

Will Shifting Party Coalitions Change Policy Priorities?

MARSHALL AUERBACK

America's two major political parties appear to be in the process of swapping their historic coalition constituents. With that shift, many of our assumptions about what it means to be a Democrat or a Republican are coming apart at the seams. The most significant development seen in recent [polling data](#) is the exodus of college-educated whites from the GOP. This trend predates Donald Trump, but his presidency has notably accelerated it.

A recent *New York Times* op-ed by columnist Thomas B. Edsall, "[We Aren't Seeing White Support for Trump for What It Is](#)," expands on the changing American political landscape. Citing a [paper](#) published earlier this year by [Herbert Kitschelt](#) and [Philipp Rehm](#), "Secular Partisan Realignment in the United States: The Socioeconomic Reconfiguration of White Partisan Support since the New Deal Era," Edsall argues that the Trump presidency is both a reflection of and a catalyst for a major reconfiguration of the U.S. electorate. Kitschelt and Rehm's key point is that "low-income white voters without college degrees on the Democratic Party side, high-income white voters with degrees on the Republican side—have switched places."

But *partisan realignment* is not yet fully reflected in the parties' respective *policy priorities*. The ultimate question is whether such realignments will go beyond a mere shift of electoral constituencies from one party to another:

that is, will the movement of the political tectonic plates result in a more profound reconfiguration of American policy?

Today it is hard to imagine corporate elites' control over both parties diminishing in any meaningful way. But it is worth recalling that the Great Depression did temporarily incapacitate the country's "economic royalists," thereby enabling FDR to fundamentally alter the American economic landscape and create a new governing coalition in the process. That coalition is now in shambles, as Democrats have increasingly come to rely on big money from new power centers, which has in turn shifted their policy priorities.

Another economic crisis could temporarily dislodge these Wall Street and Silicon Valley power elites from their position of political primacy, but the Democrats would also need a president dedicated to making this happen. Barack Obama had an opportunity in 2009, but basically decided that he was happy with the status quo ante and therefore directed policy to reviving it, rather than destroying it. Ironically for those on the left, the post-New Deal safety net and automatic stabilizers, by mitigating the pain of economic calamity, can serve to limit the revolt from below and any corresponding inclination to embrace a more radical form of FDR-style progressivism.

As Wall Street and Silicon Valley elites have largely seized control of the Democratic Party's policymaking apparatus, the party's historic constituencies, especially organized labor, are increasingly disenfranchised. They have, in turn, become more receptive to Trump's message on trade, immigration, and nationalism. So far the evidence suggests that a new blue-

collar conservatism is making inroads into parts of the Republican Party, but it is unclear whether this trend will supersede the power and influence of the GOP's historic corporate constituencies, notably oil, mining (especially coal mining), pharma, tobacco, chemical companies, and agribusiness.

On the other hand, if trade policy is ultimately subordinated to national security concerns, it is conceivable that one of the parties could embrace an industrial policy which gives primacy to the homegrown strategic industries necessary to maintain U.S. military supremacy. Given its strong ties to the defense establishment, that would seem to be a more likely scenario for the GOP, which under Trump is making steady inroads into the Democratic Party's traditional blue-collar constituencies.

Although a military-industrial strategy might run counter to some of the interests of the party's traditional corporate backers (such as the Koch family), it is the kind of *political* strategy that could conceivably override their interests. The country's disaffected blue-collar workers, who are historically Democrats, have had their livelihoods decimated by decades of trade liberalization and other neoliberal policies. As Michael Lind [has argued](#), Hamiltonian national industrial policy married to a "Cold War 2.0"—an updated version of the kind of "military Keynesianism" deployed by Ronald Reagan in the mid-1980s—could conceivably consolidate the GOP's efforts to become a party of the working class.

As the elites move around the political shuffleboard, both Democrats and Republicans are too busy managing their respective internal splits to exploit the broader changes or to build up a new, stable governing coalition. But if recent trends continue, pressures to realign policy priorities with the parties'

shifting constituencies will intensify—as will corruption and disarray if they refuse to do so.

