Pareto’s Theory of Elite Cycles:  
A Reconsideration and Application  
John Higley and Jan Pakulski

In November 2008 American voters elected a new president, Barack Obama, and gave Democrats strong majorities in both houses of Congress. In May 2010 British voters ended a long period of Labour government, but declined to give Conservatives a parliamentary majority, so a novel Conservative-Liberal Democrat coalition government emerged in the hung parliament. Voters in both countries were reacting to a shattering economic crisis defined by the biggest declines in consumption and investment since the Great Depression. At the start of 2011 sixteen million Americans were unemployed, 8.5 million jobs had been lost, federal and state governments faced huge budget deficits, and a fifth of all Congress members had been replaced two months earlier. Furious fiscal and monetary pump-priming plus massive bailouts of banks, insurance, investment, automobile and many other firms had averted a meltdown of the economy and instigated a return to modest growth. But with the federal government budget deficit at nearly 10 per cent of GDP, three million homes likely to be foreclosed during the next several years, and with pension and health insurance programs facing eventual insolvency, the longer outlook was grim. In Britain the government budget deficit was 8 per cent of GDP, the official unemployment rate was also 8 per cent, a third of MPs had been swept away in the May 2010 election, drastic austerity measures were beginning to bite, student and other protests mounted, and dissension among Liberal Democrats made the coalition government’s survival uncertain. Elsewhere in Europe, half a dozen countries teetered on debt default, maintenance of the euro-zone was in doubt, and it was feared that the European Union could eventually unravel. Nearly everywhere, in short, the new decade was regarded with trepidation.

It is hard to avoid concluding that an historic failure of governing elites occurred. After about 1980, political, economic and other key elites lived increasingly in a cloud cuckoo land where imbalanced flows of capital need not be checked, government and consumer debt can pile up indefinitely, saving for rainy days is foolish, and economic growth pays for huge but unfunded military undertakings and welfare extensions. Instead
of politically unpalatable measures such as raising taxes, hiking interest rates and clamping down on government spending, elites clung to fashionable beliefs about monetary policy’s curative powers, automatic market equilibrations, banks and investment firms too big to fail, a common European currency without political integration and much else. Viewed in retrospect, the absence of prudent leadership was stunning. Yet political leaders who deceived both themselves and voters were elected and re-elected.

The question is why this apparent failure of elites happened. Vilfredo Pareto’s theory of elite cycles frames a sobering answer. He theorized that over time a distinct psychosocial propensity – manifested by personality traits, mentalities, beliefs and actions – becomes predominant in governing elites. This renders them, especially their leaders, prone to bias, closure, rigidity and cumulating blunders. A gradual process of decline – degeneration is a more pointed term – takes hold and leads eventually to a profound crisis during which groups and persons disposed toward the opposite propensity ascend, only to have a lengthy process of decline or degeneration begin anew. Intuitively, Pareto’s theory appears to fit many of the past century’s most important political trends and upheavals, not least the extended series of elite actions and inactions preceding the crisis that took hold in 2008. But the breadth and elasticity of Pareto’s theory, his fragmented exposition and many ceteris paribus clauses – not to mention the empirically elusive qualities of elites – risk facile and tendentious applications.

Pareto’s theory is hardly unique in these respects, of course. Karl Marx produced a notoriously vague theory that has been applied indiscriminately to anything and everything. Max Weber’s theory of charismatic leaders and ruling minorities as drivers of social change has always been difficult to apply. Perhaps we must accept that all large-scale theoretical constructs, all general explanatory visions, defy rigorous application. They are attractive and inspiring precisely because of their generality and sweep and must be assessed in terms of internal consistency and overall plausibility. Judged in this way, Pareto’s theory fares well; arguably, it is more cogent and realistic than competing theories of similar scope. However, compared with the attention showered on the theories of Marx and Weber, or on Schumpeter’s competitive theory of democracy (‘democratic elitism’), Pareto’s theory has received short shrift. While there is loose familiarity with it,
the theory has seldom been applied to contemporary events and processes (see Finer 1966, 1968; Femia 2001, 2006; Marshall 2007; Best & Higley 2010). This chapter reconsiders Pareto’s theory of elite cycles and explores its application to Western elites during the hundred years since he wrote, paying particular attention to American and British elites prior to the onset of crisis in 2008.

Pareto’s Governing Elites

In his million-word *Treatise on General Sociology*, composed between 1907-1911 but published in 1916 and translated into English as *The Mind and Society* in 1935, Pareto examined many societies, political regimes, and alternating eras of faith and scepticism in Western history. He sought to illustrate an intricate theory about humanity’s several and conflicting non-logical propensities (‘residues’), the rationalisations, superstitions, and ideologies derived from them (‘derivations’), and how changing combinations of propensities and derived beliefs, together with concrete economic interests, shape the eras-like fortunes of societies.

Pareto’s starting point was deceptively simple. He portrayed all societies as containing two analytic and interacting categories: largely powerless masses and powerful elites, with the latter sub-divided into ‘governing’ and ‘non-governing’ elites. Historically, governing elites were hereditary aristocracies anchored in the most gifted and talented – the qualitatively superior élite of a society – and in socially delineated monopolies of power and privilege (1916/1935, paras. 2051-53; Lenski 1966, pp. 219-42). In modern societies, however, intensified elite circulation and electoral democracy undermine hereditary aristocracies. Modern governing elites, though still socially selective in composition, contain persons and groups recruited from a variety of classes and strata, with privileged bourgeois origins being most prominent. But for Pareto, the class and status underpinnings of governing elites are less important than their psychosocial profiles, that is, key personality traits and proclivities that shape dominant styles of governance and interest alliances. Pareto stressed that economic interests are always important determinants of elite preferences and actions, but he postulated that
powerful non-logical biases, passions, values and the ways in which they are justified are in the long run more decisive.

