

# Fortunes of Change

The Rise of the Liberal Rich and  
the Remaking of America

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WILEY

John Wiley & Sons, Inc.

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## INTRODUCTION

# THE NEW CLASS TRAITORS

**I**F YOU WANTED TO TRAVEL TO Barack Obama's inauguration by private jet, you needed luck and maybe a prayer to find a parking space within fifty miles of the capital. Any number of billionaires and millionaires, it seemed, had the same plan: to zip into Washington on their Gulfstreams or Lears—or maybe even their customized Boeing 767s—to savor a day of history and a night of exclusive parties. Hundreds of people had contributed the maximum amount to the Inaugural Presidential Committee, which was \$50,000, and many were promised prime seats at the swearing-in and invitations to the best balls. By flying private to D.C., they could enjoy these perks without suffering the indignities of commercial aviation. Granted, the new president was sure to use the inauguration to repeat his pledge to curb greenhouse gas emissions. But no worries: many of his biggest donors fancied themselves to be “green” jet-setters because they bought carbon offsets for each private jet flight they took.

The only problem, then, was where to land—and park. Reagan National Airport hadn't allowed private jets since September 11, 2001, so that was out. Washington Dulles International closed one of its runways to handle private jet traffic, making one hundred parking spaces

available. But there were more jets flying in for the inauguration than the airport could handle. According to aviation authorities, the D.C. area had never before experienced as large an influx of private jets as it did when Obama took office—nearly six hundred jets in total, or double the number for George W. Bush’s second inauguration.<sup>1</sup>

A few months earlier, when Obama was running for president on a liberal platform that included tax hikes for the rich and health care for all, he drew enthusiastic backing from the usual Democratic suspects. Labor unions poured tens of millions of dollars into his campaign and mobilized an army of field organizers to win key swing states. African American and Latino activists registered record numbers of voters. MoveOn.org ran television ads that, among other things, featured a stuffed moose fretting about Sarah Palin. Liberal bloggers—the “netroots”—rallied behind Obama’s campaign, and the Internet crackled with viral Obamania. The *Nation* ran a cover story that pronounced Obama the “left’s best chance” to bring to “fruition a new progressive majority.”<sup>2</sup> Even the street artist Shepard Fairey got excited about Obama, creating the instantly iconic *Hope* poster of the candidate. Rarely in memory had a Democratic nominee received such heartfelt support from the party’s base.

But the defeat of John McCain in November 2008 was also helped along by a less likely set of supporters, a group that *Forbes* dubbed “Obama’s billionaires.” Among them were some of America’s wealthiest hedge fund managers, including Thomas Steyer, Kenneth Griffin, Paul Tudor Jones, James Simons, and—predictably—George Soros, who was the single largest donor to the Democratic push in 2008. These men backed Obama even as the candidate pledged to more than double taxes on hedge fund profits, a move that could cost some of these donors millions of dollars a year. Several tech titans also threw in their lot with Obama, including the CEO of Silicon Valley’s hottest company—Eric Schmidt of Google—who hit the campaign trail for the candidate. In Hollywood, Obama secured early backing from three of the biggest moguls in town, the DreamWorks trio Steven Spielberg, David Geffen, and Jeffrey Katzenberg. Warren Buffett, the perennial number two on the *Forbes* 400 list, also came in early. He reached out to Obama shortly after his famous 2004

convention speech and threw a fund-raiser for him in Omaha. Buffett didn't write the big campaign checks that others did, but he provided something far more valuable, as this revered wise man of business emerged as a trusted adviser to the young candidate. Another billionaire—the hotel heiress Penny Pritzker—chaired Obama's finance committee, an operation that mobilized scores of wealthy bundlers, who, in turn, raised tens of millions of dollars from some of the nation's richest people.

When it was all over, Obama had raised more money than McCain in eight of the ten wealthiest zip codes in the United States and had outraised him in any number of industries, including hedge funds, venture capital, private equity, corporate law, investment banking, and high tech. In a first for Democratic presidential candidates, Obama even raised more money than McCain did from commercial bankers.

Obama didn't break every fund-raising record on the books merely because he had armies of small donors—in truth, he raised about the same percentage of funds from such donors as Bush had in 2004—it was also because he inspired surprising support from upper-class America. That was evident on Election Day, when Obama won eight out of ten of the wealthiest counties in the United States.<sup>3</sup>

A century ago, as Theodore Roosevelt veered to the left, he commented that “the great bulk of my wealthy and educated friends regard me as a dangerous crank.” His cousin Franklin would draw even more hostility, as *Time* noted in 1936: “With few exceptions, members of the so-called Upper Class frankly hate Roosevelt.”<sup>4</sup>

Today, both men would find plenty of company in their liberal politics among fellow swells. Many super-rich Americans donate exclusively to Democrats; more corporate executives are embracing causes such as gay rights and environmentalism; prominent billionaires have publicly called for tax increases on high earners; and the mega-rich have begun to bankroll liberal organizations with unprecedented sums of money. Meanwhile, the traditional politics of class are turning upside down in many places as America's most affluent communities throw new support to the Democratic Party—a party

that has tacked notably to the left since the Clinton era. In August 2009, Gallup released a list of the most liberal states as measured by the percentage of residents who self-identify with this label. Among the top ten were six of the wealthiest states in the nation.<sup>5</sup>

Liberalism in the upper class is nothing new—the phrase “limousine liberal” was coined back in 1969—but it’s far more widespread than ever. What is going on?

Just to be clear, the liberal leanings of the wealthy are anything but universal. The rich in red states still vote solidly Republican. Nationally, Obama won voters who earn more than \$200,000 a year, according to exit polls, but he lost upper-income voters in every state that went for McCain. And Obama drew far more support overall from the lower classes than from the upper classes. Voting data over the past few decades show that the Democratic Party actually lost some ground among affluent whites between 1976 and 2004 and that, more broadly, income became a slightly greater predictor of voting behavior. Upper-income whites shifted somewhat toward Republicans during this period; lower-income whites moved toward the Democrats. The past two elections, 2006 and 2008, have interrupted this trend as a growing number of affluent voters have gone for Democratic candidates. Still, it is crucial to recognize a paradox: wealthy liberals have emerged as a larger force in political life, even as they have remained a small minority of their class and affluent voters overall have backed the Republican Party. As political scientist Larry Bartels reminds us, “traditional class politics is alive and well.”<sup>6</sup>

Yet although rich liberals remain a small minority of their class, their ranks are growing—along with their influence. This shift reflects the changing sources of wealth creation, with the rise of the knowledge economy and what Richard Florida calls the “creative class.” People who already trend liberal—like super-educated coastal professionals—make up an ever larger slice of the rich. Most of the big money is being made these days in blue states, not in red states. There are other trends at work, too, such as rising pressures on the upper class and corporations to become more socially responsible; the growing liberalism of elite schools where the rich and the future rich are educated; the

radicalization of the Republican Party; and the changing priorities of longtime wealthy people who are turning their focus away from making money to solving social or global problems.