The Investment Theory of Party Politics

The migration of educated whites to the Democrats is both a reflection and a cause of the change in the Democratic Party's donor base composition. As Thomas Ferguson, Paul Jorgensen, and Jie Chen outline in a [paper](#) published by the Institute for New Economic Thinking, “Within the Democratic Party, the desires of party leaders who continue to depend on big money from Wall Street, Silicon Valley, health insurers, and other power centers collide head on with the needs of average Americans these leaders claim to defend.” Thus the Democratic Party, a historically center-left political grouping, has increasingly embraced a neoliberal market fundamentalist framework over the past forty years. The Democrats have thereby facilitated the growth of *financialization* (the process by which the financial sector comes to dominate the overall economy), which itself further increases political dependence on Wall Street.

This trajectory is best explained by Ferguson's “investment theory of party competition,” outlined in his earlier work [Golden Rule](#). That theory is a variation on the old capitalist golden rule: namely, he who has the gold, rules. In his book, Ferguson uses raw data from the Federal Elections Commission (FEC) and the Internal Revenue Service (IRS) to illustrate that it is not the average voter who forms the lifeblood of American political parties, but rather powerful, moneyed blocs of business elites with vested economic interests. [Citing Ross Perot](#), Ferguson argues that these groups aggregate their considerable financial resources “to pole vault over the whole

rotting structure of party politics in America.” They “invest” in the election of candidates prepared to ensure a legislative outcome that is consistent with their economic self-interest, which helps to explain why policy is often substantially at variance with the majority preferences of the American voting public.

The investment theory of party competition largely explains why, for example, in the wake of the worst financial crisis since the 1930s, the U.S. government delivered a series of relatively bank-friendly financial “reforms” (e.g., Dodd-Frank). These reforms largely restored the status quo ante instead of bringing about significant structural changes like those that occurred in the aftermath of the Great Depression (e.g., Glass-Steagall). By way of political donations, corporate interests have seized control of both party apparatuses, thereby making it extremely difficult to fund a credible political campaign without slavishly catering to the wealthiest sliver of American society.

Ferguson’s investment theory transcends Tip O’Neill’s simplistic dictum that money is the mother’s milk of politics. Rather, it points to the direct correlation between money and votes received, and the extent to which these “investments” now go well beyond the phalanxes of plutocrats and backroom political organizations. Money, largely organized via uncontrolled dark pools (thanks to the *Citizens United* Supreme Court decision), now thoroughly governs congressional voting patterns as well as presidential races. Even when politicians are able to self-fund (like Donald Trump) or mobilize significant small individual donations (like Bernie Sanders), these outliers still have to compete against a wall of moneyed interests that dominate the party duopoly.

It was the Republicans under the House leadership of Newt Gingrich who first restructured their national political committees and turned Congress into a giant ATM. Ferguson expanded on this history in [an interview with the Roosevelt Institute](#):

[Gingrich] installed what amounted to a pay-to-play system internally, which forced individual representatives to compete to hold their positions on key committees and leadership posts by raising funds for the party.

Positions on key committees, leadership posts—they were all being sold. . . .

The Democrats looked at the Republicans' pay-to-play system and basically decided to copy it. They did this instead of mobilizing their old mass constituencies. Today . . . both parties are essentially posting prices for influential committee slots and leadership posts.

The problem for the Democrats historically was that their mass constituencies, notably the working and middle classes, could not contribute the requisite funding to keep up with the Republicans. With organized labor increasingly under assault, and inequality growing as social welfare programs came under attack, Democrats found that mobilizing their older mass constituencies was less effective than simply emulating the fundraising practices of the Republicans. Eventually, these constituencies were marginalized as policies and internal party rules became more tailored to attract funding from the “investment classes.”

