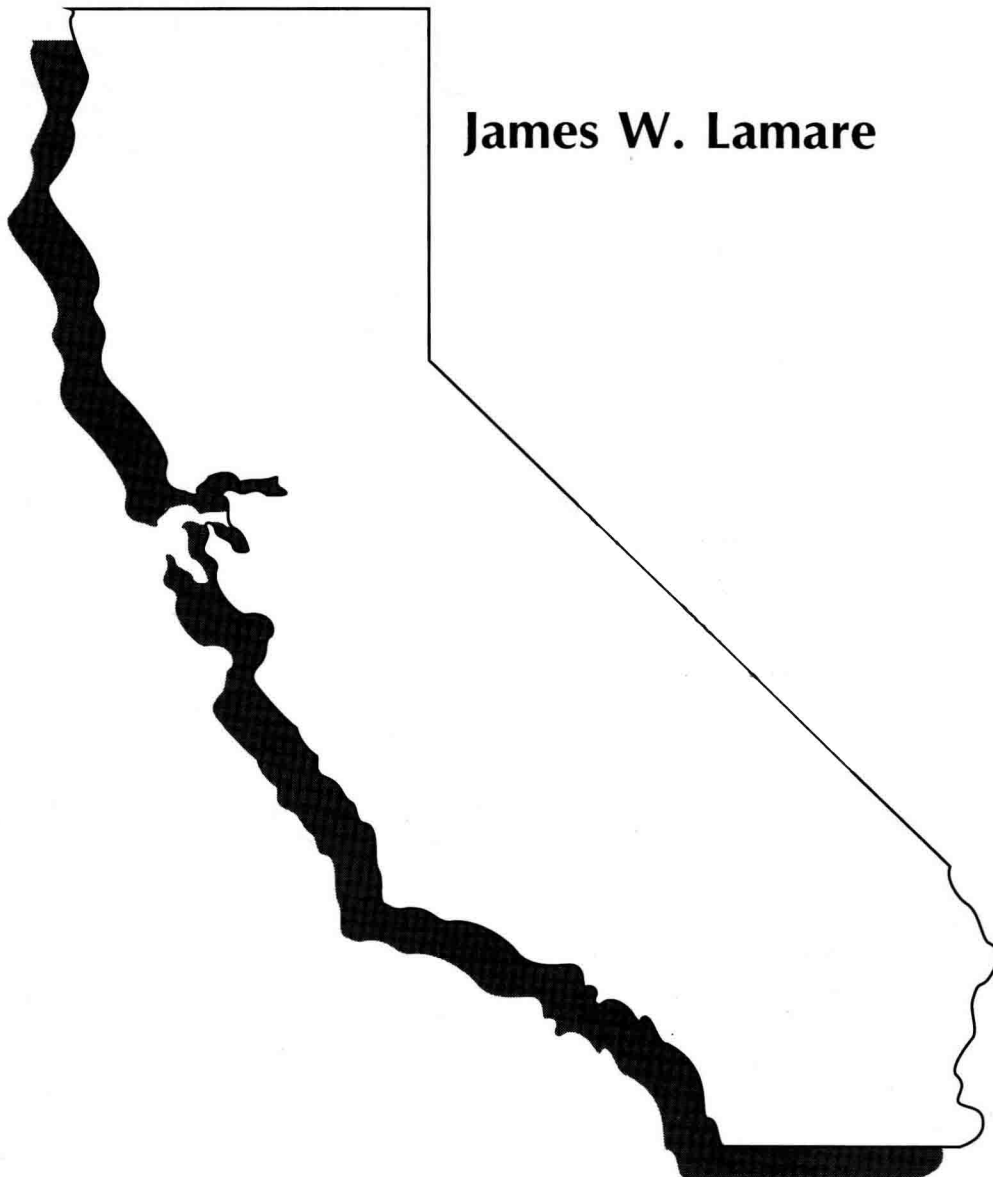
James W. Lamare



California Politics

Economics, Power, and Policy

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California Politics

Economics, Power, and Policy

To Barry, brother and friend

PREFACE

California has experienced substantial changes over the last decade. These changes revolve around the state's economy which has gone from boom to bust. Such a dramatic swing not only has affected key economic indicators such as jobs, income, profit, and productivity, but also has had an impact on politics. Political leaders and institutions must cope with the downside of the recession, for example revenue lost to government, and at the same time formulate policies and programs that might help turn things around. Failure to do well in either of these areas can jeopardize an officeholder's career and erode public confidence in the political process.

