QUIET POLITICS: OPPOSITION MOVEMENTS AND POLICY STASIS
SURROUNDING THE UNITED STATES’ FINANCIAL INDUSTRY

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Chapter 1: Introducing Quiet Power and Banking Reforms

“How the hell did this happen?”
-Barack Obama

(Geithner, 2014, p. 14)

Imagine the process of attempting to contact an elected official at the federal level. In order to express an opinion or concern, many citizens will email or call their representatives, however, how often do elected officials directly respond to their constituents? Often times, a phone call leads to an intern or voicemail to take a message and an email receives an automatically generated response. How would an ordinary voter go about interacting with their representative directly?

Now imagine the process of contacting an elected official, but the individual is not an ordinary citizen, but a CEO of a multi-billion-dollar company. This individual is able to supply thousands of jobs, donate or contribute millions of dollars annually to political campaigns, and hire staff to constantly communicate with elected officials and government offices. When they call a representative, are they calling the same phone number as an ordinary citizen or do they have a different method of access? How might this process differ based on the economic strength and capabilities an individual or company maintains?

Furthermore, how would these processes change if the nation was in the midst of the recession? For example, in 2008, the United States entered the worst recession since the Great Depression. With millions of Americans losing their jobs and homes, it was difficult to decide how to help those in need. On the other hand, many large companies were filing bankruptcy and closing their doors, causing more jobs to be lost. Who do elected officials respond to in this time of need: their constituents or large businesses, especially when funding is limited?
American politics has been intertwined with capitalist structures and private corporate relations since the beginning of the United States as a country. While business, or the collection of organizations that exchange goods and services within the market, has maintained a privileged position in its relationship with government through its economic power and financial superiority, business also maintains control in the political arena through a number of means. This thesis discusses how business can exert its influence on public policy makers and eventually governmental decisions through a process called Quiet Politics. It then moves to discuss the ways in which political salience impacts the use of Quiet Politics at the federal level. To first gain an understanding of how the theory of Quiet Politics applies to the United States, this chapter will explain Quiet Politics, its history, and how this thesis will be structured.

The Concept of Quiet Power

Quiet Politics is defined by Pepper Culpepper (2011) as a type of politics wherein “highly organized interest groups dominate the policy process in areas shielded from public view” (p. XV). Corporations and their managers use Quiet Politics to impact policies in areas of “low political salience”, or areas which do not receive large amounts of attention by the media or public officials (Culpepper, 2011, XV). Issues of low salience tend to be viewed as less important to voters in comparison to other issues, and these issues often involve complex policy development and final outcomes that average citizens cannot comprehend. Although the issues at hand may impact voters, they may not recognize the importance of the issue or how it will affect them. When an issue is not salient to voters and therefore they do not supply opinions on the issue, elected politicians are put into a dilemma. They could either vote how they believe their constituents would
feel, even though doing so may not necessarily win them more votes in future elections as the voters themselves do not know much about the issue. Or, politicians can listen to the organized interests of groups that are involved in the issue or those who have an expertise in that area, such as business.

Business organizations utilize issues of low political salience to further business agendas in two different ways, described as structural and instrumental power. When businesses utilize instrumental power, they impact politics primarily through lobbying and donations. Businesses can reach out to specific Congressmen or other governmental actors to express their disfavor or support for specific policies that potentially benefit their corporations. This is done through large scale lobbying operations that smaller organized interest groups or individual interests cannot rival. Since the public is not involved in the issue, the interactions of businesses and political actors are often unseen, which gives corporate actors more power to push their ideas.

Further, businesses can impact policy decisions as their opinions are seen as the primary source of knowledge on topics regarding the needs of that industry in general. Businesses maintain the expertise on these policy issues. For elected officials, they have to be knowledgeable about an expansive number of topics and can only maintain so much information on these topics. If an issue is of high political salience, the party of the politician or voters can help influence the way a political actor makes decisions. However, in areas of low political salience, politicians will defer to the managerial expertise of businesses. Businesses are able to use this expertise to sway the way a topic is presented to a political actor and thus encourage them to vote in a favorable way that supports business interests.
Aside from instrumental power, businesses maintain an even more impressive and immense force called structural power. Structural power is consistently influencing policy without any direct action but rather utilizes the influence of the capitalist system of the United States. Culpepper describes structural power as, “influence that accrues to the firm solely by virtue of its position in the economy as an engine of economic activity, typically anticipated by policymakers and automatically built into policy” (Culpepper, 2016, 459). This essentially describes the privileged position of business to control economic decisions nationally by simply changing their investments or removing an industry, and its jobs, from a country altogether. Essentially, business controls the financial future of the country, and political actors know that how they help or hurt business will help or hurt their constituents (and their chance of reelection). The power does not have to be explicitly mentioned to policy makers as its influence is understood, however, sometimes business managers will express publicly that a policy would hurt investment. Quiet Politics has created situations where corporate power can trump the interests of the broader public and thus override democratic ideals of open government (Culpepper, 2015; Culpepper, 2016).

However, there is the possibility that low salience issues might become high salience, which then potentially changes the ways in which business and political actors interact. Issues gain saliency through two methods: “a crisis or the mobilization efforts of political entrepreneurs” (Culpepper, 2011, p. 6). When a crisis occurs that was caused by or impacts low salience issues, the public begins paying attention. The same occurs if an actor, or group of actors, draws the attention of voters to an issue by putting the public on the defensive regarding an issue or “associating the legislation with widely shared
values” (Culpeper, 2011, p. 7). When this occurs, Quiet Politics is less effective as there are more voices impacting the way political actors might vote.

The saliency of an issue is also impacted by the attention the media gives a topic. Media report on topics that will generate readers and therefore income; examining which issues media addresses is a good way to understand what voters view as important. If the media are not discussing a topic, then it is a way for politicians to infer that the issue is not salient to voters and can thus refer to other means to gather information on how to vote. Additionally, some topics are too complex to explain and thus are not easy stories to sell, so some topics, while important, may stay in the shadows. However, if an issue is brought to the spotlight through a crisis or by political entrepreneurs, then the media are more likely to publish stories and make the issue a national discussion. That will then impact the way politicians talk about the topic, how they listen to their constituents, and potentially limit the power business can maintain through Quiet Politics.

Culpepper continues to describe Quiet Politics in comparison to other types of socio-economic issues and how they are addressed by the public, the government, and the industry. He states that there are two different rule systems that impact the way business is regulated or supervised: formal rules from government organizations or informal rules developed by the private organization. These different types of rules and the salience of an issue describe how rules will be developed. Culpepper uses a chart to describe these dynamics.

The chart states that when issues have high salience they attract more attention and therefore the involvement of more actors. If there are informal rules at play, then the rules are developed through “social partner bargaining” (Culpepper, 2011, p. 181). This
ensures that industries must be working with multiple groups to ensure that the governing decisions are equitable and respect the interests of multiple parties. This type of rule development takes place during worker strikes or union negotiations. If the rules are formal in nature, then political parties will develop the procedural expectations and regulations around an issue (Culpepper, 2011, p. 181). An example of these types of issues would be tax policies. When developing tax plans, political parties establish set stances on the issue, and the public is aware of what to expect if an official from that party is elected: the democratic party plans on raising taxes while the republican party will lower them. Many voters are familiar with the issue and understand how political parties stand. As such, issues of high salience have more attention by the public and therefore more voices are active in the decision-making process. This can make it difficult for private interests to impact these types of issues at the same level as low salience issues.

On the other hand, issues of low political salience leave space for organized interests to impact the rulemaking process. For issues that are low salience and are set with informal rules, then “private interest governance” occurs (Culpepper, 2011, p. 181). A prime example of this is the rating of different bonds based on their strength and reliance which the public reads to make financial decisions. However, the ranking industries are hired by the corporations they are judging and are more likely to rate a bond positively since they are being paid. This space has the least amount of outside influence and private interests dominate the development of rules and expectations. As such, this quadrant defines Quiet Politics. Additionally, if an issue with low political salience uses formal rules, then “bureaucratic network negotiation” leads to rule
development outside the public eye. While bureaucratic lawmaking can be effective in building a policy that benefits constituents, there is less direct oversight for the decisions made and the public may never know a rule was developed or regulations were implemented or removed.

However, no one single policy can fall exclusively in a quadrant and oftentimes can change the way rules develop based on changing political salience. When a topic becomes a high salience issue, does business maintain the same kind of power as it does in Quiet Politics? Culpepper (2011) states:

Do the interests of big business always prevail? In the arena of noise politics, organized business actually suffers many defeats, because these are the conditions under which politicians must cater to popular opinion if they want to be reelected. In the domains of quiet politics, though, public indifference means that politicians and media are more likely to defer to managerial assertions of expertise… This book thus affirms a dismal truth of modern democracies: politicians will indeed listen to voters, but only when the volume of debate is dialed up to its loudest levels (p. xiv)

Culpepper’s analysis of Quiet Politics, business, and the changing salience of issues frames the analysis this thesis will present. Culpepper’s work focuses on Quiet Politics in the context of the capitalist nations of Europe and Japan and how political actors and businesses address hostile business takeovers. The theory of Quiet Politics is applicable, however, to situations in many capitalist nations. Although the comparative cross-national perspective is important in understanding how Quiet Politics works, this thesis will examine how Quiet Politics works in the United States and the impact it has on
political decision making and policy making. As such, this thesis will address the banking industry’s use of Quiet Politics. It will analyze how the banking industry has utilized Quiet Politics to its advantage, most recently in the 2008 Financial Crisis. Rounding out this thesis, we will conclude by addressing what happens when Quiet Politics gets loud, by looking at the Occupy Wall Street Movement. Before beginning the case analysis, we turn to a brief overview of how the United States banking industry developed historically, starting in the early 19th century.

**Banking Industry History and Context**

In the early 19th century all banking took place at the state level with different states developing their own ways of chartering banks and supplying currency. In order to develop some consistency across the expanding nation, the federal government passed the National Banking Act of 1863. This act developed a dual banking system with banks both at the state level and a federally chartered national bank. It also enhanced regulations on banks at the state level as state banks worked to achieve the same standards and expectations as the federal bank. Before the National Banking Act passed, most bank supervision at the state level came after financial crises had led to bank failures. There were a number of “liquidity-driven banking Panics [in] 1873, 1893, and 1907” that encouraged more supervision of banks by the states (Mitchener & Jaremski, 2015, p. 828-829). This Act expanded national control and oversight into banks which were lacking at the state level due to inconsistent regulation. (Mitchener & Jaremski, 2015).

As the banking industry grew and banks began to branch out into new localities, the federal government began passing anti-trust laws to help limit monopolistic business practices and support business development. The first law passed was the Sherman Act of
1890 which was closely followed by the Clayton Act of 1914 which added further regulations to the Sherman Act. However, these Acts were largely ignored by the financial sector as most banks did not fall within their purview and thus they were able to continue to expand (Christophers, 2014).

One significant change during the early 1900s was the creation of The Federal Reserve System in 1913. It opened twelve Reserve Banks that were all coordinated by the Federal Reserve Bank based in Washington, D.C. The Federal Reserve also created Federal Reserve Notes which “replaced national bank notes and Treasury-issued currency” (The US banking System, 2012, np). The Federal Reserve is important in helping prevent banking crises and supporting the banking industry if something does go wrong. For example, when a crisis occurs it could impact all banks. As such, consumers are unsure of which banks will deteriorate and which will maintain strength, so depositors withdraw their money from banks in order to prevent its loss. The issue is that the banks have already lent out this cash in a number of investments and therefore the customer’s money cannot be given immediately back to consumers without putting the bank into a risky financial situation. While the Federal Reserve can prevent financial panics, it can also encourage banks to make riskier investments with their assets as they have a support network to backstop with financial support any bad decisions and investments they make. In order to abate this moral hazard behavior, the Federal Reserve is supposed to enforce close supervision of bank’s actions and choices. This is why the Federal Reserve is important to the banking industry and essential for its stability, as it will lend banks money to help prevent panics, support the banks in times of crises, and regulates them (Gorton & Metrick, 2013). The creation of the Federal Reserve helped streamline banks
and their functions, such as allocating credit, which encouraged banks to continue to expand and develop branches.

As banking became a larger industry, many companies wanted to operate banks alongside other economic activities to increase profit. As such, Bank Holding Companies (BHC) were created to allow multiple organizations to be combined into one entity. Bank Holding Companies are companies that own a bank and are registered and operate under the expectations and sanctions of the Federal Reserve. Companies did this as a way to get around traditional banking laws, such as the Sherman Act, which limited how banks could invest or what industries with which they could partner. Bank Holding Companies also made “chain” banking very popular in the 1920s which expanded the geographical area a bank could have offices across state lines (Omarova & Tahywar, 2011, p. 130). Additionally, in 1927, the McFadden Act was passed, which limited banks from expanding their branch banks outside their original state. However, this Act did not apply to Bank Holding Companies and thus allowed the continued expansion of these institutions (Omarova & Tahywar, 2011).

In the 1930s, another banking crisis occurred that created significant economic problems for the nation. As people had access to banks, and thus the ability to have credit, debt, and investments, banks began lending more money without maintaining enough liquidity to ensure these loans could be backed if they were to fail. As some customers began defaulting on loans and others attempted to withdraw their funds from banks and other investments, banks did not have enough currency to fulfill their responsibilities. When stock prices began dropping, millions of Americans performed what would be called later Bank Runs. While Bank Runs were common during financial
crises, they took place on a large scale during this time. Customers began withdrawing their funds from banking institutions in order to keep their assets from losing value, but not enough funds were being deposited into banking institutions to balance the withdrawals. This is because banks were only required to hold a low level of liquidity or an amount of cash on hand, and thus banks were investing consumers’ money to increase profits. Thus when customers came seeking their deposits, banks were unable to return the funds as they were currently invested in the dropping stock market.

These bank runs forced banks to close their doors as they did not have the finances to support their customers’ needs. As banks across states began to close their doors, it spurned more bank runs as customers lost trust in their banks to protect their money and attempted to save whatever funds they had left. This led to a spiraling effect in which consumers panicked at stocks dropping, removed their funds, banks closed their doors, causing more panic in neighboring areas. At the federal level, the Federal Reserve could not come to a consensus on what actions to take which pushed the economy further into recession (The US banking System, 2012). These events contributed to the largest ever nationwide economic failure: The Great Depression.

In an attempt to abate the risk behavior of the banks and stabilize the banking industry, major banking regulations were passed that would remain in power for over 50 years. Less than thirty-six hours after taking office in 1933, President Roosevelt suspended all banking operations for the entire week. This was based on the advice from the Federal Reserve Bank of New York which was quickly losing gold and was in danger of being below the legal requirements. The “Holiday” stopped the outflow of gold from the reserve and allowed political actors to work towards a more permanent solution
without putting banks into further danger of closing. During the Holiday, the Emergency Banking Act was passed, which allowed for the reopening of certain banks reviewed by the Federal Reserve that could be supported financially with newly printed currency. The Act was also a way to restore national faith in the banking system and “by March 15, banks controlling 90 percent of the country’s banking resources had resumed operations.. although some 4,000 banks would remain closed forever” (Jabaily, 2013). Although the Banking Holiday and Emergency Banking Act helped to stabilize the banking industry, there was still the question of how to prevent this type of crisis from occurring again.

As a result of the massive bank failures due to risky investments and lack of liquidity, the Glass-Steagall Act of 1933 formally separated commercial banks and investment banks. Commercial banks accept deposits and make simple loans while investment banks address issues like security underwriting, acquisitions, and trading securities. The separation of the two entities was a way to keep banks from gaining too much financial power over consumers, and it enabled the development of a more comprehensive regulation over these different entities (Coleman, 2010; US banking system, 2012). However, while Glass-Steagall increased the security of the banking industry through Federal Deposit Insurance and the tightened expectations from the Federal Reserve, it did not address issues with Bank Holding Companies (Omarova & Tahyar, 2011).

The lack of direct control over Bank Holding Companies changed in 1956 when the Bank Holding Company Act (BHCA) was passed. The Act was started as an anti-monopoly act to keep BHCs from taking over the national banking system and making investments without regulation or restrictions like other banks. The Act was lobbied for
by small local banks as they did not trust big banks, which followed the traditional ideology of distrust of big business in the United States. Big business was able to push smaller, locally owned businesses out of the market and had more power over the people they employed. Large businesses did not follow the traditional American ideology of hard work and community involvement and were seen as removed from the community and untrustworthy. Additionally, smaller banks were under much stricter regulations and BHCs were able to avoid the federal laws through the advice of their law teams and their ability to better understand the regulations they faced. Since these smaller banks were under more regulations, larger banks were able to force these small banks out of competition through their economic power (Omarova & Tahyar, 2011).

The laws described above established the legislative framework for the banking industry that became even more complex in the 1970s when banking became much more international. Investment banks did not have the same regulations as commercial banks and began investing in higher return markets like money-market mutual funds. In order to address the international development of the banking industry, the Basel Accords were developed in 1974 by an international committee. In Basel, Switzerland, 13 countries gathered to address inadequacy in capital requirements of banks internationally as well as ways to address bank risk through supervision and deposit insurance. Adopted in 1988, the first accord “is credited with improving stability of the international banking system, both through defining consistent safety and soundness standards and promoting better coordination among financial regulators” (Eubanks, 2006, p. 2). While this was the first step in international regulation standards, some regulators expressed that Basel I did not adequately measure the risk of capital requirements. However, it was not until 2005 that
Basel II, an updated version of Basel I to address the risk of capital measurements, was developed.

In the continuing trend of complex banking, commercial banks and BHCs began looking into investing in real estate, insurance, and derivatives and during the 1980s and 1990s, as federal regulation separating “permissible banking and ‘closely related to banking’ activities” was limited (Omarova & Tahyar, 2011, p. 125). This lack of regulation on commercial banks is because the economy was doing well and the regulation that did exist could be danced around by BHCs. They were able to avoid regulation because, in the 1970s, the Bank Holding Company Act was amended to redefine banks. Those who were engaged only in consumer loans, and not commercial loans, were exempted from the BHCA so companies started creating “nonbank banks” so they would not be regulated like a normal BHC (Omarova & Tahyar, 2011, p. 150).

By the 1980s, the Federal Reserve was angry about the lack of restrictions on BHC and how these companies were able avoid federal regulation: “The Federal Reserve’s open animosity towards nonbank banks reflected its belief that these institutions were used deliberately to avoid restrictions on interstate expansion and to combine banking with impermissible commercial activities, thus gaining an unfair advantage over regulated banks” (Omarova & Tahyar, 2011, p. 153). Thus the Federal Reserve attempted to change the language in the BHCA to redefine “demand deposit” and “commercial loan” to include all BHCs. However, the Supreme Court stated in the 1986 decision of Board of Governors v. Dimension Financial Corporation that the Federal Reserve was overstepping authority with their interpretation and that Congress
had to pass a resolution if the Act were to be applied in this way (Omarova & Tahyar, 2011, p. 155).

Pressured by the Federal Reserve, Congress passed the Competitive Equality Banking Act of 1987, which remains in place today. A bank was defined as “an FDIC-insured institution, or an institution that accepts demand deposits and makes commercial loans” (Omarova & Tahyar, 2011, p. 156). In accordance, most nonbanks became banks under federal jurisdiction except: “industrial banks and industrial loan corporations (eg. Merrill Lynch and Morgan Stanley Bank), credit card banks, limited purpose trust companies, credit unions and savings associations” (Omarova & Tahyar, 2011, p. 158).

However, just as the Federal Reserve was pushing for further regulation since the 1930s, the banking industry began pushing for regulatory changes in order to become more competitive. As banking became more international, there was a large shift to a focus on free markets and deregulation, which began to dominate the work of economic scholars as they demonstrated that regulated markets performed more poorly than their unregulated counterparts. These scholars began developing the idea of the Private Interest Approach, which expresses that the private industry is best equipped to make impartial regulatory and governance decisions whereas the government can be influenced by external pressures. While this view of regulation will be discussed more explicitly in the literature review, it had an important impact on the national level change from favoring regulation to pushing for more open markets (Harnay & Scialom, 2015). The stricter regulatory models developed in the 1930s began to be dismantled in the hopes of making the United States’ markets more competitive at the international level.
A part of this change came in the form of money market mutual funds which allowed the “earning of the high, unregulated interest rates of Wall Street’s money market instruments instead of the lower regulated rates that could be paid by commercial banks” (US banking system, 2012, np). As money market mutual funds became more popular for investors, they began removing funds and reinvesting outside the banking system. This made the banking industry smaller, which led to banks calling for deregulation at the federal level so banks could compete with these investments. The banking industry utilized economic growth to push for further deregulation:

Growth continued until the financial industry and its allies promoted and sold the myth that markets knew best and that the least regulation was the best regulation. That Wall Street-funded ideology ushered in an era of deregulation, unbridled risk-taking, and illegal activity rising in some cases to the level of criminality.

This history is powerful proof that regulation is simply not the enemy of growth and prosperity, but that broad-based de-regulation is (Kelleher et al., 2016, p. 3)

Through the early 1990s, congress began removing restrictions on interstate banking, bank merger rates grew, and independent banks became more infrequent (US banking system, 2012). Long-standing patterns of regulation and oversight in the banking industry began to change.

In 1999, Congress passed the Gramm-Leach-Bliley Act which repealed key parts of Glass-Steagall Act and created Financial Holding Companies that could take part in commercial activities as well as “financial in nature activities” (Omarova & Tahyar, 2011, p. 126) This included allowing commercial banks, investment banks, securities firms, and insurance companies to all be joined together under one company (Coleman,
2010). In doing so, Congress effectively removed the “separation of banking and pure commerce” which was the goal of the BHCA (Omarova & Tahyar, 2011, p. 126). This Act allowed for massive BHCs to develop and rearrange their investments and the way banks were able to address their finances.

The act ended the regulatory framework of the banking industry that began during the Great Depression and put the power of regulation in the hands of the banks as they developed into more risky, global institutions (Bexley, 2014). The Act put regulatory actions for subsidiaries of investment banks under the Securities and Exchange Commission, but no federal agency was responsible for supervising investment bank holding companies. There were also limited expectations of these companies written into the law regarding liquidity or capital measures. The deregulation was furthered by the 2000 Commodity Futures Modernization Act (Zhao & He, 2013). This drastic shift away from federal regulation laid the groundwork for the 2008 Great Recession.