As Ferguson [explains](#), Democrats centralized power in the leadership, which was given wide discretion in how it treated bills, as well as more leverage over individual members. Money created the leverage:

Under the new rules for the 2008 election cycle, the DCCC [Democratic Congressional Campaign Committee] asked rank and file members to contribute \$125,000 in dues and to raise an additional \$75,000 for the party. Subcommittee chairpersons must contribute \$150,000 in dues and raise an additional \$100,000. Members who sit on the most powerful committees . . . must contribute \$200,000 and raise an additional \$250,000. Subcommittee chairs on power committees and committee chairs of non-power committees must contribute \$250,000 and raise \$250,000. The five chairs of the power committees must contribute \$500,000 and raise an additional \$1 million. House Majority Leader Steny Hoyer, Majority Whip James Clyburn, and Democratic Caucus Chair Rahm Emmanuel must contribute \$800,000 and raise \$2.5 million. The four Democrats who serve as part of the extended leadership must contribute \$450,000 and raise \$500,000, and the nine Chief Deputy Whips must contribute \$300,000 and raise \$500,000. House Speaker Nancy Pelosi must contribute a staggering \$800,000 and raise an additional \$25 million.

Former Goldman Sachs cochairman Robert Rubin played an important role in the Democrats' embrace of this Gingrich pay-to-play model, and the corresponding fundraising success he achieved cemented Wall Street's dominance of the party. The resulting change created a feedback loop, which is part of the phenomenon described by Kitschelt and Rehm: more educated, affluent voters migrated to the Democrats (along with their

checkbooks) as the party embraced policies that largely reflected their interests. These voters, in turn, **reinforced** the Democrats' embrace of the same neoliberal, pro-Wall Street policies from the time of Bill Clinton onward through to Barack Obama.

Wall Street-friendly policies were taken up in earnest by both Democratic presidents after Reagan. For example, the biggest battles in the banks' long fight to keep derivatives from being regulated took place during the Clinton administration. Likewise, in contrast to FDR, President Obama displayed a marked reluctance to punish the large banks after the 2008 financial crisis. The continued hold of Wall Street on the party precluded a more aggressive regulatory response, as Simon Johnson and James Kwak illustrate in their book *13 Bankers*.

What about Trump and the Republicans? Kitschelt and Rehm note that, as a candidate if not as a president, Trump's message ostensibly represented a break from his party's traditional corporate interests. Trump sought to exploit the alienation of the Democrats' traditional mass constituencies. Not only did he **proclaim** his love for "the poorly educated," but he also campaigned as an old Rust Belt Democrat. Opposed to illegal immigration and offshoring, Trump attacked globalization, free trade, Wall Street, and especially Goldman Sachs. In addition, Kitschelt and Rehm observe that Trump **made** a "repeated **campaign promise** to protect Medicare and Social Security [that] put him on the side of core adherents of the welfare state." That is one of the major factors that rapidly increased the migration of white working-class support from the Democrats to the GOP under Trump in 2016. As Kitschelt and Rehm explained to Edsall, "this perception would have removed cognitive dissonance and inhibitions' that would have

prevented them from supporting an economic conservative in the mold of Mitt Romney.”

As president, to be sure, Trump has not done anything to sustain or expand the core of the American welfare state, but rather the opposite: he has [undermined](#) Obamacare, along with [introducing](#) stronger workfare requirements for social welfare programs. But others in the GOP, notably Senators Marco Rubio and Josh Hawley, are trying to move the party in a more pro-worker direction, championing a new kind of blue-collar conservatism that is supportive of unions and policies that emphasize the “[dignity of work](#).” In a recent [piece](#) for *First Things*, for example, Rubio cites Catholic social thought in support of labor unions. These blue-collar Republicans, however, are still constrained by their party’s historic corporate interests, such as the libertarian Koch family and others whose funding [priorities](#) have historically been hostile to unionization, minimum wages, increased voting rights, and which favor the privatization of popular entitlement programs such as Social Security.

On the other hand, a number of Republicans are geopolitical hawks first and economic libertarians second. They increasingly see that it is nonsensical to make war on wage-earners while claiming to protect the same wage-earners from Chinese competition, especially as Beijing becomes the locus of an emerging Cold War 2.0. Geopolitical competition, and even war, has historically encouraged national mobilization, consistent with broader public patriotism. As counter-intuitive as it may seem, a lack of geopolitical rivalry is bad for social democracy, because the rich can become antisocial monsters with no fear of punishment. On the other hand, the activities of Big Tech, in particular, are now attracting greater scrutiny as geopolitical

concerns about China have increased. As venture capitalist Peter Thiel [has recently argued](#), it is perverse for Google to refuse to do business with the Pentagon while conducting artificial-intelligence work in China, which uses AI to sustain its own authoritarian government and mass surveillance system.