This book examines state and local politics in California from an economic perspective. A concern about the state's economic well-being is not new to California's politicians. Indeed, historically various governments in the state have been keenly aware of and, by and large, supportive of the preferences and needs of economic actors.

The development of this book has been affected by the downward turn in the state's economy. When this project first started, the state was still basking in the glow of its economic success. As the glow faded, the book's focus changed. Fortunately, in making the necessary adjustments I was assisted by the insightful comments of several colleagues. I would like wholeheartedly to thank the following people for their efforts: Margaret Blue (California State University, Dominguez Hills), John H. Culver (California State Polytechnic University, San Luis Obispo), William R. Daniel (Humboldt State University), Larry N. Gerston (San Jose State University), John Goldbach (California State University, Northridge), Leroy C. Hardy (Claremont McKenna College), Kenneth D. Kennedy (College of San Mateo), Fred A. Lopez (California State University, Bakersfield), Joseph Moore, Jr. (Fresno City College), Donald R. Ranish (Antelope Valley College), Paul C. Schmidt (California State University, Long Beach), Barbara J. Way (California State Polytechnic University, Pomona), and Alan J. Wyner (University of California, Santa Barbara). I also greatly appreciate the assistance provided by Judith L. Lamare and Peter McNamee (California Fair Political Practices Commission) during my research excursions in Sacramento.

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CHAPTER 1



Setting the Scene

Throughout most of its history, California has attracted large numbers of people who have come to the state, hoping to find a richer, better life. To this day, a steady stream of new residents continues to flow into the state. Upon arrival however, these immigrants—along with more established residents—find a state facing serious social and economic problems.

Many newcomers are confined to high rent and cramped quarters in locales where unemployment, violence, social tension, and inadequate public goods and social services are common neighborhood trademarks. Those Californians with enough resources to continue pursuing the state's much vaunted dream are relocating and, in so doing, changing once barren regions of the state into explosive growth centers—complete with the complexities that attend such transformations. Others have simply grown tired of the state and abandoned it altogether.

California's abundant and widely admired (and much envied) natural resources are also under considerable stress. Much of its air remains fouled, and pollution is spreading rapidly to previously unaffected parts of the state. In some areas, the quality of its water is deteriorating. Its forest and farm land is under continuous threat from a variety of sources.

In recent years the state's economy has experienced substantial expansion, followed by severe contraction. Currently, jobs are scarce and business failures—some of which are quite spectacular—are plentiful. For most income earners there is not a great deal of money left over after necessities are paid for. Those with jobs worry about losing them. The protracted recession continues to erode the quality of life in the state and to impede efforts to shift the economy out of low gear.

Efforts by members of the public and government officeholders to deal with these problems inevitably involve questions of *political power*. Persons or groups are powerful if they, regardless of any resistance or opposition, are able to achieve their goals. If in securing favorable outcomes their actions have a widespread social impact, their power can be considered political in nature.

There are two prevailing theoretical approaches to the understanding of political power in the United States. One is *pluralist theory*; the other is *economic elite theory*. These theories are at odds in their interpretations of almost every aspect

of the political power question. They do share one belief, however. Each agrees that government in America is actually run by a relatively small group of people—an elite. Political control exercised directly by the public does not exist. Both would contend that the actual decision makers in California are an elite and that members of the general public have a limited amount of input into the policy-making process.