All of these trends have been emerging for years and now have achieved critical mass. With the Democratic capture of Congress in 2006 and Obama's election in 2008, U.S. politics moved more sharply to the left than at any time in nearly half a century. This shift remains historic despite the subsequent conservative backlash and Democratic losses in elections in 2009 and 2010. Various factors account for the shift, and many agents of change can claim a share of the credit. But the liberal rich have played an indispensable role.

If all of this comes as a surprise to you, join the club. Only a few years ago, I certainly never imagined that I'd be writing a book like this. In 2004, I published *The Cheating Culture*, which chronicled the pervasive greed and corruption found in the "winning class" of the Enron era. The book was filled with stories of rich people who saw themselves as above the rules—or who had rigged the rules in their favor.

This bad behavior hasn't disappeared, and I don't pretend that it has. Greed and corruption at the top endure, even after the financial crash. Wall Street is quickly returning to its old ways, executive compensation is still out of control, and corporate lobbyists are working overtime to block reforms that would benefit ordinary Americans at the expense of the well-heeled. Plenty of large fortunes remain arrayed behind conservative think tanks and candidates. Buffett once remarked of our era, "There's class warfare all right, but it's my class, the rich class, that's making war." This remains true today.

Paradoxically, though, liberalism has spread in the upper class in recent years, even as large swaths of this class have grown more self-interested and predatory. As a result, the wealthy are divided as never before, and the fiercest battles over elections and public policy now pit billionaire against billionaire.

*Rich* is a hard word to define in the United States, where even wealthy people may self-identify as middle class. I define the rich as people who can afford a certain lifestyle and level of influence in society.

The rich have enough money to live in America's wealthiest neighborhoods, send their kids to private schools, give generously to charity or political candidates, belong to exclusive clubs, fly on private jets, vacation at the most exclusive resorts, and leave an inheritance to their children. Because the cost of all of this varies by place, I don't offer a dollar threshold to define the rich. Also, this book is really about two different classes of the wealthy: I explore the changing beliefs of the ultra-affluent class as a whole—those in the top 1 percent of households—which is quite a large group, but also the political activism and philanthropy of the mega-rich, a much smaller group of people who have personal fortunes of hundreds of millions or billions of dollars.

The ranks of both the ultra-affluent and the super-rich have soared in the last fifteen years and remain very large today, despite the financial crash. According to the authoritative *World Wealth Report*, there were 2.5 million high-net-worth individuals in the United States at the end of 2008, who were defined as people who each had at least \$1 million in investable assets. The report also estimated that 30,600 households in the United States had assets greater than \$30 million. These estimates were made after the crash but before the stock market rebounded in 2009. Another estimate, which looked at households rather than at individuals and was released in March 2010 by the Spectrum Group, estimated that 7.8 million U.S. households had liquid assets greater than \$1 million and 980,000 households had assets of \$5 million or more.<sup>7</sup>

The number of billionaires has also fallen since the crash, but it remains large. When the Forbes 400 list was first published in 1982, it included only thirteen billionaires. In 2010, there were more billionaires than could fit on the list. In 1982, at the dawn of the long boom, the Forbes 400 had a combined net worth of around \$100 million. Now that amount is greater than \$1 trillion.

Why are there so many rich people? Easily available capital is one reason. Before the crash, there was far more money sloshing around the world than ever before, which meant that people could borrow big piles of cash to start new ventures or engage in heavily leveraged trading. Another reason is that as the United States and the rest of the world have gotten richer, the market for goods and services has



drastically expanded, so if you come up with a great product, you can sell it to many more people. Technological innovation has been another driver of great fortunes.

And, of course, our leaders in Washington have made it much easier to get rich. Taxes on high earners have been far lower since the early 1980s than they were for the previous half-century, and laws designed to share the wealth with workers or protect shareholders from executive greed have been weak. On Wall Street, lax oversight gave rise to profitable but highly risky practices.

The economic pie didn't just grow greatly during the long boom; it was also radically resliced. In 1980, the top 1 percent of families took home about 10 percent of all income earned in the United States. By 2007, these lucky families—with incomes higher than \$398,900—took home 24 percent.<sup>8</sup>

It's hard to open a glossy magazine without reading something about the rich, and this group has been ubiquitous in the second Gilded Age. Yet although we know all about Donald Trump's love life or Warren Buffett's stock picks, surprisingly little is known about the political and social beliefs of the upper class. Many books probe inequality and corporate excess or profile titans of business. Few explore ideology at the very pinnacle of the income ladder, and there are good reasons for this void. Survey data about the views of the rich are in short supply, because most polls don't gather information from people with incomes above \$150,000.

Some surveys of the rich do exist—these are often conducted by wealth-management or luxury marketing firms—and I draw on these data at different points. I also make use of two major public opinion studies to gain insights into how the wealthy may think: the American National Election Studies (NES), which has collected data on the voting behavior and the political and social views of Americans since 1948, and the General Social Survey (GSS), which has polled Americans on a wide range of topics since 1972. Neither of these surveys breaks out and reports on the individuals who make more than \$150,000 or \$175,000 a year. In addition, I have drawn on various other polls that have similar income cutoffs.

Anyone who lives in an expensive city knows that a low-six figure income doesn't have anything to do with being rich. But these

polls can still offer hints about how income tends to correlate with political and social views. I use these data cautiously.

Campaign finance records offer sharper evidence of the political views of the rich. These records provide a trove of information going back to the late 1970s on donations by individuals, by zip code and state, and by industries and companies. I have mined these data heavily and cite them throughout the book. In addition, I draw on public records of charitable donations, which are found in the 990 tax forms that all foundations are required to file with the Internal Revenue Service. (I do not footnote figures on campaign or charitable donations, because readers can easily access all of these numbers from the Center for Responsive Politics and its [OpenSecrets.org](http://OpenSecrets.org) database, or from the Foundation Center, which maintains many 990s in electronic form.)

I also examine voting behavior in various ways. I look at exit polls that have surveyed affluent people in recent elections, both for elective office and for ballot initiatives, as well as vote tallies from America's wealthiest counties. And I examine the ideology of congressional members who represent the nation's richest congressional districts. All of this information is illuminating—up to a point. The income cutoff for exit polls is \$200,000 or more, while election results for a wealthy county or congressional district don't tell you how the very richest people within that county voted.

Finally, this book draws on interviews with wealthy liberals, as well as those who advise them. Not everyone discussed in the book agreed to talk with me, but many did, and such conversations proved invaluable in understanding the motives of people who have made or inherited wealth and used it to advance change. I don't include citations for quotations drawn from my interviews; quotations drawn from secondary material do have citations.