Furthermore, after Trump's primary victory in 2016, a growing number of Republicans now know that most of their conventional pre-Trump program was (and is) unpopular. Although many risk primary challenges financed by corporate interests if they deviate too far from the old party line, "blue-collar conservatism" is nonetheless gaining increasing policy [traction](#) in certain circles, even if its advocates still have a long way to go before they can fully shift the GOP agenda toward a kind of "Bull Moose" progressivism.

Education is Primarily a Function of Class

Discussions focused on the migration of educated white voters from the GOP to the Democrats in many cases overlook the fact that education is now more of a class marker than anything else. As our Wharton-educated president illustrates on an almost daily basis, an elite education doesn't always correlate with IQ, despite Trump's assertions to the contrary. We know that, in many instances, dumb upper-class kids are more likely to get diplomas than smart working-class kids. Degrees from elite U.S. universities have become more or less hereditary, analogous to old European titles of nobility, with most of them going to the children of the affluent, regardless of race. Meanwhile, reductions in funding for public education mean that state university systems have suffered significantly. Public K-12 education has been hammered in virtually all major cities and, increasingly, even in

suburbs. The collapse of state support closes off college to many low-income students. And let's not forget the [impact of wealthy donors](#) purchasing [admission](#), which helps to perpetuate this self-selecting oligarchy.

Knowing which party has the most college graduates—Republicans in the past, Democrats now—is therefore important mainly insofar as it reveals changes in voting constituencies' class composition and (to use Ferguson's terminology) their corresponding investment preferences. The disenfranchised and marginalized increasingly get the policy crumbs, if they get anything at all. For predicting the parties' policy positions, these factors are ultimately more decisive than race per se.

What does this mean for the future of America's two major parties? The Republicans under Trump have become more downscale, economically populist, and socially conservative as historically Democratic working-class constituencies have been shaken loose and turned to the GOP. Ironically, as Caleb Orr [notes](#) in the *Boston Review*, “the right may yet break with neoliberalism more than the left will.” In other words, the Right may be less inclined than the Left to think that all public problems should be viewed through the lens of Wall Street–dominated neoliberalism—especially if national security considerations begin to supersede the assumed benefits of free trade and unconstrained globalization.

At the same time, if the migration of certain “educated” elites to the Democrats continues, we should expect the party to continue its drift toward neoliberal/libertarian policies on trade, immigration, and the limiting of government intervention in markets. It will increasingly become the party of “fiscal [responsibility](#).” If that sounds implausible, recall that

both Bill and Hillary Clinton [trumpeted](#) Bill's three consecutive years of budget surpluses as one of his major presidential achievements. Similarly, Barack Obama [spoke](#) about "reforming" (i.e., cutting) entitlement programs literally days before he was inaugurated in 2009—even though the country was then facing its gravest economic crisis since the Great Depression.

It is unlikely that the election of a progressive will change this trajectory in the longer term, barring a major economic crisis that temporarily dislodges the elites from their positions of power. Assuming a continuation of current trends, the Democrats will likely become even more upscale, economically conservative, and socially liberal, moving yet further away from their New Deal base.

The Inversion of the New Deal Coalition

For much of the postwar era until the 1980s, the Democrats were an economically liberal party with socially conservative and socially liberal wings (the social liberals, in fact, were in the minority). By contrast, today's Democrats are a socially liberal party with an economically conservative wing (neoliberals) and a residual progressive economic wing. There are no Fritz Hollings or Wright Patman types left in the party.

Twenty-first-century Democrats do, however, largely agree on "woke" social issues. Thus they are loath to compromise on "open borders," transgender bathrooms, [making room for pro-life members](#), or [gay married couples' wedding cakes](#)—because those are the only issues that hold their economic right and left flanks together.