Three aspects of Pareto’s governing elites stand out. First, he conceived of them – he often spoke of ‘governing classes’ – as complex aggregations of powerful political, economic and social groups, the inner leaderships of which are located in governments. In Pareto’s usage, governing elites encompass opposing parties and allies rotating in and out of government offices and squabbling endlessly over policy matters. But these rotations and squabbles do not alter basic psychosocial propensities and governing styles. Elite members are disposed to combine the two modes of political rule, force and persuasion, but over time they, and especially their leaders, come to rely primarily on one mode, one style of governance (Femia 2006, p. 70). They constitute intertwined and polyarchal webs of patrons with diverse clienteles, but there is always a ‘common accord’ resulting from ‘an infinitude of minor acts, each determined by present advantage’ (1916/1935, para. 2254). In Pareto’s treatment, governing elites are in no sense monolithic; their unity is manifested at a meta-political level – in shared outlooks and tacit consensus about boundaries of political patronage and a style of governance (1916/1935, paras. 2257-58). The major difference between Pareto’s governing elites, Marx’s ruling classes and Weber’s dominant status groups is that for Pareto shared elite outlooks and tacit consensus encompass not only a dominant class interest and a legitimation formula, but also and most importantly a basic set of non-logical (‘residual’) propensities that shape the balance or imbalance between force and persuasion.

Second, Pareto agreed with most of his contemporaries, such as Weber, Michels and Mosca, that government executives in modern bureaucratic states acquire overarching control of national policies. Accordingly, a modern governing elite’s inner leadership is pivotal, often displaying a sufficient commonality of purpose to be treated analytically as a social actor, though Pareto always stressed the broader governing elite’s importance. For him, as for Weber, political and social change is mainly top-down, but Pareto located its causalities in a governing elite’s psychosocial complexion, which, he held, alters in step with changing rates of circulation between the elite and the masses. This gave his theory a more systemic character than Weber’s leader-centered theory. Pareto’s conception of governing elites also differed from Marx’s thesis that in capitalist
societies state executives are mere management committees of ruling bourgeois classes and their main interests. Pareto agreed that state power lies in the hands of bourgeois (‘plutocratic’) interests, but, like Weber, he held that the leaders of governing elites enjoy considerable autonomy vis-à-vis bourgeois interests and can, in fact, ‘despoil’ those interests by wasting their wealth. The inner cores of governing elite leaders favour only some economic interests, only some holders and producers of wealth, and this selective patronage tends to squander economic resources and weaken economies.

Third, Pareto famously theorized that governing elites can be distinguished most fundamentally according to which of two non-logical propensities predominates: a ‘Class I’ propensity to combine things in innovative ways, which renders governing elites fox-like in actions; a ‘Class II’ propensity to keep or restore things to traditional forms and ways, which produces lion-like actions. Vulpine governing elites act in cunning, inventive, innovative and manipulative ways; leonine elites act with idealism, intolerance and a strong preference for applying force to achieve and cement social unity (Femia 2006, p. 105). Cutting across the customary right/left spectrum – Pareto portrayed revolutionaries as exemplifying the Class II propensity, for example – this ‘inspired guess’ has been regarded as lacking empirical support (Finer 1966, p. 84). However, research in modern political psychology, ably synthesized by Alasdair Marshall (2007), makes Pareto’s distinction more credible empirically. For research identifies among powerful political actors a cluster of personality traits consisting of hedonistic, irreligious, tolerant and risk-taking proclivities that approximate the propensity Pareto assigned to fox-like elites, and an opposite cluster of conservative risk-aversion, group loyalty, paranoia, anti-intraception (or anti-introspection) and obsessive prejudice approximating the propensity he assigned to lion-like elites.

In sum, governing elites embody wide and complex patronage networks and practices, as well as a psychosocial propensity and consequent style of governance tending to rely on cunning and persuasion or determination and force. Governing elites seldom achieve a high degree of integration and are rarely if ever cabals; they are instead broad condominiums of groups and circles that are normally capable of defending their advantaged positions and pursuing mutually beneficial courses of action. More concretely, governing elites are congeries of political party leaders competing for
government offices, groups promoting specific economic interests, factions trumpeting various ideologies, as well as groups of ethno-religious, military, regional and other important leaders. Pareto viewed these kaleidoscopic formations as normal and he portrayed the incessant pushing and shoving within them as routine politics. But the overall patterns reflect predominant psychosocial propensities to rely primarily on force or persuasion. Consequently, basic elite transformations occur only when a governing elite disposed toward the alternative propensity takes power. Why do these transformations occur and what forms do they take?