Pluralist and economic elite theory fundamentally disagree on *two* key points: the actual composition of this elite and relationships between this elite and the public. To appreciate more fully these different theoretical perspectives, a brief examination of the main points of pluralist and economic elite theory follows. Table 1-1 summarizes the differences.

PLURALIST THEORY

Pluralist theory contends that political power is widely dispersed in the United States.¹ No one group or person has a monopoly on it. Political decisions are, for the most part, made openly in government institutions by officials representative of, and accountable to, the general public. There are many points of linkage between decision makers and the general public.

Leaders

According to pluralists, political leaders are plentiful in number and very diverse in their social background and their social, economic, and political viewpoints. Thousands of Americans hold leadership posts. Most sectors

TABLE 1-1
Pluralist and Economic Elite Theory: A Comparison

	Pluralist Theory	Economic Elite Theory
About Leaders		
Are there many members of the elite?	yes	no
Is the elite unified?	no	yes
Are elite members drawn from diverse sectors of society?	yes	no
Are elite members varied in their beliefs?	yes	no
Is the elite structure singular?	no	yes
Links Between Leaders and Masses		
Can just about anyone become a political leader?	yes	no
Do elections control leaders?	yes	no
Do only important economic groups control political leaders?	no	yes
Does mass-led change affect policymaking?	yes	no
About Political Power		
Is political power widely dispersed?	yes	no

of the society are represented in the leadership ranks—no single social organization or group, such as a race, region, economic class, sex, or religion, commands a majority of leadership posts.

Although leaders come from divergent backgrounds and hold an extensive and diverse set of beliefs, pluralists contend that they share a commitment to democratic values. That is, as a rule they are of one mind in their adherence to principles stressing procedural fair play, tolerance of different points of view, respect for individual liberties, the value of mass participation in the political process, and nonviolent solutions to political problems. Disagreements over specific policy matters that might arise within elite ranks are tempered and bounded by a shared commitment to the democratic creed.

There is no singular elite structure in America. Rather multiple elites are the norm. Issue specialization among leaders is common. Officials who make education policy, for instance, are usually not the same as the leaders making transportation policy decisions. Leaders who write the tax laws do not decide welfare policy. Consequently, there are an extensive number of decision-making arenas in government. Not all policy is formulated in one institutional setting, or by one leader. Moreover, decision-making units expand to meet demand. If a new issue comes to the fore, leaders and policy forums (such as boards, commissions, agencies, legislative committees, and so on) will emerge to address it. Members of the public are not without governmental bodies to hear their complaints. Often the more formidable task is identifying the most appropriate unit to redress grievances.

Pluralist theory contends that in those rare instances in which a single leader or a small group dominates the decision-making process, these officials usually are elected, and therefore they are accountable to an electoral constituency (and can be removed from office).

Links Between Leaders and the Public

According to pluralist theory, it is not difficult for concerned members of the public to penetrate the leadership ranks. The line between leaders and followers is thin. Becoming a leader is largely a matter of motivation. If one wants a leadership position, opportunities are ample. The public's general lack of interest in politics is the major barrier that excludes most people from entering decision-making circles. Accordingly, if a citizen becomes outraged at the behavior of politicians, it is not hard to act upon his or her convictions and gain a political post.

The public exercises a great deal of control over leaders through regular elections. The direct pathway to most leadership positions is through winning votes. The threat of electoral defeat is often enough to influence the behavior of officeholders. Candidates hence closely monitor—sometimes by hiring pollsters—the opinions held by the public. Even appointed officials are influenced by mass preferences since they are in turn selected by popularly elected officials.

Group membership offers another means by which the masses can influence leaders. Membership in an interest group is accomplished either by physically joining an organization or by simply being a member of an identifiable categorical group, such as “the rich,” Californians, Latinos, women, or African Americans. Either type of group usually has leaders who make demands on political officeholders. More often than not, decision makers begin their political careers as group leaders. Thus, through the active participation of groups in the policy-making process, members have their viewpoints presented—whether they are fully aware of it or not.