It is worth noting that today's white upper-middle-class Democrats (including Hillary Clinton and Elizabeth Warren, both former Republicans) may style themselves progressives, but in many respects, they simply reflect the values of the upscale, socially liberal Republicans of the 1960s or early '70s. In general, the themes of today's Democratic Party—racial justice (which was historically more liberal Republican than New Deal Democrat), feminism, environmentalism, and abortion—are Nelson Rockefeller and John Lindsay Republican themes. Recall that Lyndon Johnson's Civil Rights Act would not have been passed without the assistance of key socially liberal Republicans, as many of his fellow Democrats were unreconstructed racists and segregationists. The latter [ultimately migrated to the GOP](#) after the implementation of the Civil Rights Act, much as many of the old northern urban Republicans were eventually hounded out of their party, [denigrated](#) as “Republicans in name only.”

It is true that Bernie Sanders does not fall easily into this silo of “Rockefeller Republicanism”—although, in the Senate, Sanders is an Independent who caucuses with the Democrats. He also makes no bones about wanting to destroy the existing party structure (as [opposed](#) to, say, Elizabeth Warren). Nevertheless, even if Sanders were somehow to win the White House, he would still find his agenda frustrated by the corporate wing of the party, which has largely internalized a neoliberal agenda for decades.

The progressive policy space in the Democratic Party is also likely to be further circumscribed as more affluent suburban households and former “Never Trump” Republicans gravitate to the party because of their revulsion at the president. In general, these groups neither like paying higher taxes, nor are they particularly attracted to the idea of a more expansive state role

in the economy. Absent another major economic calamity, it is hard to envision progressive policy ideas gaining significant traction, even if the Democrats win the 2020 presidential election.

Whither Left and Right?

In truth, what is at stake here transcends both electoral constituencies and, indeed, conventional party politics. Definitions of Right and Left are being contested, and the affluent voters migrating to the Democrats do not just want their policies implemented but also want to claim the mantle of Left or progressive for fairly pro-wealthy, neoliberal policies as a means of legitimizing them. When Clinton captured these voters, he did it under the “centrist” or “third way” Democrat label. Today, however, given the unpopularity of Clintonite neoliberalism, [many Democrats](#) find it more politically expedient to justify neoliberal policies under a “progressive” label.

Nowhere is the topsy-turvy quality of this partisan realignment more apparent (or more fully realized) than on immigration and trade issues, where the two parties have largely swapped positions. Under Trump, the GOP has publicly embraced a restrictionist immigration agenda. Beyond the question of “building the wall,” Republicans now eschew any talk of immigration amnesties (a prominent feature of the Reagan presidency and a policy advocated by George W. Bush as well). By contrast, the Democrats have largely abandoned the principles set forth by the U.S. Commission on Immigration Reform—also known as the Jordan Commission, after its chair, Barbara Jordan, a prominent Democrat and civil rights leader who served in Congress for many years. The committee, established by Clinton, [advocated](#) for the “enforcement of immigration limits” and called for an

“immigration policy [to] protect U.S. workers against unfair competition from foreign workers, with an appropriately higher level of protection for the most vulnerable in our society.” By contrast, the current focus of Democrats is on decriminalizing illegal entry and extending public benefits to undocumented immigrants, which may well incentivize additional illegal immigration.

To some degree, this change in the Democratic position on immigration in the last quarter century may reflect the increasing hispanization of the party. Furthermore, support for immigration control has become associated with Trump and, increasingly among Democrats, with intolerance and bigotry. This is especially true among white liberals.

More fundamentally, this policy shift reflects the preferences of the Democrats’ Silicon Valley donor base, which insists that any reduction of illegal immigration must be accompanied by a commensurate [expansion](#) of guest worker visas (such as the H-1B program). These visas effectively function like indentured servant programs, because admitted workers are bound to their employers as a condition of their employment, compelled to return home after a fixed period of time, and do not get residency credit for those years, which might allow them to get green cards and, eventually, citizenship. Silicon Valley employers use these visas to replace high-paying American jobs with cheap foreign labor. They also function as a quasi-subsidy, as they allow the companies to avoid retraining their own domestic workforce.

By contrast, the GOP base has become profoundly hostile to further immigration liberalization. As Ramesh Ponnuru [put it](#):

Most in the party already agree on the need to tighten the asylum rules to deter purely economic migrants. There is also a consensus that additional or augmented physical barriers are needed on parts of the southern border even if a “big, beautiful wall” isn’t. Mandatory verification of the legal status of new hires is still a divisive issue among Republican lawmakers—but it’s hard to imagine a credible enforcement regime without it.