**Pareto’s Elite Cycles**

Pareto’s discussion of elite cycles, scattered across 300 pages in Chapter XII of the *Treatise*, can be distilled into five principal claims:

- While routine elite circulation – movements of persons from non-elite to elite positions and vice versa – is constant and produces gradual elite change, the inflow of talented persons with a different psychosocial profile varies in a broad cyclical manner as a consequence of gradual elite closure and degeneration followed eventually by intensified elite replacement and renewal.
- The closure and degeneration that occur in broad cycles subsume cultural, economic, and political sub-cycles that accelerate broad cycles when they coincide and retard them when they cross cut.
- Each broad cycle is distinguished mainly by a governing elite’s predominant non-logical propensity – especially but not exclusively its mix of Class I and Class II propensities – and by economic alliances within the elite.
- The end of a broad cycle and start of a new one may be sudden or gradual, but it is usually marked by a profound crisis that is contingent in details, yet path dependent in the sense that some ‘general regularities’ are discernible.
- In the course of each broad cycle there are periods of elite renewal and periods of deterioration, but degeneration eventually becomes pronounced and signals a profound crisis that terminates the cycle.
The duration of elite cycles is unclear in Pareto’s exposition. Sometimes he portrayed them as eras of faith or scepticism extending across centuries – the Roman Republic, the Empire’s gradual decline, the Renaissance, the Protestant Reformation – and sometimes as briefer alternations in forms of governance during a generation or two. In fact, Pareto seemed to have two kinds of elite cycles in mind: (1) long cycles involving enduring configurations and dispositions of elites, both governing and non-governing, accompanied by slow-moving mass currents prevailingly religious-ideological or secular-rationalist in thrust; (2) short cycles book-ended by crises that materially alter governing elite composition and political regime type, such as shifts from ‘demagogic’ to ‘military’ plutocracies and back again (Pareto 1921, pp. 55-62; Powers 1984, pp. 18-21). Long cycles begin and end with definitive collapses of governing elites and much of the socioeconomic and sociopolitical orders they have overseen. But long cycles encompass shorter cycles during which the stability and effectiveness of governing elites weaken but are renewed by adjustments made during periodic crises that stem from this weakening. To illustrate, the Bolshevik revolution in Russia marked the start of a long cycle that ended with the downfall of the entire Soviet edifice in 1989-1991. De-Stalinization of the Soviet elite and regime during the mid-1950s marked the end of a short cycle (1927-1956) with the elite making adjustments that enabled it to persist for another three decades.

The end of a long cycle is the result of a governing elite’s gradual but inexorable degeneration and the dire situation it eventually creates. Degeneration occurs in three principal and interrelated ways. First, routine circulation slows so that a governing elite becomes increasingly closed, with able persons who do not fit the elite’s preferred psychosocial and stylistic profile more and more excluded from its ranks. This not only unbalances the elite’s composition and denudes the elite of talent, it breeds frustration among aspirants, who, on finding their careers blocked, foment mass opposition (1916/1935, para. 2057). Second, a governing elite’s intellectual and political qualities deteriorate, with key positions held increasingly by mediocrities who have risen to power through family inheritance, cronyism, and sycophancy, and who lack the vigour and wisdom necessary for decisive and effective actions (see the chapter by Nielsen in this
volume). Elite members who promise such actions are shunted aside because they threaten to upset mutual back-scratching practices (1916/1935, para. 2054). Third, a governing elite becomes increasingly biased, doctrinaire and inflexible, less and less able to adjust its policy repertoire to fit changing circumstances. Where new circumstances call for policies more persuasive or forceful, more cunning or coercive, the elite – especially its inner leadership core – sticks to templates and bromides its members regard as true (1916/1935, para. 2178). As a consequence of all three processes, blunders and miscalculations multiply (1916/1935, para. 2365).

More concretely, when the leonine propensity to pursue traditional panaceas predominates, conservative, nationalistic and religious shibboleths bias policies. The elite’s leaders invoke some ‘natural’ order of things – God’s will, a free market’s invisible hand, animal instincts, an indomitable national character or mission – to rationalise inadequately funded domestic measures and costly military adventures. Growing indebtedness weakens the economy and eventually produces a severe crisis. When the vulpine propensity to rely on opportunistic compromises, crafty deals, demagogy and deceptive manoeuvres predominates, leaders invoke ostensibly rational solutions to conflicts and pursuits of social justice to rationalise costly payoffs that fuel fiscal insolvency, erode the elite’s authority and foster social decay, also eventually producing a crisis (Femia 2006, pp. 71-2).

Thus, governing elites of both types degenerate and ultimately fail, though they do so in somewhat different ways. The degeneration of a predominantly leonine elite typically involves enervating military over-extensions, quagmires and setbacks; that of a predominantly vulpine elite typically involves enervating gridlocks and dissipations of authority that stem from trying to placate myriad patrons and clienteles. Either degenerative process culminates in a crisis that triggers wide elite circulation and an influx of groups and persons inclined toward the alternative propensity. This circulation may take sudden and violent forms, as in revolutions or military coups, or it may involve discredited leaders being shouldered aside by those better able to deal with the crisis at hand. In the latter case, groups and persons formerly excluded from leading positions assail the existing modus operandi, out-manoeuvre current leaders and take charge. The exact mode of a wide circulation depends on contingencies such as the extent of elite
degeneration, the relative severity of the crisis to which it has led, or a conjunction of military failure and fiscal insolvency.