The views of the wealthy described in this book fall along a broad spectrum. Some affluent people are overtly ideological and are working to mobilize power on the left; others are liberal in some areas but centrist in others. Many might not even describe themselves

as liberal or progressive but rather would say they are pragmatic and focused on solutions. Someone like Bill Gates would fall into this category. Ultimately, though, labels matter less than actions, and my focus throughout this book is on wealthy people who are embracing or promoting core liberal ideals. I look at six in particular: more broadly shared prosperity; social inclusion; environmental sustainability; greater responsibility on the part of business; an active role for government in promoting the common good; and global humanitarianism.

Although these aren't the only liberal ideals that matter, they have been at the center of modern liberalism during the last forty years. And now, thanks in part to deep-pocketed new backers, these ideals are gaining stronger traction in American life.

This may sound like great news if you care about rebalancing U.S. politics after years of conservative dominance. But there's a catch that I explore in the pages to come, which is that the outsized wealth—regardless of its political stripe—is bad for representative democracy.

Whatever our ideology, we should all be worried about the record sums of money flowing into politics from the wealthiest zip codes and the pivotal role this money plays in electoral outcomes. We should be worried about how big-time philanthropists increasingly chart policy in fields as diverse as public education and global health. We should be worried as ever more rich people tap great fortunes to buy their way into elective office, bulldozing veteran public servants in the process. Ironically, a growing sense of public purpose in the upper class can serve to magnify its power as rich “super-citizens” push into every last corner of America's civic space and drown out the voices of ordinary Americans. In this way, the swelling ranks of the liberal rich pose their own special threat to democracy.

The other catch is that at a fundamental level, many rich liberals aren't in the business of dismantling their class privileges. A signature trait of wealthy liberalism is that social and environmental concerns get top billing, while economic inequities are rarely a priority. Some rich liberals are more apt to champion the plight of polar bears than of the janitors who clean their offices at night. This has changed somewhat, with new support emerging for steps to mitigate the

United States' extreme inequality. But the first eighteen months of the Obama administration have seen a lot of business as usual when it comes to class interests: no sooner did the rich help put Obama in office than some started to push back against his boldest proposals.

To cynics, this is precisely *why* so many wealthy people backed Obama: so that they would get their phone calls returned when their perks came under attack—or, better yet, to keep such attacks from emerging in the first place.

I mostly take a different view about motives. If what you want are low taxes and unchecked capitalism, you're a fool to help build the power of today's Democratic Party, which has moved steadily to the left since the Clinton years.

Still, the ultimate question is whether even the most liberal members of the upper class are truly willing to challenge how wealth and power are distributed in the United States. I do my best to answer that question in the pages ahead.

## EDUCATED, RICH, AND LIBERAL

AFTER LEAVING THE WHITE HOUSE, George W. Bush moved into a sprawling, five-bedroom ranch house in one of the most affluent neighborhoods in Dallas: Preston Hollow. Bush had lived in the area earlier, before he became governor of Texas. It is the kind of neighborhood where big money and conservative politics have long mixed, and a number of GOP stalwarts own mansions not far from Bush. His neighbors include T. Boone Pickens and Harold Simmons, both whom had spent millions financing the Swift Boat ads against John Kerry in 2004, which helped ensure Bush's reelection. Dallas's Republican mayor also lives in Preston Hollow, as does Roger Staubach, the former Dallas Cowboys star quarterback and big-time GOP donor. After a rough ride in the White House, noted the *Dallas Morning News* in December 2008, "Mr. Bush can take comfort in knowing his new precinct is overwhelmingly Republican."<sup>1</sup>

Or *was*, anyway.

Things have changed in Preston Hollow since Bush lived there last. The houses have gotten bigger and more expensive. The richest

residents have gotten much richer. And there are also more Democrats. Although Preston Hollow is still strongly Republican, the balance is shifting, and, in 2008, Barack Obama raised more money in Bush's new zip code than John McCain did.

How could it be that a liberal African American from Chicago could outraise a Sun Belt Republican war hero in an area like Preston Hollow? At least one explanation is clear: lawyers. The neighborhood is crawling with them—affluent partners in downtown Dallas law firms. These people are loaded, and most of them are Democrats. Fred Baron, who had made a fortune litigating asbestos cases and had given a big chunk of it to the Democrats, most notably to John Edwards, was a longtime resident of Preston Hollow before his death in October 2008. Not far from Bush lives Les Weisbrod, who advertises himself as the “pitbull” of Texas's medical malpractice bar and is among the larger Democratic donors in Texas. Other major Democratic donors in Preston Hollow include Charles Siegal, a partner at Waters & Kraus; Terrell Oxford, with the liberal firm of Susman Godfrey; and Steven Baron (no relation to Fred), with Baron & Budd.

A few hundred miles away, in the richer and more famous Texas neighborhood of River Oaks, Houston, the picture is much the same. Although the Enron executives who once lived in River Oaks are long gone, either dead or in prison, prosperous Republican oil men such as Robert Mosbacher still live here. But so do well-heeled lawyers, and they give generously to the Democratic Party—so much so that Obama raised nearly as much money in River Oaks as McCain did, a stunning feat in a historically conservative neighborhood once known for its deed covenants restricting home sales from blacks and Jews.

Among Obama's big donors from River Oaks was Stephen Susman, who founded the boutique litigation firm of Susman Godfrey. Susman is Texas born but Yankee educated; he got his BA at Yale University. He has long seen himself as a friend of liberal causes, and his latest specialty—once pure heresy in a place like Houston—is global warming litigation. Susman and his partner, Lee Godfrey (another Yale man), hire lawyers who share their politics and often their Ivy League backgrounds. Though small,

Susman Godfrey was ranked among the top twenty law firms in its 2008 political contributions, with 97 percent of those funds going to Democrats. The firm is rolling in money from a number of big settlements, and partners often pull in several million dollars a year, which goes a long way in Texas.

Lawyering is the prototypical knowledge-economy profession, albeit one that is less new and trendy. As a lawyer, you don't make anything and never will. You earn a living with your brain alone. First you need a Juris Doctor (JD) degree, which requires that you spend three years mastering all sorts of arcana. If you go to one of the top ten law schools, you will spend that time in a heavily Democratic city such as Boston, Chicago, New York, or Berkeley, and on a campus where liberal values are dominant—for example, Yale, Harvard, Columbia, or Stanford. Your professors will be Democrats by a big margin. If you join a top firm, you will be staying on in blue America, because most of these firms are located in liberal cities. The big firms aren't bastions of left-wing politics by any means, and some are quite conservative. Corporate lawyers in particular make their living defending powerful private interests. Still, this world is way more liberal than one might suppose, and many of your new colleagues will be people who once wanted to make the world a better place before realizing they had six-figure student loans to repay and, later, jumbo mortgages. During the 2008 election cycle, lawyers made up the single largest industry backing the Democratic Party, giving \$235 million. Three-quarters of all political contributions by lawyers went to Democrats, a ratio that hasn't changed much in twenty years. If you want to rise at a major firm, it might be a good idea to start giving to Democrats yourself. But mainly your success will hinge on analyzing information and manipulating specialized knowledge. Cognitive muscularity is a definite asset for those hoping to become partners.