The mass expansion of the types of business that banks could do, along with the lack of regulation of these companies through the Competitive Equality Banking Act of 1987, explains how the 2008 Great Recession began its development. Banks were able to not only provide mortgage loans but also package those loans and sell them to other financial actors while also insuring these packaged loans through financial insurance companies. Banks began selling millions of mortgages to Americans with the idea that even if some loans defaulted, the packaging of loans and the insurance would prevent any potential failures. The result of these actions was the formation of the “Housing Bubble” that eventually led to the 2008 Great Recession, which will be addressed in more depth later in this thesis.
In response to the recession, Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. This Act addressed multiple issues in the banking industry, including bringing back the BHCA goals, which expands regulations and supervision of the Federal Reserve on all financial groups. This includes more regular check-ins of financial actors, as well as reports to Congress and the newly created agencies: The Financial Stability Oversight Council, The Office of Financial Research, and the Consumer Financial Protection Bureau. However, the Dodd-Frank Act did not expand the definition of what constitutes a bank and still excludes a large number of financial actors (Omarova & Tahyar, 2011, p. 189). Additionally, part of the discussion around this Act was addressing banks that are “too big to fail” meaning that a bank has so much financial capital and power that the federal government cannot let it fail without drastically impacting millions of Americans (Christophers, 2014, p. 430). However, too “big to fail” is still an issue today as large banks were encouraged through financial incentives to buy out their failing competitors in the 2008 Great Recession. Bank mergers had increased in the 1990s, making some banks incredibly large and by 2005, 55 percent of the financial industries’ assets were held by only 10 banks (Christophers, 2014, p. 44).

In sum, while the federal government has attempted to control the banking industry through multiple pieces of legislation, the industry continually has found ways around those regulations. Even after a century of attempted control, the banking industry is now more consolidated and monopolized than ever, creating a large power block of financial actors. Financial actors have been successful in finding ways to avoid laws or lobby for changes in Congressional acts by utilizing Quiet Politics. The rest of this thesis will examine how financial actors can use their power in the federal sphere, how this can
impact the nation, and what has been done in response both by citizens and federal policy actors.

**Case Study Methodology**

To conduct this analysis, this thesis will take a case study approach to apply the theory of Quiet Politics to the 2008 Great Recession and the Occupy Wall Street Movement. A case study allows us to look in depth at these contemporary events as it enables us to examine the multiple factors that contributed to these events. For a case study approach, the evidence used can come from a number of different sources, but Robert Yin (2014) describes the main sources of documentation as archival records, interviews, direct observation, participant observation, and physical artifacts (p. 106-117). Using these types of data, case studies address situations in which there are many factors of interest which cannot be tested in an experimental environment. Case studies allow multiple points of interest to be observed and analyzed in order to develop and support an argument. Once the data converges into a cohesive unit, the scholar can begin to draw conclusions.

Case studies can be limited in their validity if they are too broad or too limited. It can also be difficult to apply case findings to other events or situations as it can be hard to generalize the findings (Yin, 2014). For example, these case studies will look at events which occurred during the Great Recession which impacted many nations, but specifically the theory of Quiet Politics and its development within the United States banking industry. Further, the analysis focuses on United States’ banking institutions. Other banking sectors in other countries may not have the same history and development as the United States and therefore would require case studies of their own. Consequently,
it may be difficult to apply the findings of this case study to other banking industries across the globe and their use of Quiet Politics.

The first case study is defined by taking the theory of Quiet Politics and seeing if its key defining factors are applicable to the development of the 2008 Great Recession. Using evidence from 2005 to 2009, the study will focus on the banking industry and the actors who regulate these banks. The data will primarily come from archival records of different economic indicators and federal policy, news articles describing the events, and scholarly articles describing the events that occurred. The data will also include interviews with actors involved in the recession at the federal level that was conducted in various documentary formats. Together, this research base will create a narrative that helps explain the Great Recession and the extent to which Quiet Politics have played a role in the development and the eventual collapse of the economy.

In order to apply the theory of Quiet Politics, this thesis will use Culpepper’s methods and discussion around Quiet Politics in other socio-economic structures. Culpepper’s theory discusses Quiet Politics utilizing three main criteria, which I will apply to the information gathered about the 2008 Great Recession. First, he argues that Quiet Politics can preserve power over a policy area primarily if it is away from the public eye or maintains limited political notability. In effect, the public does not actively take part in this area of political decision-making or is even blocked from knowing what is being deliberated. The lack of public input creates an arena where managerial elites or field experts are able to yield more power over the issue since the public is not involved. Rather than looking to their constituents or broadly representative interest group
demands, politicians instead resort to the advice of experts in that policy area, allowing them to maintain and enhance their control over an issue.

The next two criteria for Quiet Politics come from the two aforementioned types of power: structural and instrumental. Structural power comes from the inherent ability of large corporations to control how economic progress changes in a country. Corporations can choose to invest or exit a certain economy based on the regulations that are passed and politicians know this can have a large impact on a national economy, as well as on their likelihood of reelection.

Instrumental power focuses less on the firms’ economic capabilities, but rather looks at their abilities to use their resources for political access and influence. This includes ensuring that politicians are friendly with corporations through lobbying efforts, donations to political campaigns, or hiring government insiders for government relations work. The resources they possess allows them to build and maintain close connections with elite political actors to encourage them to vote in favor of the corporation (Culpepper, 2015).

These three criteria will be applied to the banking industry’s actions leading up to the 2008 Great Recession. How was the Financial Crisis impacted by Quiet Politics? How did political salience impact the decision-making process? In what ways did structural and instrumental power impact the abilities and power the banking industry had in the political realm?

The next case study will focus on political salience the actors of Anti-Quiet Politics: The Occupy Wall Street Movement. This case study is an interesting example of how the power of business in politics can be brought to the center of the public’s
attention, as well as the political agenda. The case study will use memoirs from the involved actors, as well as news coverage addressing the movement, and other scholarly writing. The case focus is on political change through agenda setting or policy making. It will examine the changes these actors were able to impose at the federal level and what, if any, impacts they have had on the maintenance Quiet Politics.

This thesis will analyze Quiet Politics in action and what happens after a person or organization makes Quiet Politics loud. How does Quiet Politics alter the real and potential political positions in regard to business power and influence in the political structure? How has the banking industry responded to these Anti-Quiet Politics campaigns? These are all important questions to ask and begin to answer when thinking about how the political structure might change in the next few years with respect to business-government relationships.

The first case study will apply the theory of Quiet Politics to the 2008 Financial Crisis to demonstrate the what aspects of Quiet Politics, if any, were involved in the development and outcome of the crisis. This includes looking at the two types of power the financial industry maintains in the United States: instrumental and structural power. That will mainly analyze the strength of lobbying capabilities, campaign funding, political appointments and expertise knowledge, as well as the economic strength of the industry. The analysis will be done using auto-biographies with actors involved in the decision-making process, statistical data about the financial abilities of the banking industry, news articles published during and after the recession, and theory surrounding the power of economic actors. The case study will analyze how these different forms of
power played into the Great Recession and how it may have impacted the decisions made by elected officials.

The second case study will look at the Occupy Wall Street Movement from its creation in 2011 to 2016. The study will use news articles, primary sources and interviews from those attending the protests, the information released by the Movement itself, federal information, and related scholarly writing. This case will examine why and how the Movement developed, what were their goals, and how did they impact or change the banking industry. All of this information together will build an understanding of how the Occupy Wall Street Movement was able to bring Quiet Politics to national attention without actually using the phrase Quiet Politics.

This case study varies from the theoretical analysis of Quiet Politics as it is attempting to understand the response to Quiet Politics in the political sphere rather than its effects. The Movement was addressing how political and economic elites can impact federal policy in a sphere outside the average citizen’s influence. The case study will use the knowledge about the Movement to see if, and how, they attempted to overcome the main criteria of Quiet Politics: making an issue politically salient and addressing the structural and instrumental power of business at the federal level. Altogether, these two cases will help explain how Quiet Politics was influential during and after the 2008 Great Recession and how the future of Quiet Politics, based on the actors involved, can change to limit its power or potentially keep Quiet Politics in place.
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Chapter 2: Business Power and Responses Literature Review

“Whom is the economy for, anyway?”
- Robert B. Reich

(Reich, 2012, p. 62)

This literature review analyzes the range of writing and research that surrounds Quiet Politics in order to better understand how it works. This literature review will be analyzing the two main forms of Quiet Politics, structural and instrumental power, as well as the importance of political salience in Quiet Politics. Sources include information about why businesses and corporations retain immense power within the United States’ polity, as well as how business has maintained this position over time. First, this literature review will explain what Quiet Politics is and the importance of political salience in its success. Then, structural power will be discussed through its historical development within the United States’ free-market structures. Next, instrumental power will be described through lobbying organizations of business in comparison to other interest groups as well as the average citizen. Finally, the literature review will return to the idea of political salience and how issues can become politically salient. Examining the current research helps create a context for understanding the development of Quiet Politics and how future research might analyze the impact of political salience on the power of Quiet Politics.

Quiet Politics and Structural Power

Business organizations utilize issues of low political salience to further business agendas in two specific ways -- described as structural and instrumental power (Culpepper, 2011). Pepper Culpepper (2015) describes the scholarly research conducted on structural power in his article “Structural Power and Political Science in the Post-Crisis Era.” The article focuses on the arguments against structural power and
readdresses the definition of structural power in modern contexts as well as its interactions with instrumental power. Structural power is an immense but unseen power that businesses maintain which helps support and benefit their instrumental power (Culpepper, 2016). Culpepper (2016) describes structural power as, “influence that accrues to the firm solely by its position in the economy as an engine of economic activity, typically anticipated by policymakers and automatically built into policy” (459).

Structural power describes the interdependence between markets and political structures and the ability of markets to consistently influence policy without any direct action but rather utilize their economic influence to control the capitalist system. Governments need private firms to invest in order to grow their Gross Domestic Products, consumer goods and services, and jobs. Additionally, business controls the financial future of the country and political actors know that how they help or hurt business will help or hurt their constituents (and their chance of reelection) (Culpepper, 2011).

On the other side, business needs government to help create the spaces for which investments thrive. Specifically, firms are looking for less regulation, fiscal independence, and strong monetary returns. The two systems are dependent on one another for success. Structural power as a topic of study has come back to prominence following the 2008 Great Recession with a focus on two key topics: “too big to fail” and the strength of the relationship between the United States government and large financial institutions.

The two main objections to structural power, mentioned by Culpepper, address how business is able to lose political battles as well as addressing if there is a difference...
between structural and instrumental power. Culpepper (2015) denies the first claim in
stating that even though business benefits from structural power, this does not mean that
they succeed every time. He states, “Structural power refers to a set of advantages, not a
pair of loaded dice that always turn up the right way” (Culpepper, 2015, p. 395).
Structural power is able to create variation in how business impacts the political process
yet discovering and discussing the influence of structural power is difficult because it is
less visible.

Aside from structural power, the business also exercises instrumental power
through campaign donations and lobbying as individual firms and through collective
business interest associations, such as the Business Roundtable. Structural power and
instrumental power are inherently connected and thus it is hard to distinguish their
separate impacts. In terms of the 2008 Great Recession, some scholars have stated that
bank bailouts were a form of structural power as banks had become too big to fail and
therefore government actors had no choice but to save their assets because so many jobs
and investments were on the line. Yet scholars also note that the structural power of too
big to fail resulted from earlier lobbying for deregulation of the banking industry. Either
way, with some banks viewed as being too big to fail meant that the United States
government had few options other than to bail out the banks. Further, the financial actors
involved in the recession were not criminally indicted as, “The US government stands at
the center of the web of global finance, but if it tears down several large players, it risks
significantly damaging itself” (Culpepper, 2015, p. 399). The reciprocity of structural
power kept the government from overhauling the banking industry and filing criminal
indictments against the actors involved in the aftermath of the Great Recession.
While structural power has become a more significant topic because of the recession, it has been an issue of discussion among scholars for decades. Many articles that discuss the relationship between business and political actors begin with the noteworthy arguments made by Charles Lindblom (1977) in *Politics and Markets: The World’s Political-Economic Systems*. Although the work is outdated in regard to current economic structures and restrictions within the United States, his main ideas remain relevant. Lindblom addresses the important role corporations, and capitalism more specifically, has on American life and political ideology. He states that when a nation relies on a capitalist system, they are relying on business to “decide a nation’s industrial technology, the pattern of work organization, location of industry, market structure, resource allocation, and, of course, executive compensation and status” (Lindblom, 1977, p. 171). Corporate influence on the political agenda has allowed “a broad area of public decision making [to be] removed from polyarchal control” (Lindblom, 1977, p. 172). The government supports this because it does not want corporations to leave the United States.

Lindblom further advances his argument by discussing how business actors can be viewed as officials who are more powerful than elected government officials due to their economic power and abilities. Businesses have the ability to control “jobs, prices, production, growth, the standard of living, and economic security of everyone.. Consequently, government officials cannot be indifferent to how well the business performs its functions” (Lindblom, 1977 p. 172). Because of this, elected officials must monitor and support business to perform well in their own careers. In order to protect the economy from market fluctuations, the government at all levels encourages and supports
corporations through tax subsidies and rebates, fewer corporate regulations, and governmental projects such as infrastructure and workforce development. One prime example of providing firms with support was “the judicial interpretation of anti-monopoly legislation to restrict unions rather than business enterprises,” which hurt laborers but sustained business power (Lindblom, 1977, p. 174). If a business expresses that a change in taxes or laws, for example, would help it expand or enhance its economic performance, then it would be difficult for a public official to deny them a hearing. Indeed, business people are often invited to the political table as a full participant in these situations.

By comparison, workers, or those performing labor and supporting industries through the labor market, do not get the same focused attention and support from political actors. This is because labor leaders do not provide the same essential services as business leaders. Additionally, workers will continue working no matter what political support they receive: “Their livelihood depends on it” (Lindblom, 1977, p. 176). Workers rely on the market to support them and thus unionizing, striking, or political organizing can cause a potential backlash to a worker’s ability to sustain himself or herself. This creates a huge power gap within the market and political structures as Lindblom (1977) notes: “In short, the rules of market-oriented systems, while granting a privileged position to business, so far appear to prohibit the organizational moves that would win a comparable position for labor” (p. 176). It seems then, that business maintains political control and power—especially relative to labor—and within the government (McConnell 1966).
Lindblom establishes a foundational economic understanding for why governmental organizations cater to large businesses for economic reasons, but culturally, this relationship has long roots too. The first chapter of *Kindred Strangers* by David Vogel (1996) addresses the history of business structures within the United States and their impact on public policy. Historical understandings are vital because, in the United States, capitalist structures were formed before the organization of bureaucratic structures within government to either regulate or support businesses. Corporate interests were used to the independence they maintained from government structures since the early 19th century. Corporations developed around the 1840s and 1850s, without government intervention changing how the market structure could, or should, work. Once regulation began, many government policies were enacted to further enhance the market development: “By the mid-1840s private capital was strong enough to demand successfully that the state significantly reduces their intervention in business matters” (Vogel, 1996, p. 40). Therefore, governmental initiatives such as subsidized railroad construction, tariffs to protect domestic interests, and legal restraints on strikers and Native Americans were initiated, all with the goal of making market capitalism work even more smoothly.

This power relationship did not sit well with all Americans; especially those who did not benefit from the power relationships, specifically those who were self-employed and farmers began making their voices heard. By using their democratic power, those excluded from the business community called for a change in government-corporate relations. Vogel writes that “Given Americans’ historical mistrust of corporate power and suspicion of business-governmental co-operation, government officials have
understandably been reluctant to justify particular policies on the grounds of their benefits to a particular industry” (Vogel, 1996, p. 116). In his statement, Vogel means that instead of explicitly stating that a business wants a policy because it will help them in some way, policies are defended on other grounds, such as national security, housing, or agriculture. The policies developed by businesses were rephrased in a way that appealed to the public and would promote economic development, even if the main outcome was to benefit businesses (Vogel, 1996). This is an example of Quiet Politics.

Quiet Politics became more evident in corporate strategies developed in response to public interest groups during the 1970s (Vogel, 1996, p. 142). The public interest movement worked to limit the power and privileges of business by making interactions transparent and scrutinized publicly, which hurt the ability of businesses to rely on structural power. Rather, instrumental power began to develop as businesses formed their own organizations that would represent, and lobby for, their interests in the political sphere. When Congress proposes a bill, interest groups impacted by said bill reach out to those who are influential in creating and passing that bill—namely bureaucrats and congressmen—in order to have a stronger voice in the outcome of a policy. Corporations use these same methods to protect their current and future profits by pushing for policies that benefit their industries (Vogel, 1996, p. 148). Recently, more firms than ever have government relations offices, public relations offices, grass-roots support programs, and resources devoted to “influencing the climate of intellectual opinion” (Vogel, 1996, p. 132). These changes resulted from the success of public interest groups who placed the business on the defensive by calling for more public and democratic political-business relations. Businesses began working harder behind the scenes to achieve policy changes.
Unlike traditional public interest movements, the American business community remains fragmented, so that each firm maintains its own autonomy in the political arena rather than having a single overarching voice. However, there are also large organizations that represent an industry’s interests. Examples of these types of groups within the United States include the Business Roundtable, the National Federation of Independent Businesses, the Chamber of Commerce, and many others. While these organizations represent overarching the welfare of an industry, each firm also represents its individual interests. This fragmented form of instrumental power increases the number of actors involved and promoting business interests. More businesses are lobbying government than ever before, so it can be difficult to keep track of how businesses are influencing policy decisions, making this form of policy pressure more difficult to understand for the general public (Vogel, 1996, p. 277). The fragmentation has increased the money spent on public relations and has led to actions on individual policies rather than large-scale political change. These are the some of the effects of corporations utilizing Quiet Politics.

The idea of business interest groups dominating policy making was originally described through the context of pluralism by E.E. Schattschneider (1960). Conflicts in the pluralist political arena are about not only the involved actors but also about the involvement of the audience. The extent to which a conflict involves the public can determine the outcome. The way conflict is viewed within the pluralist political arena is important to monitor and Schattschneider (1960) states, “there has been a long-standing struggle between the conflicting tendencies toward the privatization and socialization of conflict” (p. 7). Specifically, it can be valuable to keep some conflict away from the public eye in order to keep it and the outcome more controlled. Schattschneider (1960)
refers to this as controlling the political scope of an issue or keeping it from becoming politically salient.

Quiet Politics includes the ability to keep a conflict that will lead to a potentially impactful decision hidden from the public eye. Once a conflict has been kept from the public, it can be difficult to bring it to the surface of the political sphere and draw attention to the issue. Schattschneider (1960) claims that democratic government is the most effective system to socialize a conflict and that citizens rely on the government to socialize conflicts. However, he continues to describe that while the government has worked to socialize conflict, they are also able to utilize privacy to their advantage, such as during cabinet meetings. This dynamic between what is public and expressed to citizens and what is kept private depends on the actors within a conflict. As such, when an area of policy maintains low political salience or is outside the public eye, then the two types of business power can have a stronger influence on policy development.

One of the ways in which actors are able to keep some issues private or keep them from becoming political salient is by “pressure groups” (Schattschneider, 1960, p. 31). Pressure groups are essentially interest groups that receive benefit from either expanding on a conflict and its socialization or limiting a conflict and keeping it private. He observes “the most powerful special interests want private settlements because they are able to dictate the outcome as long as the conflict remains private” (Schattschneider, 1960, p. 40). Schattschneider also specifies that in the 1950s, business organizations were the main portion of pressure groups with upper-class citizens being the most represented group within pressure groups. Additionally, businesses tend to band together and avoid public conflict between one another in order to develop a larger pressure group.
To abate the power of pressure groups, other organizations or people attempt to make their conflicts public. Schattschneider states, “Private conflicts are taken into public arena precisely because someone wants to make certain that the power ratio among the private interests most immediately involved shall not prevail” (1960, p. 38). By saying this, he is describing how Quiet Power can be addressed and prevented by bringing salience to an issue by Anti-Quiet Politics actors. Those outside the conflict work to socialize an issue and potentially alter the outcome. However, there are always many conflicts drawing the attention of the public. As such, only a few conflicts can become significant and Quiet Power works to determine which ones become salient.

**Quiet Politics and Instrumental Power**

In a recent article, Martin Gilens and Benjamin Page (2014) build off the findings of Schattschneider and address how business interest groups are able to dominate other interest groups or individuals. The authors describe four theories in which actors can impact policy making and how much those actors can change policy decisions: average citizens, economic elites, or organized interest groups. The first theory analyzed is the Majoritarian Electoral Democracy which expresses that citizens impact the political process through elections. This was developed by scholars such as Tocqueville who was worried about “tyranny of the majority” and it assumes that all people are able to participate in government at the same level. It follows the idea of rational choice theory in which voters select candidates based on their interests. In order to obtain the most votes, political parties utilize the median voter theory. This theory postulates that parties use the most-preferred positions on issues to obtain the largest number of votes possible. This pushes parties toward the center of the ideological distribution as most voters have
neither far right or far left views on issues but fall somewhere in the middle. Parties then develop public policy that fits the preferences of the average voter which would be approved by the majority of citizens, and therefore citizens have an impact on policy development. The problem is that this theory does not account for the preferences of the wealthiest citizens or organized interests.

The second theory is the Economic-Elite Domination theory in which those with high levels of wealth, such as business owners, or those with high social status are able to dominate policy making. However, the authors focus primarily on the wealthy elite as that is a more measurable metric. The theory has been supported through a number of historic examples, including Charles Beard’s *An Economic Interpretation of the Constitution of the United States* (1921) wherein he argues that the framers of the constitution worked to protect private property, thus protecting those who were wealthy enough to own that land in the first place.

The third theory is Majoritarian Pluralism which describes that citizens represent their interests in interest groups and all interest groups are equally impactful in the political process. This idea is first seen in *Federalist Paper* No. 10 by James Madison, who observes that different factions (today’s interest groups) would form and would help advocate and develop policies for those outside the majority. The formation of multiple factions would help “defeat ‘tyrannical’ policies” by giving a stronger voice to those not represented through a vote. However, this theory can only work if constituents recognize their organizational power and properly use it to achieve policy goals.