Pareto spurned any idea that a lasting elite equilibrium – an efficacious balancing of persuasion and force – is possible. Cycles of elite circulation and degeneration can never be eliminated. He observed, however, that the start of a cycle may provide a temporary respite – an interval of renewal and hope – because the influx of new elite groups and leaders supplies needed flexibility, innovation, talent, and vigour. A measure of temporary equilibrium is achieved, and a honeymoon period for the new elite unfolds. But this is bound to be short-lived, because the new elite tends to attribute its predecessor’s downfall to specific errors and stylistic shortcomings, rather than to more general bias and closure, political mediocrities in high positions and inflexible policies. The lesson learned is less the need for elite openness and a ruthlessly honest internal discourse than for a more conciliatory or confrontational posture. Sooner than later, complacency and hubris again take hold, policies become rigid and doctrinaire, vices replace virtues and ill-advised undertakings mount.

It is important to bear in mind that Pareto’s theory of elite circulation and degeneration was but a component of his more general theoretical vision, in which he conceived of societies as moving constantly toward or away from the equilibrium of non-logical propensities and clashing economic interests. No society attains full and lasting equilibrium; it can at most be partial and temporary, because circumstances change constantly, and imbalances of propensities and interests cannot be prevented. When these imbalances become great, major upheavals occur and reduce them, so a condition closer to equilibrium obtains for a time. But inevitably, imbalances again become aggravated and the process is repeated. Imbalances in the propensities and interests of governing elites are political manifestations of this wider flux in societies. Treating Pareto’s elite theory in isolation from his general theory makes the former seem more simplistic than it actually is (for discussions of the general theory, see, inter alia, Finer 1966; Aron 1967; Lopreato 1980; Powers 1987; Femia 2006; Marshall 2007).

**Applying Pareto’s Theory**
Pareto was fully aware that the contours and actions of governing elites differ greatly between societies and eras and in its details history never repeats itself (1916/1935, para. 2410). But he believed that uniformities and tendencies, regularities and patterns, albeit always in a thicket of seemingly chaotic events, are discernible across history’s vagaries. As a strong advocate of positivist social science, Pareto understood that non-logical propensities are theoretical constructs difficult if not impossible to observe directly, let alone measure precisely (Femia 2006, p. 75); only the professed beliefs, policies and actions derived from them are readily observable. But he also knew that the test of a social science theory is whether it accounts for large economic-political changes more cogently than competing theories. Flatly contradicting Marx, Pareto contended that history is not a dialectical story of class struggles ending in classless socialism, but rather of imbalances in the psychosocial propensities of elites and masses and the endless rise and fall of governing elites.

It is self-evident that applying Pareto’s theory is a challenging task. It requires, inter alia, data on elites’ personality traits, long-term circulation trends toward closure or openness, the flexibility or rigidity of policies, convergent or divergent outlooks and integrative or disparate formal and informal networks. Such data exist piecemeal for governing elites in various modern Western countries, though their collection has not been guided by Pareto’s theory (e.g. Higley and Moore 1980; Higley et al 1991; Cotta and Best 2000; Best 2011). Marshalling and reinterpreting such piecemeal data for indications of Pareto’s long and short cycles are beyond what is possible here. We can assess only prima facie correspondences between his theory and major twentieth-century developments, especially those in Britain and the United States.

We begin with a brief overview of developments during the years surrounding Pareto’s death in August 1923. Although he was prepared just to identify leaders of Italy’s surging fascist movement with his leonine elite type, some of his interpreters, including Mussolini himself, misread this as political support. Pareto was thus said to have forecast the displacement of Italy’s vulpine demagogic plutocratic elite by Mussolini’s leonine fascists. Pareto died three months before Hitler’s failedputsch in Munich, and he did not discuss the fledgling Weimar elite, which succumbed to the Nazis ten years later. In any event, military and quasi-fascist elites took or closely approached
governing power in numerous European and Latin American countries, as well as Japan, during the interwar period, and in Russia the post-revolutionary Bolshevik-Stalinist elite consolidated power brutally and swiftly. Viewed through Pareto’s lens, these dramatic changes resulted from gradual degenerations of elites that had long been ascendant before World War I, but which fell prey to enervating pre-war gridlocks – labeled ‘Bonapartist’ by Lenin, Trotsky and others who hoped to capitalize on them – and could not survive the crises constituted by the war and its immediate aftermaths. Elites that grabbed and consolidated power during and after those crises – most notably the Italian Fascist and German Nazi elites – displayed clear leonine propensities in doctrinal certitude, aggressive and racist nationalism and ruthless use of force. They were born of crisis and violence, and their subsequent trajectories and downfalls accorded with Pareto’s thesis about the doctrinal extremism and military cum economic over-extensions to which leonine elites are prone.¹

Fascist movements in the Anglo-American, Dutch and Scandinavian countries were kept at bay during the interwar period. In those countries the most striking illustrations of Pareto’s theory were elite failures to prevent the Great Depression and World War II. During the ‘Proud Tower’ of the Edwardian age in Britain (Tuchman 1966) and prospering conditions in the other English-speaking, Dutch and Scandinavian countries before World War I, governing elites held steadily more optimistic and quasi-pacifist outlooks. Those outlooks suffered sharp rebuffs in the calamity of 1914-18 but were reasserted during the ‘Roaring Twenties’. However, the profound economic crisis that began late in 1929, deepened during most of the 1930s and culminated in the apocalypse of World War II produced substantially new elite constellations. Military heroes and veterans rose to high positions, and new sets of managers headed interlocked triumvirates of large corporations, powerful trade unions and expanded state