Lawyers don't make the really big money in the knowledge economy, but the pay is still good and has soared in the last fifteen years, dramatically expanding the ranks of rich lawyers. In 2008, seventy-five law firms had profits per equity partner of more than \$1 million, and such profits were greater than \$3 million at the top five firms.

This is way up from a decade ago, when only seventeen firms had profits per equity partner of more than \$1 million.

Most lawyers who make a few million dollars a year are in firms that mainly do corporate work. If you want to get seriously rich, you need to be on the other side of the fence, suing corporations and insurance companies. Top plaintiff lawyers can make tens of millions of dollars a year. The richest tort lawyer in the United States is Joe Jamail, with a net worth of \$1.5 billion in 2010. Jamail lives in Houston and has donated tens of thousands of dollars to the Democratic Party.

Texas now has seventy thousand lawyers. In addition to the local firms such as Susman Godfrey, more big national firms have opened offices in Houston or Dallas. And as more lawyers in these cities have shared in the swelling riches generated by their firms, they are buying into neighborhoods such as Preston Hollow and River Oaks and changing the political makeup of the moneyed Texas elite.

That elite is also being reshaped by the new wealth created in finance and high tech. Technology is now the top industry in Dallas, and that city has one of the biggest concentrations of techies in the United States. Most of them work in the Telecomm Corridor north of the city, where companies such as Nortel, Ericsson, and Alcatel are based. Finance is booming in Dallas, too, or at least it was before the crash. Among the biggest Democratic donors in Bush's neighborhood is Laurence Lebowitz, who is the chairman and managing director of HBK Capital Management, one of the largest hedge funds in Texas. In River Oaks, Obama drew support from John Arnold, a thirtysomething hedge fund whiz who has built a \$4 billion fortune through energy trading. Arnold got his start at Enron, where he had earned an \$8 million bonus in 2001 for Internet-based trading, just before the company collapsed. Raised in Dallas by a lawyer dad and an accountant mom—typical parents for a new-economy billionaire—Arnold and his wife, Laura, gave more than \$120,000 to the Democratic Party in 2008. (Laura is not the kind of wife you would have met in River Oaks in earlier times; she holds degrees from Harvard, Yale, and Cambridge and left a high-powered law career to focus her philanthropic energies on poor kids.)



Houston is still the capital of the U.S. energy industry, but finance and services now account for a larger share of the city's economy, and this is where much of the Democratic money is coming from—not to mention many of the votes. Harris County (where Houston is) went for Obama in 2008, as did Dallas County. In 2009, Houston elected a lesbian Democrat as mayor. Even the oil rich in Houston aren't as Republican as they used to be. The city's recent mayor, Bill White, made a fortune prospecting for gas and oil in the Caspian Sea and is a prominent Democrat. He has been chair of the Texas Democratic Party and has worked in the Clinton administration. He's not your typical good old boy. Of course, these politics aren't so surprising when you consider White's background: he went to Harvard University before returning to Texas to get a law degree and become a plaintiff lawyer at Susman Godfrey. Only later did he enter the energy business.

Farther to the west, Austin has long been an island of blue in a sea of red. There was a time when the city's liberalism was primarily due to its high concentration of government workers, college professors, and pot-smoking twenty-somethings who hung around town for the music scene. More recently, the city has emerged as a center of the new economy and a popular destination for go-getters with fancy degrees. Besides computer-related industries, Austin has scores of biotech firms. The number of patents coming out of Austin jumped from seventy-five in 1975 to two thousand in 2001. The "People's Republic of Austin" used to be a middle-income city. Now it is seriously affluent.<sup>2</sup>

Texas is still a conservative place, and the state's richer residents, overall, remain strongly Republican. In 2004, exit polls showed that Bush won an extraordinary 92 percent of Texans who earned more than \$200,000 a year. McCain also won this group, as well as beating Obama among the state's most educated voters. The day may soon come when Texas is flipped into the Democratic column by an alliance of educated metro liberals and ever more numerous Latinos—Obama lost the state by only 9 points—but it's not here yet.

The story is much the same in other Southern states. Although the number of Democrats in the South's most well-to-do neighborhoods is rising, liberals are a long way from taking control of the country club.

Things are different in the North. Here, the movement of ultra-affluent voters into the Democratic Party is well along and says much about the new politics of class.

A few decades ago, the prosperous precincts of Connecticut, Long Island, and Westchester County were strongly Republican. These were the bedroom communities for CEOs, Wall Streeters, and white-shoe lawyers, and come election time, vote tallies reflected their class interests. The same crew still lives in these places—in places such as Greenwich, Connecticut, and Bedford, Scarsdale, Rye, and Oyster Bay Cove in New York—only they are far richer than they used to be. And far more liberal.

Campaign contribution data offer one indication of the Democratic leanings of the rich in these areas. In Greenwich, the wealthiest town in the United States with a population greater than fifty thousand, Democrats outraised Republicans in the 2008 campaign cycle by 59 percent to 41 percent. McCain did well in Greenwich, pulling in \$2.5 million—but Obama raised more, netting \$2.7 million from Greenwich residents.

#### **Richest Zip Codes and Political Giving: 2008 Election Cycle**

<b>Community</b>	<b>Percentage Democrat</b>	<b>Percentage GOP</b>
Jupiter Island, FL	19	81
Aspen, CO	79	21
Sea Island, GA	22	78
Palm Beach, FL	65	35
Centre Island, NY	51	49
Mountain Village, CA	91	9
Hillsborough, CA	79	21
Rancho Santa Fe, CA	91	9
Upper/Old Brookville, NY	57	43
Ross, CA	88	12

*Source:* Center for Responsive Politics.

Democrats did even better in the super-rich towns of Westchester County. In Bedford, home to some of the county's wealthiest residents, Democrats received 84 percent of all political contributions in the 2008 election cycle. In Scarsdale, Democrats got 73 percent, with Obama hauling in nearly half a million dollars. Out on Long Island, in wealthy East Setauket, Democrats took in 86 percent of all political contributions in the 2008 cycle. These places have been trending Democratic for years, but Obama ignited particular passions, and that is not surprising: he is more like affluent East Coast professionals than any presidential contender in memory, with his meritocratic background, Ivy League credentials and calm, accentless rationality.