The final theory describing democratic influence is Biased Pluralism. This theory grows from Majoritarian Pluralism in stating that while interest groups can form and
lobby policy makers, policies will tilt towards the wishes of corporations and business. Business power in organized interest groups returns us to Culpepper’s (2015) ideas of the structural and institutional power of organized business interests, as well as Lindblom’s (1977) theory of the privileged position of business. Additionally, it is important to recognize that the majority of lobbyists and interest groups represent the interests of businesses while those representing the poor or working people have diminished in numbers and members (Gilens & Page, 2014, p. 567).

Gilens and Page use these theories in order to “estimat[e] the influence upon public policy of ‘affluent’ citizens, poor citizens, and those in the middle of the income distribution” (Gilens & Page, 2014, 568). After performing a multivariate analysis of influence on policy, they find the median voter has little to no influence over policy while affluent citizens and interest groups have a significant influence on policy. The authors argue that what the average citizen thinks about a policy matters little because whether it is a small minority or a large majority favoring a policy change, the probability of the change occurring is only about 30 percent. However, for economic elites and interest groups that variation changes dramatically. If a low number of economic elites support a policy, then the proposed policy is adopted only 18 percent of the time but if a majority of elites support a change, that number rises to 45 percent. A similar pattern occurs with interest groups with the probability changing from 16 percent to 47 percent.

It is important to acknowledge that while the average citizen and affluent citizens tend to align on policy changes, there is still limited responsiveness to the desires of the average citizen from the government. Further, when interest groups are separated into mass-based groups and business interests, business interest groups have a 43 percent
chance of change while mass-based only have a 24 percent chance. A part of this difference is because there are more business-based interest groups than mass-based interest groups. However, the interests of business-oriented interest groups have a negative correlation with the average citizen so if both business interest groups and elite citizens have differing opinions than the average citizen on a policy change, it is unlikely a change will occur favoring average citizens. Gilens and Page (2014) conclude by stating that, “The central point that emerges from our research is that economic elites and organized groups representing business interests have substantial independent impacts on U.S. government policy, while mass-based interest groups and average citizens have little to no independent influence” (p. 565). In sum, a business can utilize its instrumental power in a way that few other interest groups can.

Recent research from Schlozman, Jones, You, Burch, Verba, and Brady (2015) addresses the role of business interest groups in politics by explaining the distinction between memberless interest groups versus traditional membered groups. Memberless interest groups include organization such as universities, hospitals, and corporations, while traditional style memberships have registered individual members, such as the National Rifle Association. Both types of groups advocate for their interests through lobbying and targeted election donations, but memberless organizations have larger organizational power (Scholzman et al., 2015).

For example, in 2011 there were about 14,000 organizations maintaining Washington Representatives. Of those 14,000, 11.3 percent had individual members, whereas memberless organizations maintained 56.5 percent of those organizations and 13.9 percent represented associations of memberless organizations. The remaining 14.3
percent was comprised of sub-national government groups. Additionally, memberless organizations with Washington representatives have grown by 7 percent from 1991 to 2011 whereas membered organizations dropped by 6 percent. Memberless organizations and associations also account for 63 percent of the lobbying spending in Washington D.C. in 2010-2011 (Scholzman et al., 2015, p. 1019-1020). Business organizations have been able to increase their instrumental power in the past two decades by increased spending on enhanced lobbying capabilities and campaign donations.

Furthermore, instrumental power can also take place by having a member of a business placed onto a government advisory board or by hiring government actors into a corporation’s governing board. While this topic will be addressed more in the next chapter, it is not a new phenomenon to bring business people into the decision-making process or vice versa. Examples of this include the development of the American Farm Bureau Federation and the Chamber of Commerce which are both private organizations but were developed with the support of the federal government (McConnell, 1966). Members of these organizations were then invited to help develop policy and make decisions in their areas of expertise. Although this dynamic is a form of instrumental power, it relies first on structural power to actually be developed. For many political actors, it is both easier and pragmatic to trust the advice and expertise of business actors as they are the ones who possess substantive and professional knowledge and expertise in various areas of public policy.

Another example comes from the Business and Defense Services Administration, (BDSA) which was founded in 1953. This organization “was to give service to business (in almost all dealing with Government); it was also to help achieve governmental ends in
industrial mobilization” (McConnell, 1966, p. 269). Later came the Committee for Economic Development (CED), currently maintaining over 200 corporate members, which is described as a “policy-planning network” that meets with and discusses policy with political actors (Domhoff, 2013, p. 12). The CED was closely tied to the Business Advisory Council (BAC), which is a similar organization, and together the two groups were, and still are, able to connect with think tanks, policy development organizations, and place their members in governmental positions (Domhoff, 2013).

Further, a revolving door exists that constantly moves players between government offices and top positions in banking firms. For example, “the Treasury secretaries under Bill Clinton and George W. Bush… had each chaired Goldman Sachs before coming to Washington” (Reich, 2015, p. 41). Timothy Geithner, the Secretary of Treasury for the Obama administration, formerly served on the Federal Reserve Bank of New York, and he has since returned to a position on Wall Street. Geithner was a key actor in developing the bailout following the 2008 Great Recession as Secretary of Treasury, a position he received due to his expertise in the banking industry. These are simply a few of the many examples of private actors being invited to advise on federal governmental boards or were hired to hold federal positions. Although this close relationship between private sector actors and government officials will be discussed further in the next chapter, the idea of government reliance on business expertise to help make decisions and policy, which business can then use to its advantage, is evident.

As this review has demonstrated, the historical power of capitalism, and by extension, businesses within the United States has enhanced the ability of corporate interests to successfully lobby elected officials to develop policies that benefit businesses.
Corporations now represent more of the lobbying organizations at the federal level than organizations made up of individual citizens across the United States (Scholzman et al., 2015). Together, structural power and instrumental power have created a power dynamic that can override the interests of individual citizens, especially if the conflict takes place in a low salience area (Culpepper, 2011). The question remains: if Quiet Politics succeeds primarily in low salience issues where structural and instrumental power can flourish, what would occur if an issue became highly salient to the average citizen?

**Undermining Quiet Politics Through Political Salience**

There is always the possibility that low salience issues might become high salience, which then potentially changes the ways in which business and political actors interact. Issues gain saliency through two methods: “a crisis or the mobilization efforts of political entrepreneurs” (Culpepper, 2011, p. 6). When a crisis occurs that was caused by or impacts low salience issues, the public begins paying attention. The same occurs if an actor, or group of actors, draws the attention of voters to an issue by putting the public on the defensive regarding an issue or “associating the legislation with widely shared values” (Culpeper, 2011, p. 7). Examples of this include how banking regulation became salient after the 2008 Great Recession or when the use of pesticides was made salient through the book *Silent Spring* by Rachel Carson (Culpepper, 2011). Culpepper (2011) argues that when these events occur, Quiet Politics may be less effective as there are more voices suddenly involved in the political area. As such, businesses no longer can control the conflict and its outcome.

The saliency of an issue is also impacted by the attention the media gives a topic (Culpepper, 2011). Media report on topics that will generate audiences and therefore
income. So what media address are a good way to understand what voters, or audience members, view to be important at a given moment in time. If the media are not discussing a topic, then it is a way for politicians to infer that the issue is not salient to voters and can rely on other means to gather information on how to vote (Culpepper, 2011). Additionally, some topics are too complex to explain in sound bite fashion. Thus, they are not easy stories to sell, and some topics may not receive much coverage (Culpepper, 2011; McConnell, 1996). However, if an issue is brought into the spotlight through a crisis or by political entrepreneurs, then the media are more likely to publish stories and make the issue a national discussion (Culpepper, 2011). That could then impact the way politicians talk about the topic, listen to their constituents, and limit the power business can maintain through Quiet Politics.

Culpepper’s (2011) description of Quiet Politics, business, and the changing salience of issues, describes the ways in which democracy can be overridden by actors with economic power. As the literature demonstrates, Quiet Politics is a force that has historically impacted the political process in the United States through structural and instrumental power. Additionally, low political salience plays a role in maintaining the power of Quiet Politics and continues to undermine the interests of other groups within the United States. Culpepper (2011) expresses that high political salience could undermine the power of Quiet Politics as more actors are involved in a conflict and can thus push elected officials to develop different policies. More literature regarding this topic, such as punctuated equilibrium theory or incrementalism, will be analyzed in chapter four. However, the next chapter will continue the discussion of Quiet Power within the financial industry by analyzing the 2008 Financial Crisis.
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Chapter 3: Quiet Power and the 2008 Great Recession

“We’re fucked.”
- Timothy Geithner

(Geithner, 2014, p. 186)

The year was 2008. It was an election year following the eight-year term of President George Bush with prospective presidential candidates Senator John McCain and Senator Barak Obama coming into the final stretch of their campaigns. The Olympics were to take place in Beijing, China that year with the United States expected to come out on top. The year prior, the Dow Jones Industrial Average had closed above 14,000 for the first time in history. The housing market was strong with housing prices at an all-time high and millions of Americans investing their assets into the housing market. This was also the beginning of the largest recession the United States had faced since the Great Depression with millions of Americans losing their investments, retirement funds, houses, and jobs. There was not a single person that was not impacted by the 2008 Great Recession and its impact had lasting results in the United States.

The 2008 Great Recession resulted from a number of financial variables that, when combined, developed into the largest financial collapse the United States experienced since the Great Depression. Every person living in the United States was impacted in some way by the crisis and its impacts have lingered in the American socio-economic realm for many years. Within 21 months, over $17 trillion of household wealth was lost. Unemployment jumped from 8.8% in December 2007 to 17.4% in October of 2009. The recovery from the recession was a jobless recovery as it took over six years to return the unemployment level to pre-recession numbers, longer than the 1981 recession, the 1990 recession, and the 2001 recession (Financial Crisis Inquiry Commission, 2011). The crisis coalesced attention around a number of different issues surrounding the
banking industry’s power, and its ability to impact public policy at a level far above that of the average citizen.

This chapter will address the way in which the banking industry was able to utilize Quiet Politics for its benefit before, during, and after the 2008 Great Recession. It will describe the 2008 Great Recession and analyze the way in which actors in large banks were able to shape public policy to their advantage, as well as how federal policymakers worked with top bank personnel to develop policy changes. First, this chapter will give a short description regarding the events leading up to the Great Recession and how it morphed into a large-scale economic calamity. Then it will analyze the influence of instrumental power within the recession including how different powerful economic actors influenced one another and the way the crisis was handled during the two different Presidential administrations of the time. This includes looking at the revolving door of political placements, campaign donations, and CEO pay in the financial industry. Next, this chapter will focus on the idea of structural power and how banks had become “too big to fail” over time. Finally, the chapter will conclude by applying the instrumental and structural power dynamics to the Dodd-Frank Act. Altogether, the chapter will demonstrate the ways in which the theory of Quiet Politics can be applied to the 2008 Great Recession.

This is not to say that the variables discussed here are the only influencing factors in the events of the Great Recession, but this chapter will rather analyze the ways in which Quiet Politics was successful at influencing political decision making during and after the crisis. Overall, this chapter will argue that the 2008 Great Recession developed,
expanded, and concluded with the overlay of influence from the Quiet Power of the financial industry.

**The 2008 Great Recession: The Development and Collapse**

The 2008 Financial Recession was not a simple phenomenon and it is rarely described in its entirety because of this reason. We often hear about the recession in terms of the housing market and mortgages. This is true; a central piece to the collapse of the banking industry stems from the sale of subprime mortgages. Subprime mortgages were essentially home mortgages that were lent to potential home buyers. This seems normal, except when these loans were made the banks extending the loans knew at the time of sale that the likelihood of the loans being repaid was limited to none. The small probability that these loans would actually be repaid made these loans some of the riskiest loans that could be offered. Yet, the number of subprime loans being offered was skyrocketing, with the peak amount of loans being made in 2006 with the profits in the billions of dollars to top banks such as Goldman Sachs, Lehman Brothers, Merrill Lynch, Bear Stearns, and Countrywide Financial (Ferguson, 2010). The number of subprime loans that were being made was at an all-time high, which created what would be called the Housing Bubble. More specifically, millions of dollars were being lent out, but with the lenders’ knowledge that few loans could be repaid.

**Subprime Loans and Collateralized Debt Obligations**

The increase in the distribution of subprime loans happened for three reasons. First, the housing market was booming in the early 2000s and housing and land prices were at a high point, so investors figured they could receive these loans and eventually sell off the property to make a profit (Domhoff, 2013). As such, demand for home loans
was high. The high demand led to the second point, in which subprime loans had high interest rates, so the banks were making a large profit on those who obtained these loans (Ferguson, 2010). While it seems risky to sell a lot of loans that were unlikely to be repaid, the banks could limit their risk through a process called Collateralized Debt Obligations, or CDOs. (Bernanke, 2015; Domhoff, 2013; Ferguson, 2010; Hausman & Johnston, 2014).

CDOs were groups of loans and mortgages such as car loans, student debt, credit cards, and home mortgages that were combined into one financial asset (Domhoff, 2013). CDOs were sold from investment banks to investors who then received payment from those who paid the loans. Selling CDOs to investors became a major source of profit for investment banks, so they began selling riskier subprime loans over time. While these CDOs were filled with loans that were at risk of default, most CDOs received AAA investment ratings from investment rating agencies. Rating agencies are, in theory, impartial organizations that rate different investments based on mathematical models of the reliability of different investments (Financial Crisis Inquiry Commission, 2011). These agencies are then chosen, hired, and paid by the investment banks, so the ratings they provided them were not necessarily fair, impartial, or accurate (Ferguson, 2010; Barofsky, 2012). For example, from 2000 to 2007, Moody’s rating agency “rated nearly 45,000 mortgage-related securities as triple-A” in six different banking companies (Financial Crisis Inquiry Commission, 2011, p. xxv). However, rating agencies are highly trusted and receive little public oversight and as such, CDOs continued to sell and bring in profit for investment banks.
Banks knew that subprime mortgages and CDOs were risky investments, as the loans were likely to default. In order to avoid this possibility, investment banks began insuring their CDOs through credit default swaps. If a CDO went bad and failed, then an insurance company, primarily American International Group (AIG), would pay the investors for the loss. This was essentially ensuring that banks would not lose money if CDOs were to break down: like insurance pays medical bills if you get hurt (Hausman & Johnston, 2014). However, AIG never actually allocated funds to cover these potential insurance claims, as credit default swaps were unregulated (Barofsky, 2012). From 2000 to 2007, “AIG’s Financial Products Division in London issued 500 billion dollars worth of credit default swaps... many of them for CDOs backed by subprime mortgages” (Ferguson, 2010, n.p.). In short, the banking industry was able to insure its risky and potentially failing assets to ensure against losing money in the long run.

Avoiding losing money is not the same as making a profit, however, and banks quickly found a way to make more profit. Rather than only selling subprime mortgages and bundling them into CDOs to be sold, Goldman Sachs began buying credit default swaps from AIG. This was a pioneering strategy that Goldman Sachs’ developed as a way of betting against CDOs that they knew would fail, while simultaneously selling more CDOs to consumers that were likely to fail, although they were listed with AAA ratings. Goldman Sachs recognized that they could make a profit if CDOs collapsed by purchasing the insurance to them but could continue to bring in profit by selling more subprime mortgages. Other banks, such as Morgan Stanley, Merrill Lynch, J.P. Morgan, and Lehman Brothers, jumped on board and began developing similar methods to make profits whether the housing bubble continued to grow or if it burst (Ferguson, 2010).
The Rapid Fall of the Financial Industry: Bankruptcy and Bailouts

And the bubble did burst. As banks continued to offer more subprime mortgages, interest rates increased and homeowners began to default on their loans. In 2007, both the stock market and individual wealth fell rapidly as banks began warning investors of a potential collapse of CDO investments (Hausman & Johnston, 2014). As this began to unravel, few political actors seemed concerned. Ben Bernanke, the Chair of the Federal Reserve at the time and a key actor in the political sphere, warned that “subprime failures might cost $100 billion,” but he did not believe that the housing prices would plummet nationally (Hausman & Johnston, 2014, p. 2668; Ferguson, 2010). As 2007 came to a close, the top banks were claiming losses and write-offs in the billions of dollars, mainly resulting from failed subprime loans. In the beginning of 2008, housing prices began to drop drastically, which caused more people to default on their loans. This included people who could pay their mortgages but simply chose not to: why would someone pay for a $1 million loan when their home was now only worth $400,000? Not surprisingly, many filed for bankruptcy or just walked away from their houses, which only served to push the housing market further into recession. In 2008 alone, over 3 million foreclosures had been filed (Geithner, 2014, p. 264).

Bear Stearns closed its doors in March, with their investments having been rated as an AA only a month before. It was acquired by JP Morgan Chase, with the Federal Reserve backing the deal with 30 billion dollars’ worth of guarantees (Hausman & Johnston, 2014; Ferguson, 2010; Geithner, 2014). Henry Paulson, the Secretary of the Treasury, continued to deny that the United States was slipping into a recession as late as
July of 2008, even as banks were already claiming losses and the stock market was steadily dropping (Ferguson, 2010).

The final downfall hit in September of 2008 when Lehman Brothers bank claimed its first losses of $2.8 billion, with their books being three times larger than Bear Stearns. This was followed quickly by losses at AIG, the main company insuring CDOs, whose stocks dropped by over 60% (Geithner, 2014). As CDOs began failing, AIG was required to begin sending insurance funds to the banks to keep them afloat, but soon they were stuck under an “avalanche of collateral demands” (Barofsky, 2012, p. 142). Paulson continued to deny that the housing market was in an emergency. He soon changed his tone two days later when Lehman Brothers’ stocks plummeted after they announced a 3.2-billion-dollar loss.

While Lehman Brothers and Bear Sterns were familiar names to citizens, Fannie Mae and Freddie Mac were less well known, but each would have a huge impact on how the response to recession developed. The two giant government-sponsored enterprises (GSEs), Fannie Mae and Freddie Mac, held over 5-trillion-dollars worth of subprime mortgage debt through the backing of federal funds. As quasi-government-agencies, Fannie Mae and Freddie Mac are essentially corporations with the support and backing of the federal government and were chartered in 1938 and 1970, respectively. Fannie Mae was created to purchase “mortgages insured by the Federal Housing Administration” following the Great Depression by utilizing borrowed funds from the federal government (Financial Crisis Inquiry Commission, 2011, p. 38). By 1968, Fannie Mae maintained a portfolio of $7.2 billion, all financed through the Congress. Freddie Mac was created two
years following to help banks sell off their mortgage obligations to the two GSEs (Financial Crisis Inquiry Commission, 2011).

Over the next few decades, Fannie and Freddie continued to purchase mortgages using federal funds, with interest rates as low as the Treasury’s. The organizations also lobbied Congress extensively to ensure its support over time, with lobbying and campaign donations totaling over $179 million from 1999 to 2008 (Financial Crisis Inquiry Commission, 2011, p. 41). During this time, Fannie and Freddie lobbied for more relaxed regulations on purchasing different types of mortgages from private entities such as adjustable-rate mortgages, pushing for work in over-the-counter markets, and eventually, purchasing subprime mortgages and CDOs. In fact, the Office of Federal Housing Enterprise Oversight, the agency responsible for overseeing Fannie Mae and Freddie Mac, knew that the GSEs were purchasing subprime loans but never expressed any concerns in their reports and instead observed that their “credit risk management was deemed satisfactory” (Financial Crisis Inquiry Commission, 2011, p. 123). Through Fannie and Freddie’s political clout and the over $5.4 trillion in assets and mortgage guarantees they held, their success was essential to prevent the economy from falling further into recession (Financial Crisis Inquiry Commission, 2011, p. 65).

The rescue of Fannie Mae and Freddie Mac was the first of the federal bailouts, with the price tag running to about $200 billion. This bailout though would not be the last. Immediately following, Merrill Lynch was on the brink of collapse, also due to failing CDOs, and was bought by Bank of America for about $50 billion in a deal brokered by the Federal Reserve of New York (Geithner, 2014, Ferguson, 2010). However, there were more issues pending.
Paulson and Timothy Geithner, the president of the Federal Reserve of New York and another prominent actor in the recession, called for an emergency meeting with the CEOs for Citigroup, Morgan Stanley, JP Morgan, Goldman Sachs, and many others to try and address the potential collapse of Lehman Brothers and AIG with the large banks that were still standing (Geithner, 2014, p. 181; Ferguson, 2010). Both Paulson and Geithner were against a federal bailout and encouraged the CEOs to buy out the failing companies at the time. Facing their own bleak futures, the CEOs were not terribly receptive to the idea after reviewing Lehman’s books and recognizing the sizable losses they would have to absorb (Geithner, 2014; Bernanke, 2015, p. 260). With no options left, Lehman Brothers filed bankruptcy on September 15, 2008 (Federal Reserve Bank of St. Louis, n.d.).

Lehman Brothers were not the only company in trouble as it turns out. AIG was in trouble as well due to its backing of the currently failing CDOs. AIG was one of the largest insurance companies in the nation and had insured millions of American’s properties, health, retirement while also insuring thousands of businesses that employed two-thirds of American workers. If AIG failed, the fallout would influence many more American’s and businesses than the collapse of Lehman Brothers. It would also lead to billions of dollars in losses in the financial institutions they insured, causing a potentially larger collapse of the financial markets.

Knowing the importance of AIG’s survival, The Federal Reserve Bank of New York lent $85 billion to AIG on September 17, 2008, to help prevent a collapse of their collateral payments while giving the federal government 80% of the shares of the company. This marked the first federal bailout of a corporate entity during the 2008 Great
Recession and it would set the tone for how the rest of the recession would take place (Geithner, 2014; Bernanke, 2015). Had the federal government not saved AIG, then the major banks it insured would have been forced to address billions of dollars of losses from their CDOs.

All of these banking institutions were connected in multiple ways, so if one large bank company went under, then it would have a domino effect on the profits and stability of the remaining institutions. This presents the issue of the United States banking structure: it is difficult to impossible to let one large bank fail without it taking out many others in its wake, which would cause millions of Americans even more financial losses and hardship. As such, the federal government was forced to continue interventions and bailouts to prevent a further meltdown of the financial sector (Barofsky, 2012). This is the central premise of the “too big to fail,” theory that states if an institution has enough economic power, then the government will not let it collapse because of the massive ripple impact it will have on the rest of the financial system and those that utilize it. AIG is a prime example of being too big to fail as were Fannie Mae and Freddie Mac (Financial Crisis Inquiry Commission, 2011).