¹ The literature on Fascist, Soviet, Nazi and similar elite and regime trajectories during the interwar period is voluminous, but our limited knowledge of it does not bring to mind any clear application of Pareto’s theory to those elites and regimes, although their ‘degeneration’ is implicit in many accounts. See, for example, the study of ‘world revolutionary elites’ by Harold Lasswell and Daniel Lerner (1951), who mention Pareto on their opening page but not again. Likewise, in his excellent ‘anatomy’ of the Italian, Nazi and other interwar fascist elites and movements, Robert Paxton (2004) mentions the theories of Pareto, as well as those of Mosca and Michels, but only as instancing the widespread intellectual disillusionment that preceded and attended World War I.
bureaucracies. American and British elites were key exemplars of these postwar constellations and they are worth examining through Pareto’s lens.2

A Short Elite Cycle, 1945-1980

World War II’s technological advances, pent-up consumer savings and upgraded workforces provided the revamped American and British governing elites with relatively easy tasks of political management during the early postwar period. Intertwined Keynesian and welfare state precepts formed the intellectual umbrella for this management. They taught that smooth economic sailing could be assured by employing fiscal stimuli in times of falling demand and that political peace could be purchased through social compacts – soon elevated to ‘social rights’ (Marshall 1963) – integral to welfare states. Accordingly, main American and British political elite camps stood for essentially the same policy mix. In the U.S., Republicans grudgingly accepted the limited welfare state constructed by Democrats during the pre-war depression and wartime years. In Britain, a Labour government implemented and a Conservative government maintained welfare state measures that had been agreed by the wartime coalition government. Because most Labour leaders had concluded that government ownership of industry offered no real advantage, there was little that distinguished the principal policy preferences of the two main British parties and elite camps (McKenzie 1955).

Limited conflicts over economic issues and general acceptance of a welfare state’s principal features had an important effect on governing elite outlooks during the 1950s and early 1960s. This was the tendency to adopt blandly optimistic, somewhat complacent outlooks of the sort held by successful persons who see no need for serious social and political change. The elites appeared to perceive their societies as possessing enough material resources, technology and organizational skills to surmount any significant problems that might arise. Much was made in both countries about the lack of issues during election contests, the importance of candidates’ personalities, the likelihood that the party responsible for consolidating the welfare state would govern indefinitely,

---

2 A survey of governing elite constellations in all other European and English-speaking countries after 1945 is found in Higley and Burton (2006, esp. pp. 139-181).
and the decline or ‘end’ of ideology. In foreign affairs, by contrast, the elites displayed harder edges. They battled communist forces in Korea, built nuclear weapons arsenals, engineered a global edifice of defence treaties to contain the Soviet Union, suppressed an insurgency in Malaya, and subverted nationalist governments in Iran and Guatemala.

It is plausible to regard American and British governing elites from about 1950 until the mid-1960s as balancing Pareto’s two modes of rule, persuasion and force, with considerable effectiveness. But from about 1965, a less balanced rule that relied on crafty and deceptive actions, personified by veteran connivers Lyndon B. Johnson and Richard M. Nixon in the U.S. and Harold Wilson in Britain, became more apparent. Both countries entered an increasingly turbulent 15-year period that stemmed in considerable measure from accumulating elite blunders and vacillations.

One blunder was the major military intervention in South Vietnam ordered by Johnson and his advisors in 1965. Their hubristic view was that as the world’s foremost military power the U.S. could not allow developments in South Vietnam or anywhere else that threatened American interests, added to Soviet and Chinese power, and violated democratic principles (Goldstein 2009). Supported enthusiastically by Republicans, the Johnson administration stumbled into a disastrous war made worse by the political stratagem of treating the war as largely extraneous to domestic policy and financing it through government borrowing rather than increased taxation, a deception that soon led to high rates of inflation and serious erosion of the US dollar. A second source of problems was the set of programs styled seductively a ‘war on poverty’. This stemmed from an illusion among senior policymakers and wider elite circles that empathy for the poor plus reformist zeal could alter the precariousness of low-skilled employment opportunities, which by the mid-1960s were the root of much poverty and of an increasingly turbulent civil rights movement among African Americans, the principal sufferers of restricted employment opportunities. Elite architects of the war on poverty merely supposed that if the federal government provided sufficient funds and impetus, cures for limited employment and poverty would turn up in the course of activities stimulated thereby (Banfield 1970). However, results commensurate with this supposition were never likely, in part because the ‘war’ was not funded at a level anywhere near what its outsized aims required.
Vehement opposition to the Vietnam adventure and discontents sharpened by the anti-poverty crusade split the Democratic Party wide open in 1968. Profiting from the split, Richard Nixon and the Republicans captured the presidency and prosecuted the Vietnam War deviously, rather than incur opprobrium for a ‘dishonourable’ withdrawal. Instead of also prosecuting the ‘war on poverty’, Nixon and his domestic advisors pursued ‘affirmative action’ measures for African Americans and other disadvantaged categories that, however, generated bitter resentments among many others who consequently felt handicapped in the competition for jobs and promotions. With the Democrats still split, Nixon easily won re-election in 1972, negotiated what eventually proved a humiliating withdrawal from South Vietnam, and engaged in arcane manoeuvres to initiate relations with Communist China. A year later, Nixon was forced from office by the Watergate scandal, and another veteran fixer, Gerald Ford, served out Nixon’s term.