Republican fund-raisers do better in the ritzy parts of New Jersey, which historically have been GOP strongholds. But even here, things are changing. Democrats are now outraising Republicans in some of the state's wealthiest towns, such as Short Hills, and are holding their own in Saddle River. This wealthy town was once so Republican that Richard Nixon felt comfortable enough to buy a home there. "He'll be most welcome in Saddle River," the town's mayor had said when it was announced that Nixon was moving in. "We've never had a Democrat serve as Mayor or Councilman since the beginning of time."<sup>3</sup> The town's politics have changed since then, and in 2008 political contributions from Republicans just barely edged out those from Democrats. Saddle River also isn't as white as it used to be: Russell Simmons, the hip-hop mogul—and liberal activist—owns a lavish mansion there.

Money is flowing heavily to Democrats from affluent communities outside the Northeast, too. The wealthiest zip codes in California—towns such as Mountain Village, Rancho Santa Fe, and Hillsborough—give overwhelmingly to Democrats. The same is true for Aspen, Colorado, the second-wealthiest town in the United States, where 75 percent of all campaign donations in the 2008 election cycle went to Democrats

Only in the South and in Florida, in places like Jupiter Island, are the wealthiest towns giving more to Republicans than to Democrats. As it happens, though, most of the rich live in the Northeast and the West.



Voting patterns also show a shift toward Democrats in upper-class America. Obama won eight of ten of the richest counties in the United States, whether measured by median income or by number of millionaire households. In Virginia, a key battleground state, it wasn't only urban neighborhoods in Richmond and the suburbs of Fairfax that put Obama over the top. It was also Loudoun County, a lushly beautiful place with the highest median income in the entire nation. Loudoun had long reliably voted Republican—before all of the lawyers and the tech executives moved in.

In California, Obama came close to winning Orange County and did win San Diego County, which has more millionaires than Manhattan and has long been a GOP stronghold. Less surprisingly, Obama won narrow victories in Nassau and Suffolk counties, the two wealthiest counties in New York. Historically Republican, these areas had been drifting left for some time. Meanwhile, Obama scored blowout wins in some other prosperous counties, taking Santa Clara County—which covers much of Silicon Valley—by 70 percent and also winning big in places like Seattle.

Obama even won Greenwich, Connecticut, and easily carried the rest of the state overall—among the wealthiest in the nation. Obama's large margin in Connecticut was predictable, given political trends in the state during the last decade. The percentage of registered Republicans has been falling for years in Connecticut and, by 2008, was at its lowest point in a half-century. The steep falloff for the GOP paralleled an explosion of new wealth in Connecticut, fueled by the rise of the state's financial services and insurance industries. The richer Connecticut has become, the less Republican it has voted.

Obama got clobbered among wealthy voters in Douglas County, Colorado, the sixth-richest county in the United States, and also lost badly in extremely wealthy Sun Belt enclaves such as Sea Island, Georgia. In many parts of the country, the link between class and partisanship remains strong. In poorer states, such as in the South and the Midwest, income correlates very closely with partisanship, with richer voters far more likely to vote Republican. But the

**2008 Election Results in the Top Wealthiest U.S. Counties, by  
Median Income**

County	Obama	McCain
Loudoun County, VA	53%	45%
Fairfax County, VA	60%	39%
Howard County, MD	54%	44%
Somerset County, NJ	52%	47%
Morris County, NJ	45%	54%
Douglas County, CO	41%	58%
Montgomery County, MD	71%	27%
Nassau County, NY	53%	46%
Prince William County, VA	54%	44%
Santa Clara County, CA	70%	29%

*Source:* U.S. Census and CNN 2008 Election Results.

pattern is much weaker in rich states, where voters as a whole have gone increasingly to the Democrats and where income has less correlation with voting. Yes, rich people in longtime blue states are more likely to vote Republican than poor people are, but only by a modest margin. For example, in Maryland—now the richest state in America—Obama won 69 percent of the votes of people who earn less than \$50,000 per year and 55 percent of the votes of those who earn more than \$100,000. In Alabama, Obama won 48 percent of the votes of people who earn less than \$50,000 per year and only 24 percent of the votes of those who earn more than \$100,000. A study by two political scientists concluded, “In poor states, rich people are very different from poor people in their political preferences. But in rich states, they are not.” That’s not exactly right, but it is true, as the study also suggested, that the link between income and partisanship in rich states had been growing steadily weaker over the last twenty years.<sup>4</sup>

Fifteen years ago, most of the twenty-five wealthiest congressional districts in the United States sent Republicans to Congress. Now a majority of these districts send Democrats to Congress. It is especially striking to compare the districts of key party leaders. While

Speaker Nancy Pelosi represents wealthy San Francisco—she had more than 21,000 taxpayers in her district in 2006 with yearly incomes higher than \$200,000—her GOP counterpart, Minority Leader John Boehner, represents a working- and middle-class district in Western Ohio that had only 4,500 high-income filers. Other key Democratic leaders, such as Henry Waxman, also represent very wealthy districts. Waxman, in fact, has more rich constituents than nearly any other member of Congress—because his district covers some of the richest parts of Los Angeles County, which has more millionaires, many more, than any other county in the United States. Data released in 2007 by the IRS showed that taxpayers in Waxman’s district had the second-highest federal tax burden of any district in the United States.<sup>5</sup> They can partly thank their own congressman, because Waxman has a super-liberal record on taxes and has voted for higher taxes on the rich nearly every chance he has gotten since he was first elected in 1974. Most recently, Waxman pushed a health-care proposal that included a special tax of up to 5.4 percent on the wealthiest U.S. households. Waxman gets top ratings from liberal groups such as the Citizens for Tax Justice and dismal ratings from conservative antitax groups, such as Americans for Tax Reform.

How does all of this affect Waxman’s ties with his gilded constituency? He hasn’t faced a serious electoral challenge in years and typically wins reelection with more than 70 percent of the vote.

The same goes for Carolyn Maloney, who represents another top cluster of the super-rich, on Manhattan’s Upper East Side. Maloney has virtually an identical record on taxes to Waxman’s, most recently supporting Obama’s tax hikes on the rich. In 2007, her constituents led the nation in the percentage of their adjusted gross income going to taxes.

A 2009 study found that Obama’s tax plan would take the biggest bite out of households in some of the most Democratic cities in the United States, with New York City getting hit the hardest, Los Angeles and Chicago coming next, and San Francisco not far behind. These are the same places that already pay some of the highest taxes in the United States, and you might assume that congressional representatives would at least waver on tax issues in order to appease

their wealthiest and most powerful constituents. Not quite. Nearly every representative from each of these cities regularly gets the lowest possible rating from the conservative National Taxpayers Union: F. Of the ten congressional districts facing the largest tax hikes, the top seven sent Democrats to Congress in 2008—including, for the first time in memory, the district that covers Greenwich, Connecticut. More than half of the fifty districts facing the biggest tax increases under Obama's plan elected Democrats in 2008. Taxpayers in Maloney's district faced the biggest hike under the plan of anyone in the country: an average of \$49,420 each.<sup>6</sup> Maloney herself will be paying higher taxes thanks to Obama, given that she is a multimillionaire whose late husband was a former vice president of Goldman Sachs.