Changes in policy are occasionally initiated by the masses, or by leaders in anticipation of demands from the public. Since many perspectives and viewpoints usually enter into policy discussions, change is often moderate and incremental.

In short, pluralist theory portrays the political system in the United States as one in which a diverse, large leadership group is representative of, and accountable to, members of the general public. Political decisions are usually based on input from various groups and individuals. As a result public policy reflects a compromise of many preferences and, in most instances, offers benefits to many, many people—usually more than a majority. Hence, substantial segments of the population are able to reach their goals through the political system; in other words, political power, according to pluralist theory, is widely dispersed in American society. To the extent that pluralism characterizes their political system, Californians can be assured democracy is being approximated in their state.

ECONOMIC ELITE THEORY

Economic elite theory states that political power in the United States reflects the interests and preferences of prevailing economic leaders. Put simply, the theory contends that a relatively few people and institutions work together to control both economic activities and government policy in America. The masses do not strongly influence, nor benefit from, public policy.

Leaders

There is some disagreement among economic elite theorists about the exact composition of the economic elite. Some contend that America’s extremely rich individuals comprise the elite. For others, the elite is composed of the principal stockholders, managers, and members of the boards of directors of the country’s largest corporations. Another school of thought emphasizes that the elite consists of the country’s leading corporate institutions.² Regardless of these variations, economic elite theorists conclude that America is dominated by a relatively few economic leaders.

Elite cohesion is achieved through social and economic ties. Friendships, common background experiences, and memberships in the same

clubs and organizations provide social bonds that unite leading economic actors. They are economically connected through a host of links, including interlocking directorates, shared stock ownership, and joint business ventures. Interest groups, such as the Business Council, the Business Roundtable, the Council on Foreign Relations, the Committee for Economic Development, and the Trilateral Commission, also consolidate the viewpoints of economic leaders.

Political officeholders are inextricably tied to the economic elite. This nexus is forged through three means:

1. The selection of candidates for electoral office. Members of the economic elite play a major, albeit rarely visible, role in screening candidates wishing to seek political office. Only those candidates who hold views that are not at odds with the preferences of the economic leadership are endorsed. Favored candidates are rewarded with generous campaign contributions.

2. The appointment of persons to government posts. Members of the economic elite recommend and evaluate persons nominated for appointment to key administrative and judicial positions. At times, these appointees are people chosen from the elite. In this way, economic leaders come to hold official positions and thus formulate policy that is directly beneficial to their interests.

3. Extensive lobbying of the government by members of the economic elite. In their attempt to influence the policy-making process, economic leaders ply government officials through a variety of inducements, including well-documented research reports, entertainment, financial backing, and overall political support.

Links Between Leaders and the Public

The economic elite model contends that the masses are restricted in their influence over political decision making. The choices put before them at election time are predetermined by the economic elite and, as such, offer only limited policy alternatives to the voters. Mass-based lobbying lacks the resources—especially money—available to interest groups sponsored by the economic elite. Consequently, mass lobbying efforts are disadvantaged and operate within the shadow cast by elite pressure politics.

Furthermore, members of the general public are socialized to accept the status quo.³ Some of the major agents of socialization—such as schools and the mass media—are under the control of members of the economic elite.⁴ Consequently, as Americans develop their ideas and beliefs about economics and politics, they acquire perceptions that favor an elite system. Before they reach adulthood, they are predisposed to endorse the privileged position accorded to business in our society.⁵

Mass-generated change in public policy is very rare, according to the economic elite perspective. Most new policy directions come from the initiative of members of the economic elite. Any successful change that originates from the public at large is usually in accordance with elite priorities.

It is necessary to show the elite that it is in its interest to support a shift in policy.

In summary, economic elite theory stresses that a dominant and unified group of economic actors has an inordinate amount of political power.⁶ As a result, public policy mostly reflects and enhances their preferences. Other individuals and groups might benefit from policy making, but this is likely to occur only when their interests coincide with the goals of the economic elite or when the economic elite has no particular stake in a policy decision. Unlike pluralist theory, economic elite theory sees politics in the United States as falling substantially short of the democratic ideal. If economic elite theory best explains government and politics in California, a corollary doubt about the extent of political democracy in the state must be raised.