Jimmy Carter, a man who believed deeply that political conflicts are rationally reconcilable and that social justice is eminently attainable, won the Democratic nomination in 1976 and defeated Ford by promising to salve the nation’s wounds. But Carter’s presidency was beset by mounting economic difficulties flowing from how the Vietnam War had been financed and from crippling oil embargos sparked by the Yom Kippur War in 1973 and the Iranian Revolution in 1978-79. By 1980 the ‘misery index’ combining inflation and unemployment rates stood at 20 per cent. Carter and his administration were derided for vacillating in the face of a seizure of American hostages by radical Islamists in Tehran and an invasion of Afghanistan by the Soviet Union. With the Carter and Kennedy wings of the Democratic Party warring over measures to ameliorate the economic crisis, Ronald Reagan and a tough-minded phalanx of Republicans and allied military-industrial interests won executive power in the 1980 presidential election. Reagan and his entourage installed many previously dissident figures in elite positions, initiated a pronounced change in policy direction, and sharply altered the political modus operandi. Viewed through Pareto’s lens, the period between the mid-1960s and 1980 in the U.S. involved the deterioration of an often cagey but self-deceiving governing elite whose miscalculations and vacillations culminated in significant elite circulation and changed policy directions.
The British elite exhibited a comparable deterioration after the mid-1960s. This centered on the inability of successive governments to cope with deepening economic problems during the decade and a half that followed Labour’s 1964 election victory. The problem of inflation, which was widely seen as aggravated by trade union wage demands and wildcat strikes, was especially damaging. In 1965, the Labour cabinet formulated legislative proposals, similar to the Taft-Hartley measures already enacted in the U.S., to curb those demands and strikes. But the Labour Party’s trade union core bitterly resisted the proposals and forced their abandonment. Strikes and industrial unrest continued and contributed to a Conservative election victory in 1970. Seeking to implement their free market ‘Selsdon Park’ manifesto, the Conservatives enacted a law, the Industrial Relations Act, which corresponded to Labour’s abandoned proposals. But unions managed to evade the Act’s enforcement and contributed to Prime Minister Edward Heath’s ignominious U-turn in economic policy. The inability of both Labour and Conservative governments to deal with industrial unrest underscored a wider inability to halt the country’s economic slide (Judd 2005, pp. 537-39). Echoing Pareto’s ferocious attacks on public spending and the pandering to special interests in the Italy of his time, critics on the left and right feared that buying political peace through increased government spending and placating sectional interests, especially trade unions, threatened to create what was variously termed a ‘fiscal’, ‘welfare’ or ‘legitimation’ crisis.

Two indecisive elections during 1974 returned Labour to power, and in 1975 Wilson, who again occupied 10 Downing Street, called a referendum, unprecedented in British political history, to decide whether Britain should remain in the European Community (as the EU was then called). This populist gambit further divided the Labour Party, whose left wing, together with a third of all voters, flatly opposed continued EC membership. The British elite thus found itself in an arrangement, the EC, deeply disliked and distrusted by large parts of both main parties’ cadres and much of the electorate. The Labour government, now led by James Callaghan, plodded on without an effective parliamentary majority until the legal end of its term in 1979. During the winter of 1978-79, however, several public sector trade unions demanded wage increases far outside the government’s parameters. Rebuffed, the unions launched strikes widely regarded as a
crisis that brought Margaret Thatcher and her previously insurgent Conservative Party faction to power at elections in March 1979.

To summarize à la Pareto, following World War II and until the mid-1960s American and British governing elites balanced persuasion and force with considerable effectiveness. Marked if mostly tacit policy agreement, stable party politics, and spreading prosperity characterized the period. But both elites tended to mistake a temporary situation for a permanent one. They regarded the welfare state as a solution to long-standing class, racial, and regional antagonisms, and they engaged in proliferating payoffs to diverse clienteles in the guise of welfare state compacts. Underlying employment insecurities were ignored, and policies that probably exacerbated them were pursued. When restricted employment opportunities became more apparent and associated discontents surfaced in the mid-1960s, the two elites found themselves confronting an increasingly ominous situation for which they had no worked-out analysis. In the U.S., ‘the best and the brightest,’ as David Halberstam (1972) sardonically labeled the elite’s inner leaders, stumbled into a military disaster abroad and a zealous but under-funded crusade against poverty at home. In Britain, Labour and Conservative governments could find no way to abate an accelerating economic slide. In both countries, governing elites became hobbled and unable to avert crises that fragmented political alignments and intensified elite circulation. In Paretian terms, a short elite cycle reached its culmination, with significant changes in governing elites and style of governance ensuing.

A Long Cycle Nears its End, 1980-2008

The governments led by Margaret Thatcher and Ronald Reagan set about implementing neo-liberal and socially conservative ideas concerning the benefits of de-regulated markets, smaller governments and more self-reliant citizens. Acquiring and fostering her ‘Iron Lady’ sobriquet, Thatcher became identified with tough domestic and foreign policies coloured by moral absolutism, trenchant nationalism and an uncompromising political posture (Berlinski 2008). The nettlesome Miners Union was confronted and broken; the Soviet Union was assailed; a controversial deployment of US cruise missiles
in Europe was endorsed in the face of mass protests. Insisting that ‘Government is our problem, not our solution,’ Reagan and his administration cut taxes, sacked striking air traffic controllers, instigated a deep recession to wring inflation out of the economy, and undertook an enormous deficit-financed expansion of military forces and advanced weapons systems, including a ‘Star Wars’ anti-missile defence system in which Reagan and his advisers professed unbounded faith.