The concept of too big to fail will be discussed later in this chapter, but it is evident that banks were too big to fail. Since they were unwilling to bail one another out, the United States Federal Government would have to take a stronger stance on the issue to help prevent a nationwide financial collapse. The day after AIG was taken over by the government, Bernanke, the third key actor in the recession, met with multiple federal actors, including former President George Bush, and, at the time, Senator Obama to
discuss the importance of taking immediate actions to help stabilize the market (Bernanke, 2015).

**The Troubled Asset Relief Program: The Official Bailout**

The immediate action that occurred was the development of a federal bailout plan. On September 19, Bernanke met with the Federal Reserve Board and the U.S. Treasury and developed a plan that would later be called the Troubled Asset Relief Program (TARP). This plan would allow the Treasury to use federal funds, over $700 billion were requested, to purchase bad assets from private companies. The goal was to remove the problematic assets so that the company could stabilize its assets over the long run and then the assets could eventually be resold (Bernanke, 2015). This Bill would become the largest federal bailout the United States had ever seen (Barofsky, 2012). The idea of using such a large sum of money to shore up multi-billion dollar companies did not go over well in Congress. Multiple committee hearings followed regarding the plan from the Senate Banking Committee, headed by another important federal actor, Chris Dodd, a Democratic Senator from Connecticut, the Joint Economic Committee, and the House Financial Services Committee, headed by Barney Frank, a Democratic Representative from Massachusetts (Bernanke, 2015).

During the waiting time for TARP’s approval, JP Morgan acquired Washington Mutual for a $1.9 billion, making it “the largest banking failure in U.S. history” (Bernanke, 2015, p. 323). Quickly following, Wachovia Corporation was purchased by Citigroup on the promise that Citigroup absorbs the first $42 billion in losses and pay the Financial Deposit Insurance Corporation (FDIC) $12 billion in preferred stocks, while the FDIC absorbed the remaining losses (Federal Reserve Bank of St. Louis, n.d.). Both
purchases were beneficial for market stabilization, but the response from Congress regarding the TARP bill was quite different.

The bill that would begin purchasing the most dangerous assets still in the market was defeated in the House of Representatives 228 to 205 (Geithner, 2014, p. 220). This seemed like a win for the average American since it showed that Congress did not want to use their tax money to bail out failing banks while ordinary citizens were suffering. However, the defeat caused the stock market to plummet with the Dow Jones Industrial Average dropping 778 points, a one-day-loss record. In one day, over $1.2 trillion disappeared from the economy simply because the bill’s failure meant the recession would only continue to deepen (Bernanke, 2015).

As the market fell, constituents realized the drastic impact this bill’s failure had on their remaining assets, and politicians understood this impact through the many calls, emails, and letters that constituents were submitting to their representatives (Helderman & Laris, 2008; Roddy, 2008; Zremski, 2008). Consequently, elected officials pushed to alter the bill to give the FDIC more funds to insure banks as well as create an oversight branch (Barofsky, 2012). On October 3, 2008, the bill, titled the Emergency Economic Stabilization Act of 2008 was passed by Congress and signed into law by President Bush (Bernanke, 2015, p. 335; Geithner, 2014, p. 227). This bill established the $700 billion Troubled Asset Relief Program (TARP) and it was the first time in the recession that the federal government could use public funds to shore up the risky investments of the “too big to fail banks” had made (Geithner, 2014). If these major banks failed, the economy would completely collapse. Unfortunately, as described by Neil Barofsky, the former
Inspector General overseeing the Troubled Assets Relief Program, few of the bailout funds were spent as promised.

Paulson funneled $250 billion into the Capital Purchase Program (CPP), which would be capital that was directly injected into banks, rather than being used to buy failing assets from banks (Barofsky, 2012). Almost immediately, “$125 billion of taxpayer money [was put] into nine of the largest banks” while the toxic assets would continue to sit on the books of these banks (Barofsky, 2012, p. 26). These nine banks included Bank of American, Citigroup, Wells Fargo, JP Morgan Chase, State Street, Morgan Stanley, Merrill Lynch, and Goldman Sachs. Paulson defended the CPP because the extra funds could be used for lending or helping homeowners avoid foreclosure, however, there were limited regulations or expectations regarding how the funds were supposed to be spent except that the funds be supplied to “healthy and viable banks” (Barofsky, 2012, p. 28). In fact, before the CPP was even up and running, Paulson, Geithner, and Bernanke met with the CEOs of the nine banks to discuss their accepting government capital proposals (Geithner, 2014, p. 235). Further, Bernanke noted that he and Paulson felt “it was important that strong as well as weak banks participate” though the program was supposed to only save banks that were “healthy and viable” (Bernanke, 2015, p.354; Barofsky, 2012, p. 28). Only healthy banks were supposed to be supported in order to prevent failing banks from potentially causing future damage even after receiving government aid. However, by supporting all banks, even those who were incredibly close to collapse, the treasury ensured that too big to fail banks would be sustained.
As Barofsky served as the TARP “watch dog,” he continually expressed concern about the power the Treasury was giving to the banks during the bailout as it could increase the chances of mass fraud. He attempted to perform mass audits on the banks receiving funding to ensure they were spending federal funds appropriately but he received negative reactions from the Treasury, which slowed the process down. The Treasury expressed that if audits were to take place on the funds, then banks would not be interested in receiving funds from TARP and would thus hurt the potential impact it would have (Barofsky, 2012). Geithner, who was now in charge of the Treasury since the inauguration of Obama in January of 2009, and his team championed the plans TARP was putting in place. They assumed the banks would not take advantage of the lack of regulations and would behave responsibly. They believed, as Barofsky (2012) states, that the negative “reputational risk” of cheating the government would be greater than potential profit and, as such, fraud would not occur and audits would not be necessary. It is also important to note that many of the plans within TARP were developed with direct help from banks and investment firms who were promised millions in future profit for their limited support. Barofsky responded by noting, “that the events of the past two years had proven that the banks seemed willing to put profit over just about everything, particularly their reputations” (Barofsky, 2012, p. 88).

The bailout is a prime example of Quiet Politics maintaining power over a major policy area that affected millions of people, yet only the voices of one industry were usually heard. While the financial industry was, and still is, indispensable and allowing it to fail would have pushed the economy further into the recession, those responsible for the creation of the recession came away relatively unscathed (Culpepper, 2016; Ferguson,
As seen in the first chapter describing the history of the banking industry, it has consistently been able to avoid regulation or alter potentially constricting policies. The one major exception was the Glass-Steagall Act which resulted from the Great Depression. It was eventually removed in the 1990s by actors who supported removing regulation on the financial sector. Ending Glass-Steagall and the limited regulation and oversight of the banking industry that followed is one of the reasons the banking industry was both able to lend and package the mass amount of subprime loans. While these major banks created the housing bubble that developed into the Great Recession, elite decision makers themselves were able to escape the recession relatively unscathed while ordinary Americans were increasingly filing bankruptcy on these subprime mortgages and losing their jobs. Only one person was sent to jail for the financial crisis and while many CEOs were removed from office, they left with golden parachutes that added to their personal resources to save them (Ferguson, 2010). No financial executives were criminally prosecuted, no firms were taken to court for securities or accounting fraud, and compensation packages to CEOs after being removed from their positions were never addressed federally (Ferguson, 2010). The government did not adequately protect its citizens from the mass power of the banking industry because the government itself was subjected to similar powers.

The power the banking industry maintains throughout the political process demonstrates Quiet Politics in action. Again, Quiet Politics is a theory of how elite corporate actors can influence federal policy development and implementation, and therefore potentially undermine the importance of democratic structures at the federal level. The remaining sections of this chapter will analyze the ways in which the banking
industry utilized Quiet Politics through their instrumental and structural power to shape policy in the aftermath of the Great Recession. Instrumental power will be analyzed through the actors that had a strong voice in the decision-making process after the recession and the biases they had towards the big banks. That section will then address the political power of campaign donations and policy development organizations in which the banking industry was a prominent force. Then the focus will shift to structural power and the ways in which economic strength created the too big to fail banks and the ways in which they altered policy developments, such as the bailout and the Dodd-Frank Act. Finally, the chapter will address the final aspect of the theory of Quiet Politics, political salience, and the ways in which the crisis of the Great Recession impacted the attention banking policy and regulation received. All of this will be tied together in the final analysis of the impact Quiet Politics had on the 2008 Great Recession.

**Instrumental Power: Actors, Campaign Funding, and Policy Making**

As described earlier, instrumental power is the way in which business can influence the political process through lobbying, expertise knowledge, and campaign donations. Since the banking industry is one of the largest industries in the United States, it has the resources to develop lobbying organizations and supply funds to the campaigns of different elected officials across political party lines who may support their policy preferences. Additionally, banking and the laws that surround it are complex and constantly changing, which makes finding professionals independent from the financial industry itself who can understand the system and offer advice difficult. Often, those who understand the industry are those who work within it and benefit when the banking industry is doing well. These factors work together to create a structure in which the
interests of the banking industry can develop policy initiatives that may benefit them in the long run. Additionally, the government is subjected to this power through its capitalist structure, and therefore the systems reinforce the power of the financial sector. This section will provide examples of instrumental power in play. It will first discuss the prominent actors who addressed the Crisis in the Bush and Obama Administrations, the connections they had with the CEOs of the top banks at the time, and the ways in which the banking industry was able to make large campaign donation and hire lobbying organizations to work to impact policy development.

**Contributory Actors and Their Connections**

Part of what made the Great Recession so complex was the change in presidential administrations from Republican President George Bush to Democratic President Barack Obama during the peak of the crisis. However, as the administrations changed, there was one constant: the majority of the actors addressing the crisis all had ties to the large banks that were on the brink of failure. In fact, many of the actors knew one another before they had ever contemplated serving in public office. The many personal connections between the banking industry and the federal government were dense and robust.

The first main actor was Henry Paulson who was the Secretary of Treasury under the Bush Administration from 2006 to 2009. Before being appointed Secretary, Paulson had spent the majority of his 30-year career, working with the banking and investment firm Goldman Sachs. Immediately before his appointment, he had held the position of CEO of the firm from 1999 to 2006, during which Goldman Sachs had begun dealing in subprime mortgages and CDOs. By 2006, they had sold over $3.1 billion worth of CDOs and Paulson was the highest paid CEO on Wall Street, making $31 million in 2005
QUIET POLITICS AND OPPOSITION ACTORS

(Ferguson, 2010). When Paulson accepted the Treasury position, he brought a few of his Goldman Sachs partners along, including Vice President Neel Kashkari, who was later put in charge of the bailout by Paulson (Bernanke, 2012). Paulson and Kashkari were only two of many in a succession of Goldman Sachs executives taking federal positions. Critics called them “Government Sachs” (Bernanke, 2012, p. 296). This includes names, such as, Sidney Weinberg, who served Presidents Franklin Delano Roosevelt, Dwight Eisenhower, and Lyndon Johnson. Further, many actors who worked under Paulson were former partners at Goldman Sachs (Geithner, 2014, p. 247). Paulson was not the only actor who had direct ties to Wall Street within these administrations.

The ties of Obama’s Democratic administration to Wall Street can be traced at least to the Clinton Administration, which was viewed largely as pro-business and anti-regulation by Wall street. For example, Bob Rubin was Treasury Secretary under President Clinton and he had an important impact on removing the Glass-Stegall Act as he favored deregulation of the banking industry (Bernanke, 2012). Before being named Secretary, Rubin chaired Goldman Sachs and then became Chairman of the executive committee of Citigroup after leaving Washington (Reich, 2015).

After the election took place and the presidential administration became Democratic, the ties with Wall Street remained strong. President Obama appointed Timothy Geithner as his Secretary of Treasury, who had been selected as the President of the Federal Reserve of New York by Rubin at the beginning of the recession. During his time as president, Geithner maintained close relationships with the CEOs of the largest banks, even hosting parties with these elite individuals (Geithner, 2014, p. 131). When the recession began, Geithner recounts the many phone calls and meetings that he
maintained with CEOs throughout the banking industry, as this paper previously
mentioned. He was even accused of leaking government plans to these actors before they
were passed by multiple news sources (Geithner, 2014, p. 129). Like Paulson, Geithner
maintained close connections to Wall Street by hiring many of its top executives as his
advisors, including former president of Merrill Lynch, Herb Allison (Geithner, 2014, p.
247). After leaving Washington, Geithner “returned to Wall Street as President of the
private-equity firm Warburg Pincus” (Reich, 2015, p. 176).

The list of Wall Street-Washington insiders revolving in and out of government
continued, including Treasury Secretary Jack Lew. He had formerly worked as a chief
operating officer in Citigroup’s Alternative Investments group. Along with Lew was the
Director of the Office of Management and Budget, Peter Orszag. He was a former
Citigroup vice chairman.

While some may argue that it is only sensible to place those who have experience
with the banking industry into federal positions, it is important to remember that those
who work for this industry are not the only people with expertise on the topic (Bernanke,
2012, p. 296). For example, Neil Barofsky worked as a lawyer for years under the Office
of the U.S. Attorney. He worked on a number of cases involving large-scale securities
fraud cases and predatory lending. Barofsky had an expansive knowledge of banking
regulation and dealings without ever working with a bank directly. However, when he
was picked to be the Special Inspector General for the Troubled Asset Relief Program, he
was treated poorly by the many governmental officials whose ties were to Wall Street. He
describes rumors that Geithner wanted him fired (Barofsky, 2012, p. 190), and how
Geithner swore at him in a meeting when Barofsky expressed the Treasury was not acting
transparently (Barofsky, 2012, p. 172). Further, how different members of the Treasury actively tried to halt his oversight work by undermining his organization’s viability as a non-partisan Congressional organization (Barofsky, 2012, p. 143). Barofsky expressed his own frustration with these interactions by stating that, “I couldn’t have imagined the ugliness of the Washington that I’d experience as someone who went against the grain by challenging powerful government officials and the Wall Street powerhouses” (Barofsky, 2012, p. 19). He further described his own surprise at how much influence the banking industry had on government decision making and the power such insiders maintained in the bailout decision-making process.

Another example of a prominent economics expert and the 2008 Financial Crisis who was not invited into the decision-making process was Raghuram Rajan. Rajan, who wrote *Fault Lines: How Hidden Fractures Still Threaten the World Economy*, was one of the first economists to address the ways in which large U.S. banks were becoming risky businesses. In 2005, Rajan was a chief economics in the International Monetary Fund and was invited to present a paper at the Jackson Hole Conference in Wyoming. This is an annual conference for top economic analysts, bankers, and journalists to present and discuss their work. The 2005 conference focused on Alan Greenspan, the former Federal Reserve Board Chairman. Greenspan had been a top advocate for the securitization, or packaging, of assets to sell to remove risk from a bank’s books.

Rajan realized during his research that while securitization allowed risk to be shared by multiple actors, it also allows banks to take on more complex forms of risk. Rajan presented a paper entitled “Has Financial Development Made the World Riskier?” and received immediate and intense criticism. He noted that “As I walked away from the
podium after being roundly criticized by a number of luminaries... I felt some unease… because the critics seemed to be ignoring what was going on before their eyes” (Rajan, 2010, p. 3). Rajan further describes the ways in which an international economic fallout is likely unless the main issues of the 2008 Financial Crisis are addressed thoroughly and quickly. He (2010) asserted that this crisis was not like any other and could not be treated as one, and suggests questions regarding the lack of regulation, checks and balances, discipline, and self-preservation. Rajan’s questions were and still remain, essential in understanding the international economic system and how a future, and more extreme crisis, could be prevented (Rajan, 2010). However, he was never invited to Washington to take part in the reformation of the financial systems during or following the 2008 Great Recession.

Rajan was not the only scholar who pointed out the potential of an economic collapse but were ignored by the banking industry and economic regulators. Economists Kenneth Rogoff, Nouriel Roubini, Robert Shiller, and William White all pointed out the increase in housing prices and mortgage debt. Niall Ferguson addressed the parallels between the early 2000s and the decade before the Great Depression. Even some government and Federal Reserve officials attempted to draw attention to the issue but all were dismissed. Rajan expressed that, “The problem was not that no one warned about the dangers; it was that those who benefited from an over-heated economy – which included a lot of people- had little incentive to listen” (Rajan, 2010, p. 1). Indeed, those “people” included Wall Street Executives and many who still had prominent ties to Wall Street, even while working in Washington. Why would someone want to potentially damage a large source of future income when nothing problematic has yet occurred? The
top managers in the financial industry who ignored the warnings still received significant financial benefits, even after the economy had collapsed.

**The Billion-Dollar Bonuses**

In addition to the close ties between top executives of the failing banks’ and Washington actors during policy making, many executives also came away from the Crisis financially unscathed. While the average American’s household wealth diminished by 19 percent from 2007 to 2009, those in charge of the top financial corporations, and their top traders walked away from their positions with large bonuses (Bennet, 2012). During this same time period, these financial institutions gave away nearly $20 billion of bonus pay while they were receiving government assistance (Story & Dash, 2009).

Goldman Sachs allotted over $1 billion to 200 individuals and Morgan Stanley gave $557 million to only 101 people (Story & Dash, 2009). This averages to be about $5 million per person.

Further, the CEO’s of the institutions who received federal government assistance actually came out on top. AIG’s Chief Financial Officer, Joe Cassano, made $315 million the year AIG accepted $85 million from the federal government (Ferguson, 2010). At the same time, AIG’s CEO, Hank Greenberg, collected $250 million when AIG collapsed in 2008 (Reich, 2012). The CEO of Lehman Brothers, Richard Fuld, was paid $184 million from 2003 to 2007, or about $46 million per year (Corkery, 2009). James Cayne, the CEO of Bear Stearns, was paid similar amounts at $163 million, or $40.7 million annually (Corkery, 2009). They were not the only ones. Of the nine banks that received TARP assistance, below are seven of their salaries and compensations in 2007:
<table>
<thead>
<tr>
<th>Bank</th>
<th>Executive</th>
<th>Salary</th>
<th>Total Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank of America</td>
<td>Liam E. McGee President Global Consumer Banking</td>
<td>$800,000</td>
<td>$12.2 million</td>
</tr>
<tr>
<td>Bank of America</td>
<td>Kenneth D. Lewis Chairman and CEO</td>
<td>$1.5 million</td>
<td>$24.8 million</td>
</tr>
<tr>
<td>Bank of America</td>
<td>Joe L. Price Chief Financial Officer</td>
<td>$800,000</td>
<td>$6.5 million</td>
</tr>
<tr>
<td>Bank of America</td>
<td>Amy Woods Brinkley Global Risk Executive</td>
<td>$800,000</td>
<td>$9.3 million</td>
</tr>
<tr>
<td>Bank of America</td>
<td>Brian T. Moynihan President of Global Corporate Banking</td>
<td>$718,859</td>
<td>$10.1 million</td>
</tr>
<tr>
<td>Citigroup</td>
<td>Sir Winfried Bischoff Chairman</td>
<td>$373,734</td>
<td>$6.1 million</td>
</tr>
<tr>
<td>Citigroup</td>
<td>Stephen Volk Vice Chairman</td>
<td>$212,500</td>
<td>$7.6 million</td>
</tr>
<tr>
<td>Citigroup</td>
<td>Vikram Pandit CEO</td>
<td>$250,000</td>
<td>$573,813</td>
</tr>
<tr>
<td>Citigroup</td>
<td>Charles Prince Former Chairman and CEO</td>
<td>$1 million</td>
<td>$15.1 million</td>
</tr>
<tr>
<td>Citigroup</td>
<td>Gary Crittenden Chief Financial Officer</td>
<td>$403,410</td>
<td>$19.4 million</td>
</tr>
<tr>
<td>Goldman Sachs</td>
<td>Gary D. Cohn President and Chief Operating Officer</td>
<td>$600,000</td>
<td>$72.5 million</td>
</tr>
<tr>
<td>Goldman Sachs</td>
<td>Lloyd C. Blankfein Chairman and CEO</td>
<td>$600,000</td>
<td>$70.3 million</td>
</tr>
<tr>
<td>Goldman Sachs</td>
<td>Jon Winkelried President and Chief Operating Officer</td>
<td>$600,000</td>
<td>$71.5 million</td>
</tr>
<tr>
<td>Goldman Sachs</td>
<td>David A. Viniar Chief Financial Officer</td>
<td>$600,000</td>
<td>$58.5 million</td>
</tr>
<tr>
<td>JP Morgan Chase</td>
<td>James Dimon Chairman and CEO</td>
<td>$1 million</td>
<td>$27.8 million</td>
</tr>
<tr>
<td>JP Morgan Chase</td>
<td>James E. Staley CEO Asset Management</td>
<td>$400,000</td>
<td>$16.7 million</td>
</tr>
<tr>
<td>JP Morgan Chase</td>
<td>Michael J. Cavanagh Chief financial officer</td>
<td>$500,000</td>
<td>$8.3 million</td>
</tr>
<tr>
<td>JP Morgan Chase</td>
<td>Steven D. Black Co-CEO Investment Bank</td>
<td>$400,000</td>
<td>$20.9 million</td>
</tr>
<tr>
<td>Merrill Lynch</td>
<td>Nelson Chai Executive Vice President and CFO</td>
<td>$34,615</td>
<td>$1.7 million</td>
</tr>
<tr>
<td>Merrill Lynch</td>
<td>E. Stanley O’Neal Former Chief Executive Officer</td>
<td>$584,231</td>
<td>$24.3 million</td>
</tr>
<tr>
<td>Merrill Lynch</td>
<td>Jeffrey N. Edwards Former Chief Financial Officer</td>
<td>$275,000</td>
<td>$2.6 million</td>
</tr>
</tbody>
</table>
While these generous salaries and large bonuses were being paid out, the federal government did little to regulate the process. Due to a lack of supervision regarding the bonuses, Treasury officials were put in a difficult position. While TARP “required that Treasury include executive compensation limits in its contracts,” the lack of attention into the issue put an intense time constraint on what the Treasury was able to do (Barofsky, 2012, p 182). Barofsky (2012) describes how this applied to AIG’s bonuses in which the Treasury had two weeks before bonuses were released to address them through Congress or the Courts. Rather than withhold federal assistance, “Treasury and Geithner stood behind the ‘sanctity’ of the executives’ contracts” (Barofsky, 2012, p. 182). This set the precedent for future executive bonuses, which seemed to be little impacted by the recession these financial institutions developed. However, it is strange that appointed
officials allowed such incredible bonuses to be allotted when many of their constituents were suffering from losing their homes, savings, and jobs.