Is Maloney paying a political price for her steady record of taxing the rich? Hardly. In 2008, Maloney raised more money than ever and won reelection with 79 percent of the vote; in 2006, she won by 84 percent. What's more, Maloney's constituents—especially those in the fabled 10021 zip code—have given more money to Democrats in recent election cycles than any other group by a huge margin. The most heavily taxed neighborhood in America, it turns out, is a fundraising paradise for a party hell-bent on taxing the rich.

Most legislators from those districts with the greatest numbers of rich people aren't liberal only on tax issues; they are liberal across the board. In 2008, Americans for Democratic Action gave a "liberal score" of between 90 and 100 percent to six out of ten of those congressional members from districts with the largest number of taxpayers who earn more than \$200,000 a year. Maloney and Waxman both received 95 percent ratings. Anna Eshoo, who represents much of Silicon Valley, received a 90 percent rating. Nita Lowey, who represents Scarsdale and other swanky parts of Westchester, received a 100 percent rating, as did Chris Van Hollen, who represents some of the wealthiest towns in Maryland. Forty percent of Democrats from high-income districts facing the biggest tax increases under Obama were members of the Progressive Caucus, which places them firmly on the left of the Democratic Party.<sup>7</sup>

Why are so many rich people voting for liberal Democrats?

The rise of the knowledge economy—which now mints the majority of rich people—is a big part of the explanation. In 1980, manufacturing accounted for 20 percent of GDP; by 2008, it was 11 percent.<sup>8</sup> Other sectors surged as manufacturing declined, and the makeup of the rich has followed this shift. When the *Forbes* 400 list was first published in 1982, it was dominated by oil, manufacturing fortunes, and old-money families. Of the paltry 13 billionaires on the 1982 list, 5 had made their fortunes in oil. By 2008, nearly half of the billionaires on the *Forbes* list—190 people—derived their wealth from financial services, technology, and media or entertainment. Only 51 billionaires got rich from oil, gas, chemicals, manufacturing, mining, and lumber.

Many of the new-economy rich are trending Democrat, while the old-economy rich are more likely to be Republican. There are a number of reasons for this.

For starters, these two groups can have different views of wealth creation. If you work in the knowledge economy, you may tend to see wealth creation as a collective enterprise, not as stemming from Ayn Randian individual heroics. The success of your business will depend on your hiring highly educated employees, and you'll rely on public schools and universities to turn out such people. If you own a factory or a chain store, you can get by with high school grads. Not so if you're running a litigation firm or a software company.

Likewise, you'll be attuned to how government investments in scientific research can play a key role in propelling your industry. If you own one of Austin's many biotech firms, you'll applaud every time that the National Institutes of Health ups its research budget and every time a state promises to put money into stem cell research, because some of the breakthroughs from this work may eventually lead to new products and profits at your firm. At a broader level, you will worry about the physical and technological infrastructure that allows goods and services to move around. You will understand the centrality of capital markets in ensuring that you have the money to invest in growth. You will sense the importance of a stable global order in which peace prevails, talented immigrants can move across borders, and open trade is the norm. (The terrorist attacks of September 11, 2001, hurt U.S. firms that rely on skilled



immigrant workers, who suddenly found it much harder to come to the United States.) You might even appreciate government regulation for the way it enforces standards and ensures a level playing field.

Martin Rothenberg, who made millions as a software entrepreneur, summed up the collective view of wealth creation this way: “My wealth is not only a product of my own hard work. It also resulted from a strong economy and lots of public investment, both in others and in me. I received a good public school education and used free libraries and museums paid for by others. I went to college under the GI bill. I went to graduate school to study computers and language on a complete government scholarship, paid for by others. While teaching at Syracuse University for twenty-five years, my research was supported by numerous government grants—again, paid for by others.” Warren Buffett has made the same point more bluntly: “I personally think that society is responsible for a very significant percentage of what I’ve earned. If you stick me down in the middle of Bangladesh or Peru or someplace, you’ll find out how much this talent is going to produce in the wrong kind of soil.”<sup>9</sup>

If you see wealth creation as the product of a collective national effort, you are less likely to resent paying for this effort at tax time. You might even think that you’ll get richer over the long term if taxes are raised to support better schools, modernize infrastructure, invest in alternative energy, and expand scientific research. And if you take a longer view, you’ll be open to “recycling” some of your wealth through estate taxes to perpetuate the system of supports that made your fortune possible—a view that Andrew Carnegie famously espoused in the late nineteenth century.

The other thing, of course, is that those who get rich in a knowledge economy are—almost by definition—likely to be very educated. The high-tech world is filled with computer whizzes, many of whom have PhDs. Some of the top hedge funds are run by mathematicians and scientists. Investment banks are jammed with MBAs, corporate law firms with JDs. Biotech companies and medical instrument firms are home to MDs-turned-entrepreneurs. Some of the biggest zones of wealth creation in the new economy are near major universities, such as Silicon Valley, which originally emerged from Stanford University, or the Research Triangle in North Carolina, or the Route 128 corridor

around Boston. Austin has become a hotspot for biotech companies, in large part because the University of Texas has top-tier programs in bioengineering, nanotechnology, and pharmaceutical research.

Study after study shows that wealth goes hand in hand with high levels of education, and this correlation has grown as the United States has moved into the information age. Someone with a postgraduate degree will, on average, make four times as much money over his or her lifetime as someone with only a high school diploma, and certainly the postgrad will have a better shot at becoming rich.<sup>10</sup> A big reason for the bulging wealth at the top is the rising pay for highly educated professionals who, in earlier times, might have remained upper middle class. Changes in the economy and technology—such as the advent of personal computers and the Internet, new medical devices and procedures, oceans of investable money, and more litigiousness—mean that hordes of these people can now make several million dollars a year. (In turn, conservative tax policy victories starting in the early 1980s have allowed them to keep more of this money.)