Policy packages that came to be known as Thatcherism and Reaganomics sought to roll back the state and ‘unshackle’ business through extensive government de-regulation of the private sector. The Thatcher government’s most dramatic step was its so-called ‘Big Bang’ de-regulation of financial markets and the London Stock Exchange in October 1986. This opened the way to a flood of financial mergers, alliances and networks spanning banks and investment firms, it encouraged riskier financial manoeuvres and it allowed less experienced players to enter the market fray. With the arrival in London of US banks and international hedge funds during the late 1980s and early 1990s, ‘the City’ became a casino-like place with little regulation or supervision. Although it made the financial system vulnerable to abuses and potentially concatenating failures, the Big Bang was a leap of neo-liberal faith embraced by most of Britain’s governing elite and emulated widely overseas.

In 1982 the Reagan administration secured congressional passage of the Garn-St. Germain Depository Institutions Act. This greatly relaxed regulation of Savings & Loans associations and banks, enabling them to, in effect, gamble with taxpayer money, because the federal government doubled its guarantee of S&L deposits. When hundreds of S&Ls became insolvent, the administration of Reagan’s successor, George H.W. Bush, had to bail them out at an ultimate cost of $250 billion in taxpayer funds (Phillips 2002, p. 105). Important for the longer run, the Reagan and George H.W. Bush administrations implemented measures enabling homebuyers to obtain mortgages without substantial equity down payments, thus planting the seeds of what eventually became a gigantic housing bubble and a precipitous decline in consumer savings. Icing on the US de-regulatory cake was supplied in 1999 when Congress passed the Gramm-Leach-Biley Act (officially, the Financial Services Modernization Act of 1999). This in effect duplicated Margaret Thatcher’s Big Bang by repealing that part of the Glass-Steagall Act, passed
during the 1930s, prohibiting mergers and direct competitions between banks, insurance, investment and securities-trading firms. The 1999 Act also exempted securities-based swap agreements from Security and Exchange Commission regulation, thereby heightening financial risk-taking. The Act is frequently seen in retrospect as contributing directly to the 2008 financial crisis, because it greatly weakened the regulatory infrastructure necessary for calculating risks and for preventing Ponzi schemes and other fraudulent practices.

Utilizing Pareto’s lens, it is plausible to say that American and British elites during and after the 1980s displayed a marked shift in composition and governing style. The elites’ inner cores consisted of tough-minded leaders and trusted advisors who viewed de-regulated markets, reduced interest rates, lower taxes, and trimmed welfare programs as essential for economic growth. When these panaceas had costly consequences, as in US bailouts of S&Ls between 1989-92 and the Long Term Capital Investment firm in 1998, and when large energy and communications corporations such as Enron, Global Crossing, and WorldCom went bankrupt a short time later, they were treated as instances of mismanagement, not harbingers of crisis.

In Britain, the sheen of Thatcherite reforms faded in a 1990 economic recession and the country’s forced exit from Europe’s exchange rate mechanism in 1992. Together with political scandals, widening social inequalities and ballooning government debt, these setbacks led to the Conservatives’ landslide defeat in the 1997 elections. However, their defeat brought another set of resolute political leaders, Tony Blair and his New Labour team, to power, and no fundamental change in policy direction ensued. Embracing neo-liberal policy settings while striving to enhance social cohesion, the three successive Blair governments privatized and out-sourced a range of services, including parts of the National Health Service and the education system. As prime minister, Blair matched Thatcher’s toughness in foreign affairs by having Britain participate in air strikes against Iraq in 1998 and the bombing of Serbia in 1999, intervening militarily in Sierra Leone in 2000, and helping the U.S. invade Afghanistan in 2001 and Iraq in 2003.

After narrowly defeating George H.W. Bush for the presidency in 1992 – courtesy of H. Ross Perot, whose 19 percent of the presidential vote came disproportionally from Republican voters – Bill Clinton and his administration remedied the large budget deficits
of the Reagan and Bush administrations. This was done partly through a major tax increase, passed by Congress without a single Republican vote in 1993, and partly with the benefit of three windfalls: (1) accelerating economic liberalization of China that afforded American business access to low-cost Chinese labour and a major new market for American goods; (2) peaceful demise of the Soviet Union and democratisation of Eastern Europe in the early 1990s; (3) new information technology that facilitated global financial operations and investments and fed a spectacular dotcom bubble from about 1995. The Chinese, Soviet, and East European developments encouraged a ‘missionary liberalism’ among American elites, most shrilly articulated by neo-conservatives who believed that free trade, democracy, and accompanying human rights could be achieved more or less anywhere in the world and that America’s mission was to foster this by destroying tyrannies where and when it could (Fukuyama 2006; Gray 2007; Kaplan 2008). The dotcom bubble undercut remaining elite doubts about untrammelled capitalism being the engine of limitless economic growth, and it facilitated the Gramm-Leach-Biley Act’s green light for huge and highly leveraged financial conglomerates. During 2000, however, the bubble’s sudden bursting created renewed economic insecurity. This enabled George W. Bush, the Republican Governor of Texas, accompanied by staunch nationalists and neo-conservatives, to capture the White House, albeit only after an electoral standoff in Florida was arbitrated in Bush’s favour by the Supreme Court.