**Campaign Donations, Lobbying, and Elected Officials**

After the Supreme Court’s decision in *Citizens United v. FEC* opened up and expanded corporate spending in political campaigns, campaign finance, and its implications on election outcomes have become an even more important focus of political science literature (Briffault, 2010). Many scholars, such as Kyle Ingle, Paul Johnson, Donald Green, and Alan Gerber, make the claims that the more money a political campaign has, the more ability it has to organize, perform outreach, and potentially win an election. Additionally, there are few limitations on the amount an individual can raise for their campaign, as well as a number of funds a corporation can donate. As such, large amounts of corporate funds are funneled into elections each year, making elections more expensive and donations more valuable.

Corporations create Political Action Committees (PACs) and “super PACs” to fund multiple campaigns. The development of super PACs was important because it allowed both corporations, unions, and individuals to spend unlimited amounts of money. Under Citizens United, there are limits on donations to campaigns, however, an organization can spend unlimited funds on behalf of a campaign. So, while the donations may not go directly to the candidate, the funds are spent on their behalf through outside avenues. Super PACs do not donate directly to a candidate but spend the money for them and depending on the organization, may not have to reveal where the funds came from. Because of this development, spending by nonparty groups increased fourfold from $68.9 million to 294.2 million from 2006 to 2010 (Domhoff, 2014). In 2012, business PACs
contributed over $329.7 million to candidates in both parties, which is important
recognize that both political parties benefit from corporate campaign spending (Domhoff,
2014).

Additionally, donations to campaigns are not simply gifts that need not be
returned in some form. Rather, “Business dollars nurtured a cadre of elected officials
committed to advancing a deregulatory and tax-cutting agenda” (Hacker & Pierson, 2010,
p. 178). Donations are viewed by candidates as “gifts” that must then be returned
(Domhoff, 2014). In other words, campaign donations and spending are not simply given
haphazardly but rather come with strings attached. Spending large amounts of money on
campaigns serves multiple purposes. First, it can help ensure the election of an official
who is sympathetic to that businesses’ concerns. Second, supporting the campaigns of
incumbents reinforces existing relationships that are already created. Third, elected
officials are always seeking out and asking for campaign support so, in effect, the
businesses are playing the political game by helping these candidates, as long as they are
supported in return. By spending for campaigns, businesses ensure that if their candidate
is elected, they will have access to shape the policies they care about directly. Not only
are they hoping to influence the votes the official, but also include things like personal
access to the elected official for information, tax credits, tax cuts, (the oil industry has a
$2.5 billion annual subsidy while donating $150 million yearly to campaigns), the
expansion of corporate “rights”, or deregulation (Reich, 2012).

Corporate donations create an interesting dynamic in which the corporation can
donate to the campaign through their Super PAC, as well as different organizations
representing the industry and the, sometimes, wealthy individuals who work within that
industry. Altogether, this creates a circumstance in which one industry can donate large amounts of limited money while also spending unlimited amounts on behalf of a candidate. The financial industry is a prominent player in the donation game, funding both the Republican and Democratic Parties.

During the 2006 election cycle, the financial sector spent over $294 million on campaign donations (Open Secrets, *Finance/insurance/real estate: Top contributors to federal candidates, parties, and outside groups, 2006*). While this number also includes insurance and real estate expenditures, individual banks or organizations representing financial interests made up a significant proportion of the spending. There are three main organizations that represent the financial industry through campaign donations and lobbying: The American Bankers Association, the Financial Services Roundtable, and The Chamber of Commerce. The American Bankers Association, which represents the largest percentage of the banking industry in the United States, donated $3.4 million. The Financial Services Roundtable, which is an advocacy organization made up of 100 of the largest financial companies in the United States, also contributed about $500 thousand. The Chamber of Commerce, which represent the interests of businesses in general, contributed over $240 thousand (Open Secrets, *Finance/insurance/real estate: Top contributors to federal candidates, parties, and outside groups, 2006*).

Although those three organizations represent the collective interests of the financial industry, individual firms and wealthy individuals from the sector also donate large amounts to political campaigns. Below are some of the top financial institutions that received federal funding, the contributions they made during 2006 and 2008, and what parties they donated to:
QUIET POLITICS AND OPPOSITION ACTORS

<table>
<thead>
<tr>
<th>Contributor</th>
<th>Total Contributions 2006</th>
<th>Total Contributions 2008</th>
<th>% to Democrat 2006</th>
<th>% to Democrat 2008</th>
<th>% to Republican 2006</th>
<th>% to Republican 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goldman Sachs</td>
<td>$4,571,213</td>
<td>$6,605,974</td>
<td>53%</td>
<td>73%</td>
<td>37%</td>
<td>25%</td>
</tr>
<tr>
<td>Citigroup</td>
<td>$3,024,786</td>
<td>$5,338,228</td>
<td>51%</td>
<td>62%</td>
<td>46%</td>
<td>38%</td>
</tr>
<tr>
<td>Bank of America</td>
<td>$2,567,555</td>
<td>$3,554,740</td>
<td>43%</td>
<td>53%</td>
<td>56%</td>
<td>47%</td>
</tr>
<tr>
<td>JP Morgan Chase</td>
<td>$2,501,829</td>
<td>$6,631,868</td>
<td>55%</td>
<td>60%</td>
<td>43%</td>
<td>39%</td>
</tr>
<tr>
<td>Morgan Stanley</td>
<td>$2,248,030</td>
<td>$4,226,318</td>
<td>48%</td>
<td>59%</td>
<td>51%</td>
<td>41%</td>
</tr>
<tr>
<td>Lehman Brothers</td>
<td>$1,186,562</td>
<td>$2,188,202</td>
<td>46.3%</td>
<td>63.9%</td>
<td>45.2%</td>
<td>35.9%</td>
</tr>
<tr>
<td>Merrill Lynch</td>
<td>$1,127,883</td>
<td>$2,994,509</td>
<td>49.1%</td>
<td>47.7%</td>
<td>49.5%</td>
<td>51.9%</td>
</tr>
<tr>
<td>Wells Fargo</td>
<td>$1,174,742</td>
<td>$1,967,848</td>
<td>37%</td>
<td>48%</td>
<td>63%</td>
<td>52%</td>
</tr>
<tr>
<td>AIG</td>
<td>$749,975</td>
<td>$1,269,329</td>
<td>54%</td>
<td>66%</td>
<td>42%</td>
<td>34%</td>
</tr>
<tr>
<td>Fannie Mae</td>
<td>$1,138,776</td>
<td>$1,458,348</td>
<td>49%</td>
<td>56%</td>
<td>50%</td>
<td>44%</td>
</tr>
<tr>
<td>Freddie Mac</td>
<td>$868,802</td>
<td>$649,517</td>
<td>45%</td>
<td>55%</td>
<td>55%</td>
<td>45%</td>
</tr>
<tr>
<td>Total Amount</td>
<td>$21,160,153</td>
<td>$36,884,881</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


These campaign contributions are important as they could potentially make or break a campaign. If an official running for office is disliked by large financial firms, they risk losing a large source of campaign support that is needed in nationwide elections.

Furthermore, with the financial industry being a central part of the economy, they have a large amount of control on investment and jobs within an official’s district. The sector maintains the privilege position of business and, as such, it would make sense that elected officials would not want to get on the bad side of the financial sector.

It is also important to recognize that both parties receive from these donations, and because of that have ties to the financial industry. Often times it is perceived that the Republican Party advocates for free markets and less government regulation. As such, it would make sense that large financial firms would support these types of candidates in order to benefit their own sector. However, as seen above, that is not the case. Both parties benefit from these donations and are interconnected with the support of the financial industry and their own policy initiatives. Within the graph, it is noticeable that from 2006 to 2008, the percentage of donations going to Democrats increased in each corporation. One reason for this is because the Presidential administration became
Democratic, as did the House and Senate. It would then make sense to focus their contributions and assets to the party in power in order to get their policy initiatives recognized.

Furthermore, some of the top Democratic leaders who use the rhetoric of fighting for the average person received incredibly large campaign contributions from the financial, insurance, and real-estate (FIRE) industries. In 2008, former President Barack Obama received over $44 million from FIRE organizations, over $10 million more than his Republican opponent, Senator John McCain (Open Secrets, *Finance/Insurance/Real Estate: Top Recipients, 2008*). However, that changed in 2012 when President Obama received $21 million and his opponent Mitt Romney obtained the massive amount of $62 million. Romney focused some of his campaign’s attention on removing federal regulations on the banking industry and he himself worked in the financial sector himself, running Bain Capital. Understandable, the sector hoped to see Romney elected (Open Secrets, *Finance/Insurance/Real Estate: Top Recipients, 2012*).

President Obama, of course, was not the only Democrat to accept financial industry donations. Senator Christopher Dodd, the main sponsor of the Dodd-Frank Act, accepted over $3.8 million in 2008. Representative Barney Frank, the other sponsor of the Dodd-Frank Act, received over $1 million from the FIRE sector. Former Vice-President Joseph Biden received about $1.7 million (Open Secrets, *Finance/Insurance/Real Estate: Top Recipients, 2008*). In 2012, Senator Elizabeth Warren, who openly speaks about her opposition to large banks and the corruption of the financial industry, accepted over $1.5 million from the FIRE sectors (Open Secrets, *Finance/Insurance/Real Estate: Top Recipients, 2012*). Hillary Clinton, who was the
Democratic Party’s presidential nomination in 2016, has also received backlash for her connections to the banking industry. This included speaking to large banking institutions and being paid large sums of money to do so. In the 2008 election cycle, Clinton received $21 million for her presidential campaign and then accepted over $31.9 million during her 2016 campaign (Open Secrets, *Finance/Insurance/Real Estate: Top Recipients*, 2008;2016).

Aside from campaign donations, the banking industry maintains one of the largest budgets for lobbying elected officials and their staff. Lobbying organizations seek to influence the way both elected and appointed representatives to view certain issues, or more specifically, the way they plan to vote on legislation. Lobbying is important as lobbyists are a primary source of information for elected officials on topics they may not thoroughly understand, making them the experts. The more lobbyists an industry maintains, the more likely they have a chance of reaching a range of elected officials. Additionally, large businesses have their own individual lobbyists, are able to hire the best lobbying firms, and can work with other actors in their sector to hire lobbyists to represent all their interests.

It should be noted that demonstrating the direct influence on elected officials is difficult. Lobbying scholarship has also shown no direct connection between the amount of money spent on lobbying and achieving desired outcomes (Culpepper, 2015). With that in mind, this section simply reminds the reader that the financial industry has been able to use lobbying extensively as a form of instrumental power. Since the public itself is not involved in direct lobbying, the interactions of businesses and political actors are
often unseen, which gives corporate actors more quiet power to advance or secure their policy agendas (Culpepper, 2011; Culpepper, 2015).

In 2008, the Finance, Insurance, and Real Estate sectors contributed the most to lobbying out of any other economic sector: $456 million. Within that amount, financial organizations paid about $222 million for their lobbying capacities (Open Secrets, *Lobbying Spending Database Finance, Insurance & Real Estate, 2008*). In 2008, the Chamber of Commerce spent the most on lobbying than any other lobbying client and spend over $91 million, which was over $56 million more than the second client, AARP (Open Secrets, *Lobbying Spending Database Top Spenders*). Additionally, the American Bankers Association spent $8.9 million on their lobbying capacities (Open Secrets, *Lobbying Spending Database Commercial Banks, 2008*).

Individual firms also pay for their own lobbying activities, aside from collective industry organizations. Below are the lobbying amounts spent in both 2006 and 2008:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Goldman Sachs</td>
<td>$2,620,000</td>
<td>$3,390,000</td>
<td>$7,191,213</td>
<td>$9,995,974</td>
</tr>
<tr>
<td>Citigroup</td>
<td>$6,760,000</td>
<td>$5,520,000</td>
<td>$9,784,786</td>
<td>$10,858,228</td>
</tr>
<tr>
<td>Bank of America</td>
<td>$1,986,014</td>
<td>$4,090,000</td>
<td>$4,553,569</td>
<td>$7,644,740</td>
</tr>
<tr>
<td>JP Morgan Chase</td>
<td>$6,210,000</td>
<td>$5,465,000</td>
<td>$8,711,829</td>
<td>$12,096,868</td>
</tr>
<tr>
<td>Morgan Stanley</td>
<td>$2,720,000</td>
<td>$2,500,000</td>
<td>$4,968,030</td>
<td>$6,726,318</td>
</tr>
<tr>
<td>Lehman Brothers</td>
<td>$920,000</td>
<td>$600,000</td>
<td>$2,106,562</td>
<td>$2,788,202</td>
</tr>
<tr>
<td>Merrill Lynch</td>
<td>$3,952,760</td>
<td>$4,700,000</td>
<td>$5,080,643</td>
<td>$7,694,509</td>
</tr>
<tr>
<td>Wells Fargo</td>
<td>$1,765,000</td>
<td>$2,265,740</td>
<td>$2,939,742</td>
<td>$4,233,588</td>
</tr>
<tr>
<td>AIG</td>
<td>$9,370,000</td>
<td>$9,690,000</td>
<td>$10,119,975</td>
<td>$10,959,329</td>
</tr>
<tr>
<td>Fannie Mae</td>
<td>$10,160,000</td>
<td>$3,860,000</td>
<td>$11,298,776</td>
<td>$5,318,348</td>
</tr>
<tr>
<td>Freddie Mac</td>
<td>$8,864,048</td>
<td>$5,810,000</td>
<td>$9,732,580</td>
<td>$6,459,517</td>
</tr>
<tr>
<td>Amount Total</td>
<td>$55,327,822</td>
<td>$47,890,740</td>
<td>$76,487,705</td>
<td>$84,775,621</td>
</tr>
</tbody>
</table>


These different firms and organizations lobby for many reasons, ranging from changes in regulations to tax reform to housing policy. They seek to help get people, both Republicans, and Democrats, elected who share their concerns and can influence policy.
Whatever their motives, lobbying from the financial industry does seem to matter. Per one study by the International Monetary Fund, “the lenders that lobby more intensively on these specific issues engaged in riskier lending practices… and benefited more from the bailout program” (Igan, Mishra, & Tressel, 2012, p. 225). Another study found that financial firms that are weaker financially, tend to lobby more and will shift their investments towards spending for lobbying (Adelino & Dinc, 2014). The focus on lobbying could be based on the desire to increase their financial standing and receive support from the government. This study also supports the findings that firms that spent more on lobbying were more likely to be recipients of TARP. Further, there is research that found that “the fraction of politically connected banks that received TARP support was nearly 4.5 times larger than the fraction of non-connected banks that received TARP support. Additionally, those banks that were involved politically received support 6.5 larger than the non-connected banks” (Blau, Brough, & Thomas, 2013, p. 3016). In short, political connections were highly important and could potentially impact the ways in which an industry or firm is treated in times of need.

Instrumental power, then, has a significant impact on the way government functions as it addresses the many ways in which outside actors, such as large corporations, are able to interact and influence the policy making process. The financial industry has the resources to be able to impact the political process via a number of paths. First, there are a number of actors that have close ties to the financial sector, and since they are viewed as experts, are also able to work in Washington. These actors were closely connected to the development and implementation of the bailout and worked with top management within the financial industry in the decision-making process. Second,
the Treasury allowed the top executives of the largest banks to be able to escape the crisis with no judicial sanctions and with large bonuses in hand. Third, the banking industry is one of the most affluent industries in the United States and has the ability to make large campaign donations and conduct extensive lobbying efforts. By donating to or spending for campaigns, the industry can support candidates who share their policy agendas and who may support the appointment of new officials from within the banks. All of these variables work together to ensure that the financial industry maintains a large amount of quiet power in the political process. These actions are distant from the average citizen that so few citizens even know about or grasp the multiple dimensions of this power dynamic. Since citizens are often unaware or unable to address the relationship between the federal government and the finance industry, the banking industry is able to wield their power for their benefit. Additionally, there are other ways in which the financial sector can impact political decision making without direct actions: Structural power.

**Structural Power: Economic Influence and Too Big To Fail**

While instrumental power is more tangible, the influence of structural power is subtle and less visible, especially if someone is not actively looking for it. Structural power ensures that businesses generally, and the financial industry specifically, can hold and maintain power via its economic capabilities. As expressed in the literature review, businesses have a privileged position in the political arena because they create jobs, provide national and global economic stability, and secure investment for future economic opportunities. Further, structural power is connected to instrumental power and it can be difficult to tease out their separate impacts on federal policy. Culpepper (2016) describes structural power as, “influence that accrues to the firm solely by its position in
the economy as an engine of economic activity, typically anticipated by policymakers and automatically built into policy” (459). Since the United States relies on a capitalist economic structure for much of the delivery its goods and services, business receives support so that it can continue to grow GDP, decrease unemployment, and generate tax revenue. However, businesses recognize their reliance on governmental entities to ensure they receive a return on their capital (Culpepper, 2015). As such, business and government have an intertwined relationship whereby business pushes for its policy goals and the government attempts to respond in multiple ways. The power of business in a capitalist political-economy can be seen in how politicians discuss business. For example, one rarely hears any politician claim they do not support the growth of business or job creation. The structural power of economic actors is engrained into the United States’ capitalist identity and has deep political cultural roots. As seen in previous chapters, the U.S. federal government at all levels has worked to support business throughout history.

That is not to say that the federal government does not work to limit businesses’ power through regulation. Regulations have been put on corporate entities for quite some time, going as far back as the Sherman Anti-Trust Act in the 1890s. However, that does not mean the regulation is useful or will benefit consumers in the long run. In fact, some make the argument that the financial industry was overregulated and as firms tried to work within regulations, they created more risk, less diversified portfolios, and led to the development of the financial crisis. On the other side, some economists argue that the federal government performs plenty of regulation, but none of it was strong enough or directed correctly to prevent the recession in the first place (Calabria, 2009). However, while the financial industry has been regulated, and sometimes more strictly in the United
States than in other countries, not all regulation shaped by them is successful and business still maintains its structural power.

The rest of this section will analyze the way in which the financial industry may have impacted the financial bailout, the policies that were passed to prevent future recessions, and how these banks have been faring since the recession. The main example of structural power examined here is the development of the “too big to fail” doctrine. The concept of too big to fail, and the way banks utilized their structural power, was widely discussed by political science scholars as the recession began (Culpepper, 2015). The conversation gained traction because of the federal bailout; a spectra of the Great Depression. Why were these banks bailed out rather than allowed to fail and close as a free market would do? Too big to fail addresses this question:

A TBTF firm is generally a large firm that is perceived to require either or both special enhanced government regulation to discourage failure while alive and/or a special resolution regime that does not have the insolvent firm resolved through the usual resolution processes that apply to other firms in the same industry at least with respect to allocating losses, when dead (Kaufman, 2013).

In other words, firms that are large are supported by the government to prevent failure, as that failure would have large indirect losses and ripple effects in the economy. As Barofsky (2012) expressed, “heads I win, tails the Government will bail me out” (p. 217).

In the Great Recession, the largest banking firms in the industry indeed were incredibly interconnected and allowing any of the smaller firms, such as Bear Stearns, to file bankruptcy would cause a domino effect that would hurt other banks and different industries (Bernanke, 2015; Geithner, 2014). Further, if a larger firm were to fail, like
Citigroup or Bank of America, the fallout would be even more catastrophic. Geithner’s aides called these two banks “Financial Death Stars” meaning that, if either one were to collapse they could push the United States into a full-scale depression (Geithner, 2014, p. 5). Consequently, the banks were bailed out by the government in order to stop an even larger recession from developing (Kaufman, 2014).

The bailout for these too big to fail banks can be seen in two ways. One view is that the government irresponsibly used constituents’ taxes to keep these large, failing banks open, which many believe were responsible for the recession, while millions of people lost their homes and jobs. Here, the idea is that the government values business interests over those of their constituents due to the impact of instrumental power, which could have been impactful in deregulating the industry (Culpepper, 2015). Officials who developed the bailout recognized that this was how many American’s felt: “we had to make sure [the banking industry] didn’t drag down the system, even if it looked like we were rewarding the reckless” (Geithner, 2014, p. 5). However, the few programs set up to support American citizens did not perform well.

The second view is that the federal government was faced with limited options and utilized a bailout to prevent an even larger economic catastrophe from developing. Culpepper, who openly recognizes that business maintains power in the political system, supports this view and he addresses how bailout in the United States compared to those abroad. Culpepper (2015) states, “the strongest of the American banks, for all their lobbying muscle, got hammered by the structure of their bailout in a way that banks in Germany and the UK did not” (p. 393). He argues this is because American regulators have greater power over their banks than governments in Great Britain and Germany,
partially because U.S. banks rely more heavily on domestic markets than their counterparts in the UK and Germany. Banks in Great Britain, for example, chose to seek capital from abroad, rather than from the government, to support themselves. That meant investment moved from the UK to other nations. In the United States, the federal bailout was the only option for support and as such, future investment returned to the country (Culpepper, 2014). While the financial industry maintains political power through its monopoly on domestic finances, the federal government used this to their advantage and had enough control to create a bailout that would benefit the country in the long run.

While the bailout had the ability to benefit citizens, in the long run, this only partially explains how these banks were able to avoid collapse using their structural power. The government itself is too dependent politically on the bank's economic capabilities to allow them to collapse. The very definition of too big to fail embodies the structural power of the banking industry. The banks are no longer fully responsible for their individual failures and their executives know this as well. Potentially, this knowledge allows them to make riskier decisions knowing that the government will provide a safety net should an economic crisis become too deep.

The idea of “too big to fail” also can be found in other sectors of the economy. During the Great Recession, the automotive industry was on the verge of bankruptcy and was saved through a federal bailout because of the massive number of jobs and wealth it represented in the economy, or its identity as too big to fail. Additionally, the auto industry is largely influential in the Midwest of the United States. It employed many people in the area, an area that Obama won in the 2008 election and whose support he would need if he ran in 2012 (Jones, 2012). As such, it would make sense for Obama to
support these corporations and the jobs they create. Chrysler and General Motors (GM) filed bankruptcy in 2009 and restructured their companies with help from the federal government. Their former debt was converted into stocks owned by the government that could be eventually sold once the stock market stabilized.