According to some estimates, as many as two-thirds of recent illegal immigrants came here legally but overstayed their visas. No amount of “border security” would affect their numbers; an employment-verification regime would.

Likewise, on trade, the GOP is increasingly following President Trump’s protectionist rhetoric and policy, while the Democrats (who historically have been far more skeptical of initiatives such as nafta or the Trans-Pacific Partnership) are increasingly **becoming** the party of free trade. Again, this is unsurprising: the party’s base is now mostly composed of well-educated voters who are largely centered in the major bicoastal metropolitan areas and who are most integrated into global markets. By contrast, the Democrats’ traditional labor base, which opposed a series of trade agreements in the 1990s, including nafta and China’s WTO accession, has largely seen its aspirations and preferences ignored (leading to its increasing migration toward the GOP).

The irony is that the Democrats now have trade and open borders policies which are closer to those of the old Reagan and Bush Republicans (and libertarians such as the Koch family), while the GOP under Trump is gravitating toward the old positions of the afl-cio on both trade and immigration.

The policy reversals by both parties on trade and immigration illustrate that these issues don't easily break down into traditional "Left" and "Right" silos. This is true even of redistribution programs, typically associated with "woke" and "progressive" Democrats. As Caleb Orr notes in the *Boston Review*, "large-scale transfer programs that ensure purchasing power parity across incomes are entirely consistent with neoliberal market institutions." This is because redistributive policies help to perpetuate the prevailing neoliberal ideology (and the policies that flow from it). Redistribution to the losers of today's globalized capitalism offers a palliative for the consequences of such policies, and therefore reduces the threat of their elimination. That is why, for example, so many Silicon Valley oligarchs (now important Democratic Party backers, who are socially liberal, but economically conservative) support a universal basic income, even if it is marketed as a "freedom dividend." This policy mirrors the prevailing ideological preferences of today's Democrats, who pay heed to the less fortunate via cash transfers from winners to losers with increased public provision. At the same time, they display an increasing reluctance to address the deregulated labor, goods, and capital markets that are hallmarks of their party's neoliberal policies, and which created the vulnerabilities in the first place.

So where do the marginalized progressives or increasingly disenfranchised working-class voters turn? In the United States, third parties with new ideas inevitably get swallowed up by the existing duopoly. We are therefore unlikely to see the creation of a new third party, as has occurred in other countries (e.g., France, Italy, or the UK) when confronted with similar political shifts. But which, if any, of the two existing parties will swallow the non-corporate interests and begin to reflect popular policy preferences?

The Democrats of the New Deal era were a working-class party. But we have already experienced an economic crash, and the Obama administration ultimately worked toward the restoration of the status quo ante, resuscitating the Clinton coalition rather than restoring the old New Deal coalition. On the Republican side, Donald Trump's faux-populist frontal assault on the American establishment has, in many respects, been a "bait and switch" that has not come close to eroding the influence of the moneyed Republican establishment.

But trade issues, especially concerning China, are increasingly linked to national security issues. The GOP may ultimately decide to build on Trump's attempts to bring key supply chains back to the United States in order to ensure that strategic industries remain on home shores, even if this conflicts with the principles of free trade and non-interventionist government. Sustaining production on U.S. soil would be favorable to blue-collar workers (hitherto among the biggest casualties of globalization) and likely consolidate the GOP's efforts to become the party of the American working class.

Absent a larger policy realignment, however, the American political system will remain mired in a miasma of dysfunction and increasing corruption. Americans have long prided themselves on their exceptionalism, particularly in regard to the country's reluctance to embrace the more extreme political ideologies that were adopted in much of Europe and Asia during the last century. That historically happy state of affairs could well change in the future, however, if current trends persist.

*This article originally appeared in American Affairs Volume III, Number 4
(Winter 2019): 140–52.*

<https://outline.com/q8XbRq>

COPY

 Annotations · [Report a problem](#)

Outline is a free service for reading and annotating news articles. We remove the clutter so you can analyze and comment on the content. In today's climate of widespread misinformation, Outline empowers readers to verify the facts.

[HOME](#) · [TERMS](#) · [PRIVACY](#) · [DMCA](#) · [CONTACT](#)