In 1982, roughly 50 members of the *Forbes* 400 had college degrees. By 2006, 244 of those on the list had finished college and at least 132 had graduate degrees—or nearly a third of U.S. billionaires. That some of America's richest people dropped out of college, such as Bill Gates, Steve Jobs, Michael Dell, and Larry Ellison, stands at odds with the broader trend. According to an analysis by *Forbes*, billionaires in the finance sector were the most educated group among the super-rich in 2006: 55 percent had graduate degrees. Attending an elite university seems to have much to do with getting rich, too. A 2008 analysis by *Forbes* found that 141 U.S. billionaires had gone to just five top schools for either undergraduate or graduate degrees: Harvard, Stanford, the University of Pennsylvania, Yale, and Columbia. And 1 out of 10 billionaires holds a degree from Harvard University alone. Ninety percent of billionaires in finance with MBAs got their degrees from only three Ivy League schools: Harvard, Columbia, and the University of Pennsylvania.<sup>11</sup>

All of this education has reshaped the culture of finance. Back in the fabled 1980s, the flood of MBAs onto Wall Street was just beginning, and many top earners made do with BAs. Things changed as

finance became more complicated—as “quants” found new ways to make money using statistical techniques and algorithms, as automated trading systems came online, and as new financial products for managing risk or structuring debt, such as derivatives, came into being. Top universities spat out PhDs in fields such as mathematical finance and computational finance. Newly created master’s programs sprang up in financial engineering. MBA programs bolstered their quantitative offerings. More lawyers went into finance, applying their legal skills to the ever more complex deals that were going on. If finance had long been a haven for jocks, it has increasingly come to rely on geeks.

There are a lot of “pretty high-achieving characters on Wall Street,” said Raj Date, who was a senior vice president at Capital One before becoming a managing director at Deutsche Bank Securities. “They have impressive academic credentials and a combination of analytical abilities and facility with language.” Date himself fits that profile. He has a law degree from Harvard and was a McKinsey consultant before going into finance, where he made much more money.

Date is a Democrat, who raised money for Obama from his contacts in the finance world. It wasn’t hard, even though Obama “was pretty clearly left of center-left.” For a crowd of high achievers who had logged years in top universities and prided themselves on their analytical skills, “the increasing anti-intellectual tone of the Bush years was insulting, affirmatively insulting.” The message seemed to be that “if you were a high-achieving person, you were somehow inauthentic. That had real power to drive people the other way.”

The xenophobic drift of the Republican Party is another big turnoff. “Being well educated and working in global institutions, you’re necessarily multicultural,” Date said. Date is the son of two Indian-born doctors and exemplifies a key shift under way in finance: a growing number of the younger, most highly educated people in finance are immigrants or the children of immigrants. The Republican Party may be ever more based in the whitest parts of the United States—small towns, newer suburbs, and rural areas—and top Republicans may see political gains from demonizing immigrants as they once demonized welfare queens,

but knowledge-economy leaders are headed in the exact opposite direction. If you run a hedge fund, a tech company, or a law firm, you depend on talent that increasingly comes in all colors from all backgrounds and countries. Forty years ago, nearly three-quarters of the graduates of engineering and science doctoral programs were U.S.-born white males; now only a third are.<sup>12</sup> The quants on Wall Street look nothing like Sherman McCoy, the pedigreed WASP protagonist of *The Bonfire of the Vanities*. And, increasingly, the highly educated engineers and computer scientists working in Silicon Valley look nothing like Bill Gates or Steve Jobs. They are as likely to be from Madras as Massachusetts.

The same trend is evident in law. In 2009, the graduating class of Harvard Law School was a quarter nonwhite, and if you were to meet all of the first-year associates at a top firm like Cravath, Moore, you'd see a snapshot of a professional upper class in rapid demographic transition.

To many in the new wealth elite, Obama's race is no big deal. Although African Americans are still scarce within this elite, Obama is otherwise familiar: he's the son of professional parents who attended an elite private school, graduated from an Ivy League university, and got a postgrad degree at yet another Ivy League school. But Obama's most important credential for this crowd is that he is manifestly intelligent. "It was hard to listen to Obama and not be impressed and feel that he wasn't a smart person," said Date.

In his classic 1963 book *The Protestant Establishment*, Dingby Baltzell argued that the WASP upper class could not retain its legitimacy if it failed to overcome a fixation with caste and ethnicity. Back then, the question was whether Catholics and Jews could push their way into elite circles through the sheer force of education and meritocratic achievement. That kind of battle may still be going on in Tulsa country clubs or even in exclusive clubs on Manhattan's Upper East Side, but it is largely over in the wealthiest reaches of the knowledge economy.

Outside the South, the most highly educated people in the United States tend to be Democrats. Obama won voters with postgraduate degrees by 17 points. John Kerry lost overall to Bush in 2004, including among college graduates, but beat him among voters with

postgraduate degrees by 11 points. Al Gore also lost college grads overall but won the postgrads in 2000. Increasingly, the most credentialed places in the United States are Democratic strongholds. Obama won the ten states with the highest percentage of residents with bachelor's degrees and eight out of ten of the most highly educated counties in the United States. Kerry won eight out of ten of the most highly educated states and six of the counties.<sup>13</sup> In certain swing states, the support of postgrads proved decisive for Obama. For instance, 63 percent of Colorado voters with postgraduate degrees—who made up more than a fifth of the electorate in 2008—went for Obama, helping to compensate for his loss among voters who had only attended high school or some college. In North Carolina, Obama won only among high school dropouts and voters with postgraduate degrees—which was enough to take the state. A year later, as Republicans swept gubernatorial races in Virginia and New Jersey in 2009, voters with postgraduate degrees stuck with Democrats in both elections.<sup>14</sup>

Beyond the pragmatic reasons for knowledge workers to be liberal, the educated usually trend left for other reasons. In their 2002 book *The Emerging Democratic Majority*, John Judis and Ruy Teixeira describe how professionals have long been the strongest supporters of “civil rights and feminist causes.” And there is a reason for this: the more educated you are, the more likely you are to question rigid hierarchy, be tolerant of cultural differences, and reject traditional values. These correlations aren't found only in the United States; they are also evident globally, as the political scientist Ronald Inglehart has shown through the World Values Survey. Although education can obviously open one's mind to new ideas and experiences, Inglehart suggests a deeper underlying dynamic, which is that the educated are more likely to have been raised in economically secure families. As Inglehart tells the story, people who grow up feeling secure tend to focus more on self-expression and worry less about maintaining order. They are “postmaterialist.” The insecure, in contrast, worry about their material well-being and are prone to see the world as a precarious place that requires strong authority and traditional values. During the 1960s, it was upper-middle-class college kids taking

acid and protesting the war, not working-class kids. Little has changed, and educated, affluent Americans are more liberal on social issues—and are less religious—than members of the working class.<sup>15</sup>

The big difference now is that questioning the status quo can result in serious financial rewards. A few decades ago, the main way that someone joined the upper class was by climbing to the top of a large and centralized industrial company. Back in the era of the “organization man,” traits such as creativity and initiative were often less valued than conformity. Success in the knowledge economy, in contrast, often comes by challenging existing systems, thinking outside the box, and taking risks. Here, bourgeois and bohemian values have seamlessly fused—a trend seen elsewhere, too, as David Brooks argued in *Bobos in Paradise*. Entrepreneurs who strike out on their own to “monetize ideas” are heavily represented among the new rich, while certain major knowledge-economy companies are set up to accommodate creative individuals. Google, for instance, has a “20 percent rule,” which allows its engineers to devote a fifth of their time to whatever they are passionate about.