By June 2009, GM had received over $50 billion in government support. President Obama defended the bailout of GM by stating that, “In the midst of a deep recession and financial crisis, the collapse of these companies would have been devastating for countless Americans, and done enormous damage to our economy – beyond the auto industry” (Horton, 2010, p. 221). Because of the ripple effect, the automotive industry has on the economy, both the Bush and Obama Administrations agreed to support and protect the auto companies from bankruptcy. The irony is that in a “free market economy”, they would have failed.

Too big to fail demonstrates the way in which large industries are able to over-ride free market principles by securing for themselves government safety nets because they are too big to fail. These companies have large amounts of economic power, and it is known that a collapse of these sectors would create widespread economic failure. These industries are tied to multiple sectors of the economy, and their own success is essential to keep the country flourishing and developing. By being too big to fail, these organizations almost ensure their success even if their potentially risky actions have consequences. The government is placed into a situation in which they risk long-term wide-spread economic loss, and major political fall-out from allowing an industry to fail or allowing bailouts to ensure these businesses’ success. In the example of the Great Recession, those who were too big to fail were saved from bankruptcy using tax dollars.
However, in response to the Great Recession, the United States Congress passed a bill called the Dodd-Frank Act: an act that many hoped would address too big to fail and the power that large industries maintained over the economic stability of the nation.

**Instrumental and Structural Power Together: The Dodd-Frank Act**

To address the too big to fail financial institutions and potentially prevent another recession due to unregulated financial decisions, in 2010, Congress passed the largest banking and financial regulatory act since the Great Depression: The Dodd-Frank Wall Street Reform and Consumer Protection Act. The act included provisions to address the systematic risk of financial markets, implement consumer protection reforms, allowing for orderly failure of bankrupt firms, and improving the operation of credit rating agencies. The act was presented to Congress by Representative Barney Frank, the Financial Services Committee Chairman, and Senator Chris Dodd, the Senate Banking Committee Chairman, both of whom were Democrats. These men were instrumental in developing the bill and, while they never worked within the financial industry, it is important to keep in mind that Senator Dodd accepted over $3 million in contributions and Representative Frank over $1 million from the FIRE sector in 2008.

While the Dodd-Frank Act was a large step in regulating the financial sector, it would be incredibly difficult to break up the big banks and address their too big to fail nature. Too big to fail is inherently a structural issue that is engrained in the development of the United State’s massive financial system, with large organizations continually being encouraged to grow. Additionally, bailout had encouraged the moral hazard of banks by allowing them a safety net. The Dodd-Frank Act tried to ensure that the safety net would not be used for these banks again. However, the banks that had benefited from the
bailout, as demonstrated earlier, were not small organizations that were easy to handle.

These banks were enormous economic actors:

<table>
<thead>
<tr>
<th>Financial Institution</th>
<th>Annual Growth Rate</th>
<th>Final Asset Amount, Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank of America</td>
<td>1999-2008: 14%</td>
<td>$1.8 trillion, 2008</td>
</tr>
<tr>
<td>Citigroup</td>
<td>1999-2008: 12%</td>
<td>$1.9 trillion, 2008</td>
</tr>
<tr>
<td>Fannie Mae</td>
<td>2000-2008: 11%</td>
<td>$3.2 trillion, 2008</td>
</tr>
<tr>
<td>Freddie Mac</td>
<td>2000-2008: 10%</td>
<td>$2.2 trillion, 2008</td>
</tr>
</tbody>
</table>

Financial Crisis Inquiry Commission, 2011, p. 65

Further, from 2009 to 2010, annual growth was focused in the larger banks. The banks that held assets over $1 billion had their profits double from $6.3 billion to $14.5 billion. For smaller banks, their profits only rose by 26% (Financial Crisis Inquiry Commission, 2011). By 2010, the top 25 Wall Street firms broke a compensation record at $135 billion. The then Kansas City Federal Reserve President, Thomas Hoenig, observed the banks had “even greater political influence than they had before the crisis” (Barofsky, 2012, p. 217).

The most intense regulatory measure originally included in the Act was the Brown-Kaufman amendment, which would have forced some of the largest banks to break down their assets into smaller, more manageable units. The amendment was created by Senator Sherrod Brown and Senator Ted Kaufman. This was important to many members as it potentially eliminated the possibility of another too big to fail issue in the future. While there was support across the aisle for the amendment, it was not passed due to opposition by Geithner. Geithner stated that it would impose a limit on the size of the banks, which is unethical (Geithner, 2014). Barofsky (2012), on the other hand, stated “Instead of taking the Brown-Kaufman meat cleaver to the banks, Dodd-
Frank gave the regulators a scalpel and directed them to attempt to carve up the power of the largest banks...” (p. 218). Although concerns about the dangers of limiting the size of an industry were reasonable, the replacement to handle banks being too big to fail was limited.

The Act created the Financial Stability Oversight Council (FSOC) to rein in the largest banks. The FSOC was made up of 10 voting members, ranging from the Chairman of the Board of the Governors of the Federal Reserve to the Director of the Federal Housing Finance Agency. The Treasury of the Secretary oversaw the Council. The Agency was charged with deciding how to regulate the derivatives market, the credit-rating agencies, and set bank capital requirements (Broome, 2011). The Council was also charged with setting up the Orderly Liquidation Authority, which would ensure that any too big to fail institution could be shut down without a bailout (Broome, 2011). However, the Council created issues regarding accountability between it and the Federal Reserve as it divided the power of regulation among the two. Further, the council “has little power to compel independent regulators to take coordinated actions for the good of the broader system” (Geithner, 2014, p. 436).

Aside from its lack of power, those who were originally placed on the council had multiple ties to the financial industry they were expected to regulate. Jacob Lew, the Secretary of Treasury following Geithner, used to work for Citigroup. Other members, including Thomas Curry, Gary Gensler, and Debbie Matz, had additional connections to the financial industry. Further, those on the Council tend to be appointed by other offices, which means the revolving door between the financial industry and the federal government can continue to turn. If members are placed on the council that supports the
financial industry or bank bailouts, there are limited ways to change this behavior since the council is independent.

The Dodd-Frank Act put much of its reform work into the hands of the Treasury: a federal branch historically filled with workers who have previously worked in the financial sector (Bernanke, 2015). The Treasury was one of the last organizations to acknowledge the signs of an impending financial crisis in the early 2000s (Barofsky, 2012). The Treasury: the group that advocated for and developed the bailout. The Treasury: those who are responsible for keeping the economic sector growing. Why would the organization responsible for expanding economic growth want to create regulation that would disfavor some of the largest economic actors and risk hurting the economic capabilities of the country? Even if it means holding powerful actors accountable for their actions? The structural power of the banks holds power in regulatory bodies because regulation could prevent future growth, and the regulators are aware of that.

Furthermore, the financial industry was not going to allow a large regulatory bill and council to be created unless they could potentially alter it in their favor. As seen in chapter one, it seems that the United States is in a constant ebb and flow of financial regulation, with it being created mostly after crises and being removed or changed during booms. The financial industry has the ability to lobby and contact elected officials and they use that to their full advantage: “Wall Street’s relentless efforts to weaken the law, exploit its gaps, and violate existing regulations” (Kelleher et al., 2016, p 3). The banks were doing well considering the crisis had just barely ended and worked vehemently to oppose the legislation (Barofsky, 2012). The financial industry “aggressively lobbied
Congress during the consideration of the law… Lobbied the regulatory agencies… filed lawsuits challenging… portions of the statute but also rules promulgated by the agencies… filed bills and amendments to weaken, roll back, or kill parts of the law or rules; and held hundreds of hearings, too often to harass the regulators” (Kelleher et al., 2016). The financial industry used their instrumental power to push against strict regulation.

For example, the Dodd-Frank Act was mentioned by 732 different lobbying clients from 2006 to the present. Altogether, it was mentioned 16,104 times with some of the larger lobbying clients including the US Chamber of Commerce, The American Bankers Association, JP Morgan Chase, and Goldman Sachs (Open Secrets, *Lobbying Spending Database, The Dodd-Frank Act*). During 2012, the top 5 consumer protection groups sent 20 lobbyists to Washington to support the Act. At the same time, the top 5 financial industry organizations, The US Chamber of Commerce, the American Bankers Association, JP Morgan Chase, Goldman Sachs, and Wells Fargo, sent 406 lobbyists. Altogether, over 3,000 lobbyists were in Washington to address the bill, which equals about 6 lobbyists per member of Congress (Rivlin, 2013). Overall, the lobbying teams were hardly even and so they were able to impact the Act in a number of ways.

The Dodd-Frank Act excluded a number of areas that could have potentially benefit citizens in the long run. For instance, the Consumer Financial Protection Bureau was created to help protect consumers in their interactions with financial institutions. So while that includes mortgages, credit cards, and student loans, it does not include one major loan area: car loans. While car loans are some of the most prominent loans owned by consumers in the United States, the Bureau has no jurisdiction over them. Furthermore, in a document that is over 2,300 pages, two of the main mortgage firms,
Fannie Mae and Freddie Mac, received almost no attention. Even though they held a large portion of failing mortgages, they were only mentioned for two and a half pages in the overall document (Indiviglio, 2010).

Another example regards the Volcker Rule, which was meant to limit proprietary trading by banks. However, the Volcker Rule was left to the FSOC and was weakened drastically through intense lobbying. JP Morgan Chase utilized one of the loopholes in the Volcker Rule to move its proprietary trades to its London-based unit and branded it as a multi-hundred-billion-dollar hedge. As Barofsky (2012) states, “Legitimate hedging was one of the hard-fought exemptions to the Volcker Rule won by the banks, intended to permit banks to minimize risk to the system by allowing them to offset specific risks… that may remain in their portfolio” (p. 231). In other words, the financial industry was able to utilize small holes in the Rule to continue risky trading by consolidating those trades into separate hedge funds. The firm expressed the hedge was different from proprietary trading, but the main difference was a change in name. The actual act of proprietary trading was able to continue under a different guise.

While the Dodd-Frank Act was a step in regulating the financial industry, it was not optimal in its organizational structure and it did not completely dismantle too big to fail banks. The too big to fail banks were large organizations that would be difficult to dismantle and the Act was limited in how it could address the systematic power these banks had over the financial industry and strength they maintained in international markets. However, it did have some impact over the long run as its implementation developed and changed. After the Act was passed, the largest financial institutions did
lose some of their assets, however, the gap between the top 10 largest banks and the rest of the top 100 was, and remains, incredibly large:

<table>
<thead>
<tr>
<th>Year</th>
<th>Top 10 Largest BHC</th>
<th>Top 11-100 Largest BHC</th>
<th>Top 10 Largest Commercial Banks</th>
<th>Top 11-100 Largest Commercial Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>35%</td>
<td>45%</td>
<td>22%</td>
<td>40%</td>
</tr>
<tr>
<td>1990</td>
<td>27%</td>
<td>50%</td>
<td>25%</td>
<td>46%</td>
</tr>
<tr>
<td>1995</td>
<td>34%</td>
<td>48%</td>
<td>28%</td>
<td>42%</td>
</tr>
<tr>
<td>2000</td>
<td>52%</td>
<td>37%</td>
<td>40%</td>
<td>35%</td>
</tr>
<tr>
<td>2005</td>
<td>55%</td>
<td>39%</td>
<td>50%</td>
<td>30%</td>
</tr>
<tr>
<td>2010</td>
<td>70%</td>
<td>25%</td>
<td>57%</td>
<td>25%</td>
</tr>
<tr>
<td>2015</td>
<td>63%</td>
<td>30%</td>
<td>55%</td>
<td>27%</td>
</tr>
</tbody>
</table>

Notice the point in which the majority of the assets switched from the 11-100 to the top 10 happened between 1995 and 2000, soon after the passing of the Gramm-Leach-Bliley Act which repealed the Glass-Steagall Act and removed much of the regulation on the financial sector. While the Dodd-Frank Act was able to begin closing that distance between the top 10 and the remaining 90, the gap remains incredibly large. Furthermore, the top five largest banks in 2015 controlled nearly 45% of the industry’s total assets, or over $6 trillion, while the remaining 55% is controlled by 6,504 other institutions. The top five banks include JP Morgan Chase, Bank of America, Wells Fargo, Citigroup, and U.S. Bankcorp. (Cox, 2015).

Furthermore, some of these top banks have been unable to adhere to one of the main parts of the Dodd-Frank Act: Creating an Orderly Liquidation plan. In 2016, five of the eight largest banks did not have credible plans for potential liquidation if another crisis were to occur. Three of those banks include JP Morgan, Bank of America, and Wells Fargo. Goldman Sachs and Morgan Stanley had passing grades from only one of the two review agencies. Citigroup was given a passing grade by the two review agencies.
but was still told its plan needed improvement (Popper & Eavis, 2016). This should not instill confidence in the public that there will never be another bailout.

The Dodd-Frank Act was the first large-scale regulatory act passed on the financial industry since the end of the Great Depression. While it intended to break up the largest banks, regulate risky trades, and protect consumers are important, it was shaped by the financial industry lobbyists. It is hard to regulate an industry upon which the economic stability of a nation rests and has millions of dollars to put toward campaign support and lobbying work. Overall, the Dodd-Frank Act has been successful in reigning in the big banks in some capacities, but it has a long way to go in order to bring them down from being too big to fail.

Conclusion

As discussed throughout this chapter, Quiet Politics can be found in many areas of political rhetoric and decision making due to the power of economic actors hold throughout the political arena. Those with the ability to control economic investments or economic growth means these actors exert influence over political entities through a number of means. This ability to influence the way in which political actors make decisions is the foundational idea of Quiet Politics. Those who utilize Quiet Politics, even though they may not realize they are using Quiet Politics, are able to exert control in multiple ways, which have been addressed in this chapter. Quiet Power is divided into two forms: instrumental power and structural power. This chapter has sought to demonstrate the ways in which Quiet Power was utilized throughout the 2008 Financial Crisis. This included analyzing political communications, campaign donations, lobbying
organizations, and the reliance on expert knowledge between the banking industry and the federal government.

The main example of structural power, and therefore Quiet Power, used in the Great Recession is the idea of too big to fail, which was discussed in the chapter. Essentially, when incredibly large banks began to have major financial trouble, with some even filing bankruptcy, the United States’ Treasury stepped in to stop future insolvency from happening. This included the major bailout bill in which many banks had their asset bought the government, given financial stipends to support failing loans, or encouraged companies to absorb other failing entities. While this was done in order to prevent a large scale economic collapse of the some of the largest economic entities in the United States, it set a major precedent: if a company is essential to economic stability, if it is likely to fail, the federal government could potentially save it. This could encourage companies to make riskier decisions based on the assumption that if the action goes horribly wrong, they could receive a bailout anyway. This is how many saw the bailouts during the Great Recession: large companies that had made an enormous profit through predatory lending were let off the hook through the bailout. While the bailout prevented a national economic collapse, the idea of too big to fail has created long-term consequences in regard to how much autonomy and risk potential large economic actors maintain.

This case study demonstrates the ways in which the Financial Industry utilized Quiet Politics before, during, and after the Financial Crisis of 2008. As one of the largest set of economic institutions within the United States, the financial industry is complex and difficult to understand by outsiders, financially capable in terms of lobbying
capacities, campaign donations, and maintains the power of too big to fail. Altogether, this creates a power dynamic in which citizens are unable to challenge, let alone understand, the ways in which the financial industry impacts their everyday life. This low salience surrounding the financial industry and the policies it promotes creates a political arena in which the interests of the financial industry rule. This is Quiet Politics in action.

However, Quiet Politics has another dimension that has been mentioned: what happens when an area becomes politically salient? The recession impacted every person in the United States and the different bankruptcies and the eventual bailout of the financial industry was discussed frequently by news sources. If an issue has become politically salient, more people are in the political arena voicing their frustrations: does that limit the power of Quiet Politics? The next chapter seeks to analyze how political salience tied into the aftermath of the Great Recession and if political salience changed the Quiet Power of the financial industry.
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Chapter 4: Political Salience and Occupy Wall Street

“Who are you protecting?”
- Occupy Wall Street Protestors
(Gould-Wartofsky, 2015, p. 78)

The previous chapter attempted to apply the theory of Quiet Politics to the 2008 Financial Crisis. The theory, however, does not simply address the power dynamics businesses can control regarding governmental policy. Rather, the theory can be used to examine how to change that power dynamic and limit some of the quiet power the banking industry maintains. Culpepper (2011) argues that a key way to address Quiet Politics is to make them loud, primarily through the channel of political salience. Political salience, or bringing public attention to an issue, changes the ways corporations and the government interact with one another since other actors are now involved in the governmental decision-making process. This chapter will seek to understand how political salience impacted the relationship between the financial industry and the federal government following the 2008 financial crisis. It will look specifically at the Occupy Wall Street Movement and the national attention it garnered in response to its campaign on income inequality and the power of Wall Street. Essentially, the Occupy Movement worked to make Quiet Politics loud, but did it change the dynamics of Quiet Power in the financial sector? That is a question this chapter will attempt to answer.

Political Salience and Political Change

The aforementioned ideas regarding business power relate to Pepper Culpepper’s argument that businesses work within the political sphere and use of Quiet Politics in different nations. In his book *Quiet Politics and Business Power: Corporate Control in Europe and Japan*, Culpepper (2011) argues that business utilizes the public’s inability to monitor all public interests and thus as a consequence “managerial organizations are
likely to dominate the politics of corporate control” (p. 145). Culpepper focuses on managerial power in different economic structures around the globe to see how different political environments alter the use of Quiet Politics and its effects over time. He uses the term political salience to describe political issues and the amount of attention they receive from the public at large. Certain issues retain more political salience over time because they directly impact a large number of people every day, or the issues are simple, understandable and easy to form opinions on. Political parties tend to focus on high-profile issues or issues that affect a large number of people (Culpepper, 2011).

Issues with low political salience are particularly concerning because Quiet Politics maintains control over their policy development. Culpepper focuses on examples in which corporations exercise low salience to influence the rules governing the ability of businesses to be bought and sold, as well as the politics of executive pay. When the public or media know little in regards to an issue, they defer to managerial expertise and trust what businesses claim to be in the interest of the public. Thus, businessmen turn into political experts who maintain control over what would be best for the public at large. However, “In the arena of noisy politics, organized business actually suffer many defeats, because these are the conditions under which politicians must cater to popular opinion if they want to be reelected” (Culpepper, 2011, p. xvi). Issues have the ability to become salient through either a crisis (e.g. the Great Recession) or mobilization efforts by policy entrepreneurs (e.g. increasing the minimum wage). Crises include events such as an economic downturn, large scale death from disease or violence, or a wide-spread political scandal. Policy entrepreneurs can use these crises to focus public attention on the issue and then utilize the attention to create a mobilization project: “James Q. Wilson argued
that political entrepreneurs ‘can mobilize public sentiment… Put the opponents of the plan publicly on the defensive… And associate the legislation with widely shared values’” (Culpepper, 2011, p. 6–7). Both forces collect the mass attention of voters and make the issues at hand feel applicable to the public even if the problem or policy outcome does not directly impact the voter. When the public focuses on a corporate issue and makes it politically salient, power is taken away from corporations as politicians focus on what the public is demanding in order to be reelected. Democracies have the ability to call out Quiet Politics, make issues where they have power politically salient, and thus make a change that benefits all people rather than only corporations possible.

Culpepper believes the news media also plays an important part in how the public learns about crises or mobilization efforts. Media spreads the word about political issues as they become salient, which shapes public opinion and helps citizens possibly use their democratic power to call for change. Media coverage is also a way for politicians to understand how politically salient an issue is based on how much media coverage a specific event receives. Media sells their stories to consumers so the stories that are viewed the most often have the most follow-ups and continued attention, which tells politicians what the public cares about (Culpepper, 2011, p. 7). That being said, media does not focus on corporate control regularly because it is not an easy story to sell. Corporate control is not of direct relevance or interest for many people and is thus less likely to get the same media attention as large-scale public issues, like global climate change, epidemics, or even celebrity gossip. Thus, the public once again relies on corporate voices to express what is best for the public instead of forming independent opinions. This leads to the regular cycle of corporations using Quiet Politics with little
backlash or public challenge. Culpepper expresses the continual power of Quiet Politics: “Business does not necessarily lose under high political salience; indeed it remains a powerful interest group, even under those conditions” (Culpepper, 2011, p. 146). While political salience is an important variable in changing power dynamics, it is not completely fool proof against the power of corporations.

Other theories also address how social change is achieved over time. One theory, referred to as incrementalism, was developed by Robert Dahl and David Braybrooke but was developed further by Charles Lindblom. The theory is based on bounded rationality, an economic term that expresses humans make rational decisions based on the information supplied (Baumgartner & Bryan, 2009). Lindblom suggested that “human beings are bounded by the costs calculation imposes on decision-making and by their own cognitive and informational limits in predicting future events and their consequences” (Howlett & Migone, 2011, p.55). As such, incrementalism is a way to make decision-making more systematic through trial and error and compromise with current understandings of policy. This theory creates a space in which public policy slowly changes based on problem remediation rather than goal achievement. This allows the status quo of government policies to remain intact and even as policy changes occur, they are limited in what they can alter.

However, the reliance on this theory changed in 1993 when Frank Baumgartner and Bryan Jones developed the punctuated equilibrium theory, based on a theory from biology. They (2009) argue that policies are usually developed in an equilibrium: interested groups and actors work with government specialists to develop policy based on the status quo. The policies developed change, but slowly and these actors have a large
amount of control on the final policies produced. However, there can be large-scale policy changes that occur through punctuation. The punctuation occurs by “expanding the conflict by involving multiple venues.. to destroy equilibria and shift policies dramatically” (Baumgartner & Jones, 2009, p. xviii). This supports Culpepper’s (2011) view that policy remains the same until outside actors get involved in the process.

However, that is not to say the punctuations in the equilibrium can bring everlasting change. Rather, while change is occurring in one policy area, other policy areas may remain static. Since policies are constantly interacting with one another and spilling into other political arenas, stasis in one section can actually limit the change that can occur in others. Further, it can be difficult to encourage punctuations to occur and they do not occur often; equilibrium is more common than punctuation. It is up to the public to address a policy area, encourage others to abandon their apathy, and push out the monopoly controlling that area. The public has the ability to organize and potentially create a punctuation, but that does not mean it is a full proof method for change. Finally, even if a punctuation does occur, and succeeds in creating change, that leads to the next equilibrium phase, in which the governmental machine continues to work with the tools and regulations guiding its actions. This can limit the actual impact of a punctuation as the equilibrium may push the policy area to the background, where it is not likely to undergo a dramatic change in the near future.