ABOUT THIS BOOK

This book explores California's political system from the perspective of economic elite theory. The history of the state indicates a strong economic elite structure to its politics. Members of the economic elite played a major role in the state's early economic and political development. During the first fifty years of statehood, according to historian Mansel Blackford, "businessmen frequently turned to the state legislature for aid. So often, in fact, that at many points the story of how they met their difficulties becomes an analysis of their maneuverings in Sacramento."⁷ During this time the Southern Pacific railroad was the ascendant political power. In many ways, its story typifies the elite foundation upon which the state was built.

Operating through an extensive and highly effective network of lobbyists and political organizations, Southern Pacific virtually controlled political decision making in California, both at the state and local level. Some of its key executives held political office in the state; indeed, one of its founders, Leland Stanford, was governor. Legislators, judges, and local government officeholders were obligated in many ways to the railroad. At times, the company treated government leaders in a heavy-handed and arrogant fashion. For instance, when Southern Pacific cofounder Charles Crocker discovered that he had been the target of some humorous comments made at a meeting of the Los Angeles City Council, he angrily warned council members that "if this be the spirit with which Los Angeles proposes to deal with the railroad upon which this town's very vitality must depend, I will make grass grow in the streets of your city."⁸

So extensive was the political power of the company that Hiram Johnson in his 1910 campaign for governor claimed that the principal election "issue is shall the people of California take to themselves the government of the state or shall the Southern Pacific be continued in sovereign power?"⁹

The state changed at that time. As a result of its explosive economic development, many more people from diverse backgrounds and with new ideas moved into the state. In social terms, the state became much more

pluralistic. Moreover, reform became a trademark of California politics. Hiram Johnson won in 1910 and, upon taking office, he and his followers initiated a series of sweeping populist reforms that altered the political procedures at the state and local level of government. The balance of political power in California shifted to become more pluralistic. Although the economic elite lost its monolithic control over state politics, the degree of erosion is still open to debate.

Unlike other investigations of the subject, this book contends that California government and politics is still best understood from the economic elite perspective. That is, an economic elite exists in California and its members exercise an inordinate amount of political power in the state. Before proceeding any further, it is important to underscore what is **not** encompassed in this economic elite approach.

First, the economic elite is not assumed to operate in a sinister conspiratorial manner. Rather, members are presumed to be rational in their behavior. That is, they seek to optimize their interests in the business world and, when necessary, in the world of politics. At times, rational action requires elite members to act in concert. On other occasions, each might find it advantageous to act autonomously in the pursuit of his, her, or its own interests.

Neither is it assumed that elite members are immune from the effects of adverse pressures. Bad management, a poor business climate, an unforeseen downturn in the market, natural disasters, or an unexpected surge of unpopularity among, say, workers, consumers, or environmentalists are but a few of the factors that can make life difficult for even the most awesome of elite members. Such calamities can ultimately lead to the demise of even the most awesome of fortunes.

Finally, it is not assumed that California politics is entirely *determined* by economic forces. Noneconomic interests occasionally prevail in the political arena, even over the opposition of members of the economic elite. This is most likely to occur when important economic players are experiencing acute difficulties in maintaining their economic standing or when they are divided in their goals or their strategies.

This book **does** assert the following. First, the principal items appearing on the agenda of state and local government in California involve the authoritative allocation of economic resources. That is, the core of government activity in the state is organized around formulating economic policy. Second, there is an economic elite in California. Third, government in the state is receptive to the preferences of the members of this elite. Finally, the elite are likely to derive substantial benefits from government policy.

NOTES

1. There is some conflict among pluralist thinkers. I have only summarized the main points of the theory as developed by Robert A. Dahl in *Who Governs?* (New Haven: Yale University Press, 1961) and *Pluralist Democracy in the United States: Conflict and Consensus* (Chicago: Rand McNally, 1967).