All of this helps to explain a paradox about class and income. Even though wealthy people are far more likely *on average* to be Republican, an influx of successful creative types into the upper class has translated into many more rich liberals.

Another factor at work is that the knowledge economy is based in the most liberal places in the United States. Silicon Valley lies in the Bay Area, a birthplace of the counterculture; Hollywood, always a very liberal town, has become an economic juggernaut as the global market for U.S. cultural products has exploded; Seattle, home to companies such as Microsoft and Amazon, ranks as one of the most progressive cities in the United States. Boston was a bastion of Yankee liberalism well before it gave birth to thriving tech, medical, and financial sectors. Austin was liberal well before it became a high-tech center. And, of course, the financial services industry and the corporate law world are centered in New York City, where registered Democrats outnumber Republicans six to one.

It is no coincidence that the knowledge economy has exploded in historically liberal places, because the highly educated are attracted to communities that are tolerant and open-minded. They are seeking nonhierarchical environments where creativity is valued more

than conformity or status. In earlier times, a concentration of smarts and sophistication often only meant local coffeehouses with better folk singers and poets, not to mention cab drivers who could quote Nietzsche. Think of Cambridge or San Francisco in the 1970s. Now it means entrepreneurs with a knack for inventing new products and services. The more that people like this congregate in one place, the more economic dynamism there is—as “creative class” guru Richard Florida argues in his book *Who’s Your City*.

In a knowledge economy, the breakthroughs that produce wealth emerge from social processes: the exchanging and synthesizing of ideas or discoveries. “The more smart people, and denser the connections among them, the faster it all goes,” wrote Florida. In turn, the growth that comes from a concentration of highly educated people draws yet more educated people in search of opportunity. There has been a “mass relocation,” Florida said, “of highly skilled, highly educated, and highly paid people to a relatively small number of metropolitan regions.” Forty years ago, Americans with college degrees were distributed pretty evenly across the country. Now they are ever more concentrated in a handful of cities—sometimes to an extreme degree. In Seattle, America’s most educated city, half of all adults have college degrees and one in five has an advanced degree. Not surprisingly, wealthy people are now more concentrated in these same metro areas, a trend that has sharply accelerated in the last twenty years.<sup>16</sup>

Members of America’s affluent knowledge elite are flocking together as never before. And they are ending up in places that have long been quite liberal. Or they are helping turn places liberal, such as the prosperous neighborhoods of Dallas and Houston.

The link between liberalism and high tech has grown notably stronger in the last twenty years. According to data compiled by Bill Bishop and Robert Cushing, high-tech cities were only slightly more liberal than the national average in 1990. That changed dramatically in the 1990s, and by 2000, the twenty-one high-tech areas they analyzed voted Democratic at a rate of 17 percent above the national average. In 2004, they reported, “John Kerry outpolled Bush by more than 5 million votes in the high-tech cities, in an election Bush won by more than 3 million votes.”<sup>17</sup>

Because so much wealth creation is now happening in liberal America, the most ambitious young people have little choice but to move to these places. And once there, chances are good that their politics will begin creeping to the left. Psychologists have long documented the effects of social conformity and peer pressure to show how the beliefs of individuals are strongly shaped by the views of the dominant group. A twenty-something Republican who moves to Portland to work for Intel can change the mailing address on his or her *National Review* subscription and keep tuning in to the *O'Reilly Factor* every night. But if this young Republican is living in one of the trendy downtown neighborhoods, he or she will find it pretty hard to meet other Republicans in the flesh, because the percentage of registered Republicans in this age group who live nearby may be less than 10 percent or even 5 percent. Conservatives who move to New York City have long taken refuge on the Upper East Side, but even that neighborhood has changed, and no single zip code in the United States gives more money to the Democratic Party than that which covers the ritziest sections of Madison, Park, and Fifth avenues.

The socializing effects of a liberal metro area are likely to be all the more influential when you consider that many of the talented, super-educated go-getters who are moving to these places have already logged a number of years on the liberal campuses of top universities (more about that later).

The term *self-interest* comes up a lot in conversations about politics. Voters are supposed to vote their self-interests, and when they don't, pundits scratch their heads in puzzlement. But, of course, not everyone defines his or her self-interest by the same criteria. Many of the educated wealthy give priority to social and environmental issues, in the same way that born-again poor whites line up behind a pro-life GOP. The educated wealthy are apt to be cultural liberals not only because of the tolerance associated with education, but also because of the milieus in which they live.

These views can trump financial concerns. More important, though, people who get rich in a knowledge economy are likely to



have a nuanced view of their financial self-interests. They may be focused less on which party is going to boost their bank accounts next year with a tax cut and more on which will spur long-term growth in their sectors. By this measure, liberal Democrat politicians who want to spend more money—a lot more—bolstering the foundations of the knowledge economy can look pretty appealing.

A *Wall Street Journal* article, noting the political shifts at the top, commented in 2009 that Democrats need to get used to being “the party of the rich.” That’s way overstating what has happened—traditional class alignments still prevail in the aggregate—but there is enough change that we need to think differently about class and politics. A look at which Democratic members of Congress stood with President Obama on crucial votes underscores the new reality. Members from the most affluent districts and states mostly backed the White House on its first budget, the stimulus bill, health care reform, and financial regulation. Standing against the president in each of these battles were Democrats from middle-income or downscale areas.

“Corporate Democrats” and special interests—reliable culprits in the left’s narrative about stymied reform—are only part of the problem. The antigovernment views held by less educated white voters of modest means now stand as a comparable obstacle to progressive ambitions. As Thomas Frank described in *What’s the Matter with Kansas?* many of these voters subscribe to a conservative populism that pits know-it-all liberal elites against the common man. Frank, along with commentators like Robert Kuttner, believes that the key to recapturing these voters is for the Democratic Party to tack left on the economy. That solution may work in some cases, such as in getting tougher with banks or insisting on fairer trade rules. Otherwise, the evidence from Obama’s first year is that downscale white voters have been among the lead skeptics of proposals to raise taxes, increase spending, and expand regulation. Even more ambitious liberal plans to expand the role of government aren’t going to win back these voters.

In any case, economic populism has become less of an option for a Democratic Party that increasingly relies on affluent voters both

for financial and electoral support. Liberal strategists can debate all they want about whether the Democratic Party should eject affluent Americans from the progressive coalition. The truth is that it is too late for that. Class politics has already remade itself, thanks to economic change, and the challenge now is forging an ambitious liberal agenda that capitalizes on this reality rather than fights it.