Part of the inability of social movements to limit the power of corporations is due to time differences between the two forces. As seen in chapter one and the previous chapter, the financial industry has long historic roots in the United States, while many social movements, specifically Occupy, are influential for short periods of time. It is hard
to continually organize social movements when the members within them have restraints on the amount of time they are able to dedicate. These people have outside commitments, such as taking care of their families, or work obligations to support themselves financially. Additionally, those individuals who support a movement have restricted amounts of energy they can expend, which can force them to focus that energy elsewhere. Additionally, being a part of Occupy was not a 40-hour a week job but was rather a 24-hour occupation (Wartofsky, 2015). Overall, the resources to supply, support, and spread the word about social movements is limited due to time, financial, and energy constraints.

On the other hand, corporations have the ability to support their own agendas through their profits. As discussed earlier, they can utilize their profits to forward their use of instrumental power. Corporations can hire others to spend their energy and time forwarding the mission and goals of the company or a specific economic sector. Corporations have the resources to plan and potentially obtain long-term goals as well as power structures. This allows them to pressure elected officials and government structures over extended periods of time, while social movements are limited in that respect.

**Occupy Wall Street: Roots and Development**

The Occupy Wall Street Movement, or The Occupy Movement, began in 2011 and was created in response to the 2008 Financial Crisis. The Occupy Movement sought to address the mass power structures that business maintains as well as the growing financial inequality between those high up in large-scale corporations and the average American, or the top 1 percent of the financial distribution of the United States compared to the other 99 percent (Declaration of the Occupation of New York City). American
corporations are allowed to set their own wages and thus high-up employees such as CEOs or the Board of Directors are able to set their own salaries in turn. Most businesses refer to this continual raising of salaries as “performance based pay”, so those who are apparently doing well for the business will be paid more over time (Culpepper, 2011, p. 148). These salaries have been steadily increasing over the past two decades even as the issue has become politically salient.

The issue of executive pay was first brought into the political spotlight in 2001 during a scandal in a company called Enron. A high-profile scandal, Enron executives had their top salaries tied to stock prices, which are based on how the company is doing through regular earning reports. In order to keep salaries high, Enron began falsely reporting its earnings. When this was discovered, the company effectively went bankrupt and all employees of the company lost all their financial assets tied to their jobs: stocks, pension plans, retirement funds and much more (Culpepper, 2011, p. 148). In response, the U.S. federal government passed the Sarbanes-Oxley bill which “placed significant new limitations on company accounting, but it only introduced minor changes in the regulation of executive pay, which was the major source of the incentive structure behind the accounting scandal at Enron” (Culpepper, 2011, p. 161). Subsequently, the Great Recession refocused public attention on business power and executive pay as well. As Americans lost their homes at the hands of corporations, the leaders of these businesses continued to make millions of dollars a year (Culpepper, 2011, p. 150). The media jumped on the issue of executive pay specifically and brought more public attention to the issue as the recession took hold of America (Culpepper, 2011, p. 151). Soon, the Dodd-Frank Act was passed but there were no direct regulations or stipulations on
executive pay or the pay of employees who had been harmed by the recession. Financial institutions were regulated more than before but little of that regulation directly impacted how Americans were impacted by the aftermath of the recession.

The recession hurt millions of families within the United States and, even after it ended in 2009, it had lingering impacts on the lives of ordinary Americans. People were still without jobs and homes and many families struggled to piece their lives together after losing almost every financial asset they had. Since 2006, the national unemployment rate rose 4.5 percent, and the number of people on national food benefits programs rose by 18 percent (Ward, 2012). Even as the economy continued to grow and expand after 2010, inequality continued to grow between the top income earners and those in the 90th percentile or lower. In 2011, the top 1 percent of the income distribution controlled 33 percent of America’s annual income, compared to 1986 in which the top 12 percent of the population controlled 23 percent. From 2010 to 2011, the salaries of top CEOs grew by .5 percent while the average workers’ pay dropped by -7.4 percent in that same time frame (Ward, 2012).

Furthermore, the different sections of the Troubled Asset Relief Program (TARP) that were supposed to focus on consumers and homeowners were ultimately limited and were not well implemented. For example, the Home Affordable Modification Plan (HAMP) was created within TARP to help homeowners impacted by the crisis. However, the plan had many issues. It did not reduce the principal owed by homeowners on their mortgages, nor could those who were unemployed receive HAMP support. While millions of Americans lost their jobs, they were unable to receive help from the government to save their homes. Furthermore, the program was ill equipped to begin its
implementation and many of the rules it developed were similar to those of the banks which had preyed on the public in the first place. The program used phone interviews to decide if individuals were eligible for the program without any additional information, or promises about the outcomes. Once interviews were approved, the funds then went to the company that held the individual's loan, rather than to the individual themselves. This was an issue later on as the three largest providers, Wells Fargo, Bank of America, and JP Morgan Chase, were all found to be not in compliance with the orders of HAMP. The Treasury withheld payments until the groups complied, but the Treasury eventually gave in and released the final $170 million to the three groups. The Treasury was unable to hold any servicer responsible for their actions or abuses within HAMP. As the program continued, fewer than 800,000 homeowners received support through the program (Barofsky, 2012). Once again it seemed that the government failed to take care of constituents directly and put the power into the hands of the financial sector. The Occupy Movement began as a way to create a large public dialogue about these types of issues and to create a democratic response to challenge the growing income inequality between workers and executives.

The Occupy Movement began through one blog post that encouraged people to rally together on Wall Street. Quickly, Occupy Wall Street began its own social media pages and hash tag that spread worldwide with their well-known slogan quickly gaining prominence: “We are the 99%”. The first protest began on September 17th, where, collectively, the group began deciding on their demands to present to businesses and public officials. Maintaining direct democratic processes was the main desire expressed by the group and thus all decision-making was done collectively (Gould-Wartofsky,
2015). The group sought to address the power of major banks and corporations, which corrupted the democratic process and lead to the recession (Occupy Wall Street: About). The Movement stated:

As one people, united, we acknowledge the reality:... that a democratic government derives its just power from the people, but corporations do not seek consent to extract wealth from the people and the Earth:... We come to you at a time when corporations, which place profit over people, self-interest over justice, and oppression over equality, run our government (Declaration of the Occupation of New York City).

Occupy continued its demands by listing examples where companies had created inequality within their own workspaces as well as possible ways to address these inequalities. The majority of the group, 88 percent, believed the government should limit CEO salaries and 80 percent stated that the “super-rich” should pay higher taxes. The group also stated, with a 93 percent support rate and higher, that all student loans should be forgiven, that insurance companies make too much money, health care should be free, and that the government should regulate drug prices (Occupy Wall Street Timeline).

More importantly than the group’s overall goals, however, was the individual experiences that fed into the Movement and continued to propel it forward. Because so many Americans had been hurt by the 2008 Financial Crisis, the Movement was aimed at giving these people a space to voice their concerns and frustrations. Much of this was done via largely democratic processes that created space for the voices of marginalized communities. The democratic process, or consensus building, allowed individuals to tell their own stories and connect them to the broader issues Occupy was working to address.
This was vastly different than traditional social movements in which a particular group decides the goals and action steps of an organization and others simply support them (van Gelder, 2011). Occupy was meant to represent the 99% and attempted to do so via an individualized, horizontally organized movement.

That style was appealing to many different groups of people, who joined the Occupy across the United States. There is even a blog, wearethe99percent.tumblr.com, which provides a space for these people to tell their stories and why they joined the Movement (van Gelder, 2011). Many of the stories discuss people’s struggles with job loss, long-term unemployment, bankruptcy, and evictions from homes. However, the people reporting these narratives of difficulty and frustration come from many different backgrounds. Author Marina Sitrin attended the first month of Occupy described this diversity: “Tonight was the largest and by far the most diverse crowd the plaza has ever seen. There were pregnant women, babies, and children, along with grannies and white beards, and everyone in the middle. There were at least four wheelchairs and all sorts of differently abled people. There were people from all over the world and a variety of races and backgrounds” (van Gelder, 2011, p. 30). Even with thousands of people attending, the main venue of communication in the area, the People’s Microphone, was open to anyone who wished to speak (Gould-Wartofsky, 2015). The focus on consensus making and horizontal power structures is one main reason why Occupy Wall Street was unique and attention grabbing. For some, it was a source of hope that their personal economic conditions might change.

Furthermore, having that many different groups represented allowed the word of the Movement to spread nationally via different communities and communication
networks. Unlike other social movements, Occupy started with a majority base of support and grew from that. Other social movements had to continually recruit and express why their mission was valuable (Gitlin, 2012). People outside Occupy could easily see the stark contrasts between the 99 and the 1% and understand why this Movement was valuable. This popularity was essential in continuing to gain traction and support for Occupy and also helped paper over potential flaws, such as a lack of central organization. Because if this dynamic, Occupy was vastly different from many of the other social movements, such as civil rights or LGBT rights movements. These movements drew from a much smaller base for support initially and multiple surveys demonstrated the lack of popular support for civil rights across the United States (Gitlin, 2012, p. 34). The LGBT movement had similar pushbacks from the public, even after the Stonewall uprising in 1969. As such, these movements, unlike Occupy, “had to contend with attitudes of this sort even as they launched their direct actions, trying to change opinions, policies, and deep cultural mindsets all at once” (Gitlin, 2012, p. 35). The public understood why people were protesting in Occupy as many had experienced similar economic hardships themselves.

**Media Saliency and the Outcomes of Occupy**

Occupy proved influential as more of the public supported the Movement all over the United States. At the first Occupy Wall Street demonstration, over 1,000 supporters gathered and the numbers increased daily. Over 951 cities in 82 countries sought to join Occupy and as the Movement grew, so did the attention it received on social media. The Movement had over 40,000 followers on twitter and over 100,000 Facebook Fans (Occupy Wall Street Timeline). Even those who did not directly support the Movement
acknowledged there were problems in the political system. Media attention continued to focus on the Occupy Movement and its message continued to spread nationwide.

Other reports had similar findings: CBS News found in October of 2011 that seven in ten Americans had heard of Occupy Wall Street and expressed that 43% of people agreed with the views of Occupy Wall Street, however, 30% said they did not know. Additionally, 66% of people said money and wealth are not fairly distributed in the United States (Montopoli, 2011). *Time Magazine* found similar results during that time period with 54% of people stating they viewed the protests as somewhat or very favorably. From that respondent group, 86% said Wall Street and its lobbyists have too much influence in Washington and 79% said the wage gap between the rich and poor is too large. However, and potentially more importantly, only 30% of respondents said Occupy would have a positive impact on American politics while 56% said it would have little impact (TIME Poll, 2011). These findings suggest that while most Americans had heard of Occupy and largely supported it, they did not believe it would have a lasting impact on socio-economic structures of the country.

Media attention is essential to gaining traction for any kind of movement and national recognition; if people do not read about it in the paper, hear it on TV, or see an article online, then they may never know about a specific social movement. Even older social movements, like LGBT rights, heavily relied upon media sources with the hopes of connecting with wider political and social contexts. However, while media coverage correlates with the public interest in an issue, it does not always correlate with policy or social change. In an article from the Eastern Sociological Society, three authors analyzed
why some movements gain extensive newspaper coverage and how this is different from actual policy change (Elliott et al., 2016).

The authors look at the LGBT rights and AIDS movements in the *New York Times, Wall Street Journal*, and *Los Angeles Times* to understand this dynamic. They found that there are two important conditions for gaining media attention: policy changes and crises. For movements that focus on one line of policy will benefit from the media if that policy has advanced or changed, especially if a movement is large, well organized, and well-funded. If an organization wants to address many different policy areas, however, then they are less likely to receive as much media attention and be perceived as less influential actors. On the other side, increasing coverage during a crisis improves the chances of a protest-oriented group to gain more media attention, even if those organizations are not well resourced. However, since changes in policy and crises tend to be resolved after a certain amount of time, the media attention will eventually drop, and the issue will lose salience (Elliott et al., 2016).

For the Occupy Wall Street Movement, they had both a crisis (e.g. the Great Recession) and a policy change (e.g. the Dodd-Frank Act) to help them gain attention from the media. At the time, the public’s attention to the economy and economic policy, or economic political salience, was high due to the recession (Singer, 2011). When recessions occur, those impacted are more likely to experience anxiety and fear and turn their attention to economic questions and issues. These three factors were beneficial for the growth of the Occupy Movement in its ability to gain more supporters, large amounts of media attention, and therefore public salience. However, by growing the Movement, Occupy had to continually expand its horizontally, democratically based mission and
therefore add to its goals. This meant that as more marginalized groups joined the Movement, such as the African American community which was attempting to address policy brutality, the mission became broader. Occupy quickly moved from one focused specifically on income inequality and corporate power to adopting views and missions from multiple groups in the nation. As such, the mass support for Occupy was both a blessing and a curse.

The slow change from a targeted, small, protest based organization to a large, multifaceted, and democratic Movement was seen in the media coverage of Occupy. One article, written by Julian Gottlieb (2014), followed the news coverage of Occupy within the New York Times. Gottlieb (2014) found “as the movement grew, journalists focused on the movement’s economic grievances, including economic inequality, bank bailouts, and foreclosures. As the movement peaked, news attention shifted to the intensifying conflict between city officials and protestors” (p. 1). Stories about the Movement tended to peak on days in which large arrests occurred, which drew attention away from the actual substance of the protest. As such, “protestors can make their issues more salient in the news by escalating conflict and getting arrested, but… journalists tend to focus on the conflict instead of the protest issues” (Gottlieb, 2014, p. 18). Although Occupy Wall Street was politically salient for much of its lifespan, in the end, the media was less focused on the goals of the Movement and rather of the exciting stories of clashes and conflict. As Occupy Wall Street grew larger, these clashes and conflicts became more frequent and easier to cover than their mission.

Part of the reason the mission was getting more difficult to cover was the lack of a single voice that could represent the mission and goals of Occupy Wall Street. While the
Movement strove to avoid elitism within its ranks, its lack of structure is one factor in what lead to its eventual downfall. Author Jo Freeman (2013) discusses this idea, and its political implications in her article “The Tyranny of Structurelessness.” She (2013) discusses the use of structurelessness in feminist organizations and expresses, “unstructured groups may be very effective in getting women to talk about their lives; they just aren’t very good for getting things done” (p. 239). The groups that are able to succeed in accomplishing their goals tend to follow four criteria: being task oriented, relatively small and homogeneous, communicative, and low levels of specialization. For organizations that do not maintain these criteria, “the movement generates much motion and few results” (Freeman, 2013, p. 240).

The Occupy Movement, however, maintained pride in their structureless system. Not surprisingly, however, the group did not meet the four criteria for success. First, the group was limited in its task orientation. Since Occupy was such a diverse and large organization, it discussed large, nationwide, structural changes that could potentially improve lives across the nation, but were nonetheless difficult to achieve. Because the Movement recognized every person was impacted by the structure of the 1% and corporate power in some way, they strove to address each of these issues simultaneously. By being democratic and horizontally organized, they were constantly attempting to solve the issues each individual was experiencing. While this was impactful in defining Occupy as a representative for the people, it limited the Movement’s ability to develop, plan for, and obtain short term goals that would leave to long-term structural change. Protests, sit-ins, and boycotts were well formed and organized across the country, however, their main impact was to win media attention. That media attention was focused in turn on the
marches, and potential clashes with police, rather than the mission or goals of the Movement.

Furthermore, without leaders, the groups were unable to meet their needs: “They could not necessarily steer the movement, give it continuity, help it strategize, devise, and debate rival positions, evaluate successes and failures… It was prone, in difficult hours… to thrash around” (Gitlin, 2012, p. 104). While the Movement maintained working groups, these groups could only accomplish small tasks as they struggled for funding, organization, or representation within the larger Occupy Movement. Furthermore, the structureless format ensured there was not a direct path to follow for the Movement: “the more unstructured a movement is, the less control it has over the directions in which it develops and the political actions in which it engages… diffusion of ideas does not mean they are implemented” (Freeman, 2013, p. 243). Structurelessness made it difficult for the entirety of the Movement to maintain a coherent voice in the media, or with politicians as no one person was the designated spokesman. In fact, in the early days of Occupy, then called the New York City General Assembly, organizers put out a question to constituents: “What is our one demand?” However, in the end, no one demand was every decided due to the many different opinions and voices that surfaced in the Movement (Gould-Wartofsky, 2015, p. 51).

The second point, that the group is relatively small and homogeneous, went directly to the set-up of the Movement. Occupy was one of the largest social movements in the 21st century, with many different socio-economic, racial, and ethnic groups represented. This was important as it demonstrated the impact of the corporate structure on countless Americans from all walks of life. Yet it was also a major source of conflict
within the Movement. For example, by June of 2012, a number of people within New York participating in the protest had begun to dwindle. Within eight months, Occupy went from over 12,000 people in October to only 1,000 or less in May. Those who were not from New York had to return to their homes and their jobs. As people left, this also decreased the media attention the group received (Gould-Wartofsky, 2015).

Additionally, there was internal strife between groups represented in Occupy. Occupy used an organization called the Spokes Council in which members of working groups would be there to caucus and represent their group whenever necessary. Members would rotate weekly to maintain a democratic process and then would report back to their individual groups. However, the process broke down as individuals would not rotate positions of power, and certain “spokes” began to dominate meetings. Other caucuses began to be frustrated: the women’s caucus “expressed collective outrage at being blatantly disrespected and sidelined’ by the Spokes Council” (Gitlin, 2012, p. 96). Other divisions appeared between those who were economically disadvantaged, who were disproportionately people of color, and those who were trained organizers, or formally educated. At one point, a white member of the Spokes Council even brought a sign to the meeting that read “Aryan Brotherhood” (Gitlin, 2012, p. 98). Other examples included problematic remarks regarding cultural displays within the camp, actively using racial slurs against members, and essentially forcing the People of Color Caucus to hold educational meetings to teach white members about the issues in their communities (Writers for the 99%, 2011, 117).

As such, it was hard for those within the Movement to find common ground that would enable equitable and respectful interactions. This leads to variable three, which
focuses on a high degree of communication, which includes constant information flow, checking opinions, and ensuring equitable participation (Freeman, 2013). Within such an incredibly large organization, constant misunderstandings and problematic communications between groups kept tasks from being decided, assigned, or accomplished. Additionally, there may have been an issue with information flowing from within the main structure of Occupy within New York to different sub groups across the country. It was also difficult to have constant communication within Occupy as people constantly came and went to Occupy over time. The mass number of people and their diverse backgrounds made constructive communication difficult in the long run, which made it even more difficult to form and obtain goals.

The final aspect of successful structurelessness focuses on specialization and ensuring that no one individual is indispensable and that people can constantly be interchanged (Freeman, 2013). As seen above, many disadvantaged members within Occupy felt that was not the case, but rather they were being “governed by a structure dominated by affluent white kids” (Gitlin, 2012, p. 98). Those with more education began to take control of the process, and often times they pushed those with less education to the background. The roles of these individuals were not interchangeable, and those with more organizing experience ensured their own place towards the central organizing positions, which worked against the goals of a democratic, facilitation based Movement. Because of these many issues that Occupy Wall Street faced, they were unable to continue the large scale protests that had defined the Movement, and by the end of 2012, many people had left the protests and media salience began to stagnate (Gould-Wartogsky, 2015).
The Political Implications of Occupy

In sum: according to the theory of Quiet Politics, “the more the public cares about an issue, the less managerial organizations will be able to exercise disproportionate influence over the rules governing that issue” (Culpepper, 2011, p. 177). This, in turn, can mean that the public could have more influence over an issue and, as such, impact policy change that could help diminish Quiet Power. This includes addressing the instrumental power of large corporations, such as lobbying, campaign donations, and support, or the revolving door of managerial expertise, that make their influence so prominent in federal policy making. The salience would also address structural power and the ways in which corporations have power over economic factors, which could help or hurt economic growth. However, these two types of power, while continually mentioned by Occupy Wall Street in their protests and communication with the media, were not altered in significant ways.

While Occupy Wall Street was an incredibly large movement, and one that many American’s identified with, it did not impact federal policy in the way many would have hoped. The Movement created no tangible long-term political outcomes: “There are no real Occupy policy briefs, no legislation, no candidates. And therefore, it’s fair to observe that nothing has really changed in terms of the middle class” (Watson, 2012). Focusing mainly on the people, the Movement never created one specific end goal or policy objective it could reasonably attain. Part of this was due to the lack of specificity in regards to Occupy’s demands, but many of the issues the Movement wanted to address were so complicated and therefore difficult to understand or change. In fact, a comprehensive plan of action was never created. Without a strong and obtainable goal in
mind, and with some groups becoming frustrated with how Occupy was functioning, the Movement slowly dwindled away (Watson, 2012).

However, the theory of political salience suggests that even if an organization did not have specific policy goals, if the movement is popular enough, then it should be able to challenge Quiet Power. That does not seem to have occurred within this case study, as corporate power was not challenged in any substantive federal manner. There were no concrete policy development or implementation to attempt to address corporate power. Although the movement was popular and made issues of corporate power and inequality a politically salient issue, little resulted in the way of concrete federal policy change that would challenge the dynamics of Quiet Politics.

The Movement did have long-lasting political impacts outside the policy arena, that could potentially challenge Quiet Politics in the future. Occupy Wall Street was influential in the fact that it widened the scope of the issue of corporate power, demonstrated that the majority of Americans were concerned about income inequality, and pushed for political change. This changed the discourse around income inequality and the power of Wall Street within many communities. Occupy created the well-known brand of “the 99%” and amplified its focus on free speech and assembly by actively utilizing direct democracy in its planning and leadership (Watson, 2012). It was hard to find someone who has not heard of Occupy Wall Street or their phrase “We are the 99%” (Leonhardt, 2016). Additionally, by not having one specific leader, it also allowed those within the Movement to return to their homes and continue to organize with those in their communities. This led to different smaller movements of protest and boycotts to form around the United States. There was also a rise in prominence of the social movement
The Fight for 15, which supports raising the federal minimum wage to $15. They have had successes in raising the minimum wage in states such New York and California (Hajela & Balsamo, 2016).

Furthermore, there were political changes that occurred at the federal level, but it was focused more on the prevalence and success of certain political actors rather than policy development. For example, Occupy was influential around the time leading up to the 2012 Presidential Election. During this time, the main Republican candidate, Governor Mitt Romney, was a prominent businessman and was known for his wealth obtained from his position as CEO with a management consulting firm. While the Democratic candidate, President Barack Obama, also had ties with Wall Street, Occupy Wall Street continually attacked Romney for his defense against regulating Wall Street. Additionally, Romney was quoted multiple times expressing negative opinions against the protest, stating it was “‘dangerous’ and was ‘class warfare’” (Bingham, 2011). He was not alone in the Republican party in denouncing the demonstrations, with others calling it a “growing mob” or “un-American” (Bingham, 2011). The Obama campaign was then able to use this to their advantage, and continually expressed sympathy with the protestors, and even used language such as the 1%. Furthermore, the Obama campaign portrayed Romney as an outsider, who was actually from the 1%, and who would continue to cut taxes for the rich and outsource jobs if elected (Wallsten, 2011). This was helpful in Obama’s reelection but it did not alter his Administration’s ties to Wall Street.

Additionally, there were political changes outside the Obama administration as more candidates became prominent at the federal level. For example, during the 2016 presidential election, the Democratic candidate, Senator Bernie Sanders gained
prominence with a political discourse emphasizing income inequality and corporate power. Within that same election cycle, Senator Hillary Clinton was continually criticized and put on the defense for her ties to Wall Street firms and the large amounts of money she received from them. Additionally, Senator Elizabeth Warren has gained political prominence due to her tough criticisms of the banking industry and her role within the Consumer Protection Agency (Leonhardt, 2016). Altogether, the rise in the salience of these types of issues can be associated to the salience, and impact of the Occupy Wall Street Movement.

Again, while the theory of Quiet Politics expresses that political salience can, in a way, make Quiet Politics loud and thus challenge its power, there is limited evidence demonstrating this dynamic in terms of Occupy Wall Street relative to the Quiet Power of the financial industry. While Occupy was an incredibly large movement, well known across the country, and widely supported, the salience it received had a limited impact on federal public policy. Still, there have been changes regarding the discussion around business power and income inequality over the past 5 years. The rhetoric of the 99% is well known and some political figures have adopted it within their own campaigns. Other political figures have gained prominence due to their own criticisms corporate power. However, the power of the financial industry continued to function during and after the Movement, and very rarely did the financial industry interact with or address Occupy Wall Street. The political salience of Occupy Wall Street did not lead to a concrete policy change that would regulate the instrumental or structural power of the financial industry, and their use of Quiet Politics in terms of economic power continues today.
References: Chapter Four


Chapter 5: Conclusion

“I’m not a big regulation person.”
- Donald Trump
(CNN Money, O’Reilly Factor, 2011)

This thesis attempted to analyze the theory of Quiet Politics using case studies of the 2008 Financial Crisis and the political salience of the Occupy Wall Street Movement. To analyze Quiet Politics within the Great Recession, this thesis applied the three main criteria of Quiet Politics: instrumental power, structural power, and low political salience. The thesis analyzed why the Financial Crisis was controlled by industry elites and the ways in which they used structural and instrumental power in the decision-making process before, after, and during the crisis. During the case study on Occupy Wall Street, this thesis examined how salient the movement was within the United States, if it was able to alter political policies or positions of those in power, and how the banking industry was left relatively untouched by the movement.

As discussed throughout this thesis, Quiet Politics has the ability to impact the political decision making process in a way that everyday citizens cannot. It can be found in many areas of the political arena and decision making due to the power of economic actors hold throughout the political process. Those with the ability to control economic investments means these actors exert influence over political actors through several different means. This ability to influence the ways in which political actors or organizations make decisions is the basis of the idea of Quiet Politics. This thesis analyzed a several aspects of Quiet Politics in order to demonstrate its power within the United States and has shown that the financial industry was able to use Quiet Power to maintain its own influence and that political salience by itself is unable to challenge that power effectively.
Chapter Overviews

In Chapter One, introducing Quiet Power and Banking Reforms, theory of Quiet Politics was developed as defined by Pepper Culpepper (2012). This included differentiating between instrumental power and structural power. Instrumental power discussed the ways in which a business can impact a decision-making process through tangible means, such as lobbying methods, campaign funding, or expertise knowledge. Organizations are able to use these means to gain an upper hand in a potential conflict to ensure their own benefit in decision making processes. Structural power is different from instrumental power as it is more nuanced and rarely, or never, explicitly named. Structural power, instead, relies on the economic importance of an industry, meaning these companies supply employment, investment, and economic growth within particular countries. Elected officials want to encourage development, and as such, want to support businesses, even if it may not be in the best interests of their constituents. Businesses recognize that elected officials need their for election purposes, and they are able to use that recognition to their strategic advantage in decision-making processes.

The final aspect of Quiet Politics is that it is, well, quiet. Businesses rely on low political salience when yielding their power in the political arena. For example, it can be difficult for the average citizen to understand the complexities of a new regulatory policy that would limit the buying and selling of Collateralized Debt Obligations, or CDOs. Few people have strong opinions on the issue, and elected officials do not have a constituent opinion to drive their decisions. Elected officials, additionally, may also be uninformed on the issue and therefore rely on the expert knowledge of those who work within the industry to help form an opinion.
Although Quiet Politics is power, this power dynamic can be challenged and potentially override the impact of the business on political processes. Culpepper (2011) argues that when an issue becomes politically salient, or more individuals are involved in the process or paying attention to the outcome, it could change the way in which elected officials make decisions or vote. This aspect of Quiet Politics is important as it offers a potential way to counter the power of economic elites in the policy process. Political salience is a key aspect of Quiet Politics and it received its own case study in this thesis.

When a large industry such as the banking industry, uses instrumental power, structural power, and low political salience to advance its own interests, it is Quiet Politics. However, it can be difficult to see Quiet Politics in action as it is subtle and seldom acknowledged openly as an important influence in political decisions. The rest of the chapter looked at the history of the banking industry to demonstrate how it has grown to be such an impactful and large industry as well as how it has dealt with the political process of regulation in the past. A common theme was a push for deregulation from the financial industry to make their markets more competitive, and when regulation passed, financial actors found ways to avoid or subvert those regulations. However, when deregulation occurred, risk-taking by financial actors increased as well as criminality within the separate banks. One example of this was the 1999 Gramm-Leach-Bliley Act which repealed major aspects of the Glass Steagall Act, a financial regulation policy that had been in place since the 1930s. The removal of this regulation, coupled with the emerging practice of banks selling mortgages, eventually led to the development of the housing bubble and Financial Crisis of 2008.
Chapter Two is the literature review which analyzed the literature written about business power and the political decision-making process. This chapter examined the theory of Quiet Politics through the work of Charles Lindblom on the privileged position of business, David Vogel and the history of business power in the United States, and E.E. Schattschneider’s discussion of conflict and pluralism. These three authors describe the ways in which business is able to reframe political conflict in a way that benefits its interests over the interests of average citizens. However, there is the potential to reframe a conflict to represent the interests of American citizens, yet that is not an easy feat. Furthermore, the literature review analyzes literature surrounding instrumental and structural power and gives examples of how elite actors have a stronger voice in the political process than average people. That also carries over to how larger organizations are able to lobby and donate to elected officials more than smaller organizations, making their voice even more amplified.

Chapter Three is the first case study within the thesis and takes the theory of Quiet Politics and applies it to the 2008 Financial Crisis. The chapter begins by introducing the development of the financial crisis and giving a timeline of the crisis. Using the themes of instrumental power, structural power, and political salience, this case study shows the ways Quiet Power was used in the financial industry to build profit and come away from the economic fall-out relatively unscathed. This included analyzing political communications, campaign donations, lobbying organizations, and the reliance on expert knowledge between the banking industry and the federal government.

First, instrumental power was used not through financial tactics, but rather, the people who were placed into positions of power before and during the crisis. A number of
key players in deciding how to address the financial crisis were former executives in the banking industry. Examples of this included Bob Rubin, Secretary of Treasury under President Clinton, who had previously been Chairman of Goldman Sachs, Henry Paulson, the Secretary of Treasury from 2006 to 2009, who had previously been Goldman Sachs’ CEO, and Timothy Geithner, Secretary of Treasury under the Obama Administration, who left Washington to become president of Warburg Pincus. These actors often times brought in other members from Wall Street, creating a revolving door between financial executives and appointed political positions.

Second, instrumental power was utilized by the financial industry through lobbying organizations and campaign contributions. The finance, insurance, real estate, rental, and leasing industry makes up the largest portion of the United States’ GDP as 20.3 percent of GDP in 2015, or $3.656 trillion (Bureau of Economic Analysis, 2016). This suggests that the financial industry has a large amount of economic influence, and therefore, spending power. As noted, the financial and real estate industry is one of the biggest annual spenders on federal government lobbying. Additionally, besides have large lobbying groups, like the Chamber of Commerce and the Financial Services RoundTable, that represent the industry, individual firms also have large lobbying groups. This multiplies the number of lobbyists representing the financial industry. Through this lobbying power, they are able to advocate and promote policies that benefit their own growth and development. This could mean pushing for policies that lower their taxes, or allow them more independence in their day to day work. Sometimes, these policies also have the ability to hurt their clients, as there could be fewer regulations regarding consumer protection. The banking industry can continually lobby for its
collective interests in a field that few citizens completely understand. Their lobbying capacities are essential in their use of Quiet Power to undermine the potential needs or wants of citizens in favor of their own gain.

Third, the financial industry can use its economic capabilities in the form of campaign support for certain elected officials. As shown above, the banking industry supports many different political campaigns with millions of dollars. These elected representatives are then, in a sense, in debt to this industry as their financial support can help a campaign win an election. Even for incumbent officials who are more likely to win an election than challengers, they are also supported by the financial industry, even though they may not need the financial backing to win. This shows that the banking industry continually donates or supports different candidates as a way to earn certain returns from these candidates. As shown, if an industry supplies a campaign with millions of dollars, the candidate, once in office, is almost expected to answer the phone calls from donors, give them more one-on-one time, or listen to any concerns they may have. By contrast, it is difficult for an everyday citizen, or even smaller interest groups, to have that type of contact with an elected official. This again gives the financial industry a type of power that the public may not even realize, or have any ability to counter: that is Quiet Politics.

Additionally, the financial industry understands that there is small number of regular citizens that understand the complexity of their everyday work. They assume few Americans or their representatives will be able to dedicate the time and money to necessary to become experts in the field of financial corporate structures, laws, and regulation. This is why areas focusing on financial regulation are often times areas of low
political salience: “Managerial groups have the tools and resources that allow them to dominate fights in low salience domains. It is costly for politicians or journalists to acquire expertise about complex policy issues, and low public concern about such issues reduces the incentive of either political parties or of news outlets to expend the resources to develop that expertise” (Culpepper, 2011, p. 178). In a way, the financial industry has created an exclusive club in which those who do understand the industry are able to benefit from its growth and development; they are paid large sums of money to support it. Those left on the outside are unable to fully understand the industry and so simply defer to the expertise of those on the inside. The asymmetry between common knowledge and elite influence is another aspect of Quiet Politics.

The financial industry can also exert Quiet Politics through the second form of power: structural power. The main example of structural power used in the 2008 Financial Crisis is the idea of too big to fail, which was discussed within the chapter. Essentially, when incredibly large banks began to have major financial trouble, with some even filing bankruptcy, the United States’ Treasury stepped in to stop future insolvency from happening. This included the major bailout bill in which the government bought many failing assets from large banks, given financial stipends to support failing loans, or encouraged companies to absorb other failing entities. While this was done in order to prevent a large scale economic collapse of the some of the largest economic entities in the United States, it set a major precedent: if a company is essential to economic stability, if it is likely to fail, the federal government could potentially save it. This could encourage companies to make riskier decisions based on the assumption that if the action goes horribly wrong, they could receive a bailout anyway. This is how many
saw the bailouts during the Great Recession: large companies that had made an enormous profit through predatory lending were taken off the hook by the bailout. While the bailout prevented a national economic collapse, the idea of too big to fail has created long term consequences in regard to how much autonomy and risk potential large economic actors maintain. The power of business actors, and their ability to utilize Quiet Politics to their advantage, was strengthened.

Chapter Four focused on the final aspect of Quiet Politics, political salience by developing a case study on the Occupy Wall Street Movement. This chapter analyzed what happened when citizens made the Quiet Politics of the 2008 Financial Crisis loud. It began by discussing the ways in which political salience and media attention can impact policy making, namely through the two theories of incrementalism and punctuated equilibrium theory. The case then moved on to analyze the development of the Occupy Movement, the actors within it, their goals and motivations, and the media attention it received. As the largest public movement in the 21st Century, Occupy sought to challenge the Quiet Politics of the financial industry after the financial crisis and it had a wide array of support from the public and media coverage. The Movement made the issue of business power politically salient and called for massive reforms in the political decision making structure. However, it did not create the change in the use of Quiet Politics as Culpepper’s theory described. Rather, no federal policies were passed to limit business influence on the political process and eventually, the movement ended without making substantive policy change. This chapter demonstrates that Quiet Politics cannot always be successfully challenged by political salience through policy making, though salience does have an impact on how conflicts are framed and discussed.
**Quiet Politics: Strengths and Weaknesses**

This thesis has applied the theory of Quiet Politics to the United States’ 2008 Financial Crisis and its aftermath, including the Occupy Wall Street Movement. This thesis found that the financial industry has used the different forms of Quiet Politics to benefit their own political agenda and federal regulation does not currently prohibit this practice. Additionally, the theory states that when an issue becomes politically salient, it will impact the ability of corporations to utilize Quiet Politics to their advantage. However, this thesis found that even when an issue becomes salient, as Occupy Wall Street did in 2011, that does not mean this will create widespread or impactful changes. Though Occupy was one of the most impactful social movements of this decade, the policy-making process in this area changed little of power dynamics at play between corporate interests and those of everyday citizens.

The findings of this thesis highlight the complexities of working with Quiet Politics, but it does not negate the value and importance of Quiet Politics. Primarily, Quiet Politics demonstrates that despite the United States being a representative democracy, Congress and other political institutions are vulnerable to the influence and even the dominance of corporate actors. This idea challenges a pluralistic democracy with its emphasis on multiple individuals and groups to have major impacts in the political arena. Furthermore, the theory spotlights the multiple ways economic interests can influence the policy-making process. From helping elect individuals that support their interests, to framing the ways in which policy is discussed and analyzed, Quiet Politics is essential to understand these specific venues of power. It highlights how intertwined the economy is with government and how these two arenas are not easily separated.
Finally, this theory is valuable because it is not sector or industry specific. While this thesis focused on the financial industry within the United States, the influence of Quiet Power is vast and can be found in many economic or corporate areas of policy making. Future research could continue to apply the theory to other areas of the economy, such as pharmaceuticals, oil and coal, or even cable companies. Doing more research into additional sectors of the economy would create the opportunity for cross-sector comparisons to see the ways in which Quiet Power is similar or different across sectors. Future work regarding Quiet Politics is important both to learn more about the process, but also to help others contest its power.

The benefits of this kind of scholarship is incredibly valuable, but it has some limits which future research could work to address. For example, the findings in this thesis challenge the idea that political salience is enough to change the scope of a conflict in a way that will benefit those involved. Even when the financial industry helped produce the largest recession since the Great Depression, it received more financial support and protection from the federal government than citizens fighting for more protection from corporate power, representation against corporate agendas, and political change. One explanation for why salience was not enough to address this power dynamic is that the Quiet Power of the financial industry in the United States is large and structurally engrained in the political-economic systems. When Culpepper (2012) applied the theory, he supplied a number of smaller, more business examples in his analysis, rather than industry wide use of power. In the cases he analyzed, political salience does have an impact on a policy outcome. As such, the scope or size of an issue may have an impact on the potency of political salience, which could be an area for future research.
Additionally, Culpepper’s original theory was applied during the early 2000s, when digital media had just begun to develop. As such, it does not touch on how political salience could be impacted by digital media, like the many forms of social media. One of the main reasons Occupy Wall Street was so successful was because of its use of social media to contact a large audience at one time. With the faster devolution of information across the country, it allows an issue to become more salient. Future research could include an analysis of how the development of social media has changed the dynamics of Quiet Power, or if it makes it harder for Quiet Politics to remain quiet?

Furthermore, the power of Quiet Politics is subtle and not easy to detect. As such, it makes testing the theory difficult and applying the theory lends itself best to case study research. While case studies are valuable, they are limited in their ability to measure or collect quantitative data that can be proven to be statistically significant. Part of this difficulty is due to the subtle nature of Quiet Power. While certain parts of Quiet Power can be seen and measured, such as lobbying money or campaign contributions, the whole picture of Quiet Politics is difficult to piece together. As such, it can be difficult to make causal connections between these variables and the overarching concept of Quiet Power.

While the theory can be applied to multiple sectors, each industry uses Quiet Power in different ways and many of these industries have yet to be studied. Future research will help identify how Quiet Politics is used in different sectors, and this will allow the concept of Quiet Power to more easily recognized or measured in the future.

To continue the analysis of Quiet Politics, it is important to recognize the limits to the theory, and work to address those issues within future studies. Although complex, Quiet Politics is useful for understanding how political decisions are made, how citizens
are being represented, and how power dynamics could continue to impact future policy development. Continuing to uncover, analyze, and discuss Quiet Politics may be one way in which its power could be limited over time.

**Where We Are Now**

Quiet Politics can be difficult to analyze due to its subtle nature, but that should not dissuade analysis of future examples of Quiet Politics. The examples of its power can be found in the political arena today. One primary example occurred during the 2016 Presidential Elections, which was touched upon in Chapter 3. President Donald Trump often criticized the federal government and its constant catering to lobbyists. He was well known for the phrase “Drain The Swamp” which referred to his plan to limit the power of former members of Congress and their staff. This plan included putting a number of regulations on former Congressional members and their ability to lobby within Washington, as well as passing campaign finance reforms (Trump, 2016). President Trump expressed he wanted transparency in donations and stated, “they’re [elected officials] all controlled by these people and the people that control them are the special interests, the lobbyists, and the donors” (Sarlin, 2015). However, these regulations were not meant to address corporate money influencing federal elections, such limiting the large lobbying and campaign budgets that the financial industry allocates each year. Nor did any of these plans address the ability to place donors into positions of power after winning an election. Overall, the plans were meant to limit the power of politicians, not large corporate organizations that can have major impacts in the political arena.

Although President Trump continually addressed the idea of “Draining The Swamp” and ensuring that elected officials should be limited in their power, those who
supported his campaign financially received many political benefits. During his campaign, President Trump received large donations from a number of individuals such as Linda McMahon, co-founder of World Wrestling Entertainment who donated $7.5 million, Andrew Puzder, owner of CKE Restaurants who donated $332 thousand, and Betsy DeVos, who donated $1.8 million. After the election, those three individuals were placed into the Trump administration as Small Business Administrator, Labor Secretary (though he would later withdraw), and Education Secretary respectively (Gold and Narayanswamy, 2016). Another example is the new head of the Department of Commerce, Wilbur Ross, who is known as the “king of bankruptcy” and is worth almost $2.9 billion. As the Chairman of his own investment firm, Ross previously helped save President Trump from bankruptcy when he was $3 billion in debt in 1990. Additionally, his company donated over $300,000 to the Republican National Committee during election season (Frazee, 2016).

Furthermore, elite actors from within the financial industry also received positions in the Trump administration, with some people calling his cabinet “Government Sachs” (Jaffe, 2017). The current Treasury Secretary, Steven Mnuchin, was a former Goldman Sachs executive who contributed over $400 thousand to the campaign. The chair of the President’s National Economic Council, Gary Cohn, is also a former Goldman executive who served as president of the corporation. Jay Clayton, the potential chair of the Securities and Exchange Commission is a lawyer from Wall Street who has previously represented Goldman Sachs. The list goes on with other former Goldman names working within the administration such as Steve Bannon, Anthony Scaramucci, and Dina Powell (White and Karni, 2017).
Based on these appointments, it seems that the power of elite corporate actors will continue to have an impact on policy processes at the federal level. Furthermore, President Trump himself comes from a business real-estate background and he has continually defended his business relationships, while also talking of supporting large corporations. One way he has reinforced their power is by limiting the capabilities of the Dodd-Frank Act, the current regulatory act on the financial industry that seeks to limit financial risk and protect consumers. Using an executive order, President Trump is going to loosen regulations on the financial industry in order to make them more competitive internationally. His Economic Council Director Gary Cohn stated that the United States “have the most highly regulated overburdened banks in the world” (Gara, 2013). Although many sources take issue with this statement, President Trump seems support corporate entities in ensuring their protection and ability to make profit through his statements that reiterate loosening regulations on corporations (Sherman, 2011; Protess and Hirschfeld, 2017). It seems that President Trump is also being impacted by Quiet Power as he continually discusses protecting large corporations and financial elites.

For those who oppose Quiet Politics in the political arena, it is heartening that in the aftermath of the 2016 presidential campaign, political progressives such as Senator Bernie Sanders and Senator Elizabeth Warren have continued to gain support as institutional voices for change. Both continue to call out the power of large economic sectors like the banking industry, address the issues of money in campaigns and lobbying, as well as defending the rights of low-income Americans. Their continual climb in popularity, especially amongst younger voters suggests that the power of Quiet Politics should or needs to be challenged regularly in the political arena. Additionally, these same
younger voters are continuing to develop grass-roots activism across the nation to express their frustrations and call for changes in the political arena. The Occupy Wall Street Movement began because citizens felt discouraged and frustrated with the system they lived in. Since then, those same individuals, plus many others, have continued to fight for change at the local, state, and federal levels of government. Clearly, the recent presidential election has been a setback in regard to challenging Quiet Politics at the federal level, but hopefully new issues and decisions will attract the salience of younger voters and new activists who will make Quiet Politics loud.
References: Chapter 5


Appendix A: Acronyms

AIG – American International Group

BAC – Business Advisory Council

BDSA – Business and Defense Services Administration

BHC – Bank Holding Companies

BHCA – Bank Holding Company Act

CDO – Collateralized Debt Obligations

CED – Committee for Economic Development

CPP – Capital Purchase Program

FDIC – Financial Deposit Insurance Corporation

FEC – Federal Elections Commission

FIRE – Finance, Insurance, and Real-Estate

FSOC – Financial Stability Oversight Council

GM – General Motors

GSE – Government Sponsored Enterprises

HAMP – Home Affordable Modification Plan

PAC – Political Action Committee

TARP – Troubled Asset Relief Program