Stymied initially by a Senate the Republicans did not control and by deep anger among Democrats over how Bush gained the presidency, the Bush administration broke free of most political constraints after terrorist attacks in New York and Washington in September 2001. Transformative events, the 9/11 attacks reinforced leonine proclivities in the political elite, especially in its executive core and in Bush himself. Within a month, the administration re-grouped around an inner circle of self-labeled and ultra-hubristic ‘Vulcans’, who insisted that the use of US military power not be fettered by agreements and accommodations with other countries, and that any rival superpower’s emergence be blocked (Mann 2004). A retaliatory attack on Taliban-controlled Afghanistan was launched immediately, and not later than July 2002, Bush and three or four top advisors decided to topple Saddam Hussein in Iraq, an undertaking Bush regarded as ordained by a ‘father’ higher than his own (Woodward 2004, p. 421).
Contrary to customary Republican rhetoric about the efficacy of limited government, balanced budgets and tight monetary policy, the Bush administration reduced taxes while boosting defence spending to pay for the costly Iraq and Afghanistan wars, and it introduced a huge government subsidization of prescription drug purchases by the elderly. The result was swelling federal government budget deficits larger than those of the Reagan and Bush Senior administrations. The deficits were financed by foreign purchases of Treasury bonds at magnitudes that reached more than $1 billion per day. In monetary policy, Alan Greenspan, the Federal Reserve chairman and an arch believer in self-regulating markets, lowered the basic federal interest rate toward zero and kept it there for over three years. The deficit spending and the low interest rate, combined with the hands-off posture toward financial markets, especially the market for sub-prime (high-risk) mortgages, fueled a spectacular stock market and housing boom, along with a consumer spending spree that eventually left the average household owing $10,000 in credit card debt. The blithe attitude of the administration and its business allies about these developments was encapsulated by Vice President Dick Cheney’s flip remark, ‘Reagan proved deficits don’t matter’ (Phillips 2006. p. 323). The project of unleashing private markets became dogmatic de-regulation for its own sake, producing what Greenspan characterized as ‘exuberant’ but others regarded as wild financial risk-taking. Consistent with Pareto’s theory, American and British governing elites, in spite of much handwriting on the wall, were unwilling to abandon or even alter policies and (in)actions that were pointing to crises. As if to illustrate Pareto’s scepticism about the importance of reason in politics, the elites’ governing style and neo-liberal beliefs appeared to ignore and even disparage rational and prudent measures.

By mid-2007, at any rate, it was undeniable on both sides of the Atlantic that the Iraq invasion had led to a costly and unpopular debacle. When revelations surfaced about the Labour government handing out Queen’s Honours and House of Lords seats in return for political favours. Blair and his lieutenants were forced out of 10 Downing Street. Gordon Brown, who had been applauded by elites of all stripes for implementing neo-liberal reforms during his 10-year reign at Treasury, became prime minister. But he did so on the eve of a financial crisis that began with the bankruptcy of Northern Rock Bank
and its unavoidable nationalisation at the end of 2007, three months before bankruptcy of the major Bear Stearns investment bank in New York presaged a US financial crisis. The contours and severity of the crises that took held in 2008, as well as their doleful and lingering effects, are well known and need no rehearsal. It is enough to say that efforts to avert US economic collapse occurred at the height of the 2008 presidential election campaign, demolishing the credibility of Republican candidate John McCain and ensuring victory for Barak Obama – an improbable outcome had it not been for the crisis (Linn, Moody and Asper 2009). Similarly in Britain, the financial crisis and its persistence demolished the chances of Gordon Brown and the Labour Party to retain power, with Labour losing 91 parliamentary seats in the May 2010 elections and a Conservative-Liberal Democrat coalition government emerging from the wreckage.

In sum, proclivities and trajectories of American and British governing elites, especially their leadership cores, between 1980 and the onset of economic-political crisis three decades later were characterized by increasing political pugnacity, doctrinal rigidity, nationalist fervour and religious faith. This did not unfold in an unbroken way, of course. The John Major and Bill Clinton governments were less pugnacious than those of their predecessors and successors; the George H.W. Bush, Clinton, and Blair governments were more tempered by assessments of realities than those of the Thatcher, Reagan, and George W. Bush governments. There were important deviations and exceptions throughout the period. But in broad step with Pareto’s theory about growing imbalances in the psychosocial propensities of elites, American and British governing elites between 1980 and 2008 became increasingly aggressive, cavalier and hubristic. Also in step with Pareto, profound crises eventually occurred, and it raises the question of whether a long elite cycle that began during the years surrounding World War II has neared or reached its end.

**Conclusions**

Pareto’s theory of elite cycles is difficult to apply because it is exceedingly general, whereas concrete patterns it purports to explain are intricate and often ambiguous. Aware of this, Pareto hedged his theory: elite degeneration during cycles is a ‘tendency’; it is
more pronounced in some parts of a governing elite than others; there are interludes marked by elite successes and renewed hopes. He suggested that studies focus on paramount leaders – presidents, prime ministers, party bosses – because their personalities, policy preferences, and governing styles can plausibly be assumed to exemplify wider elite propensities, however hidden or uneven the latter may be. But even with such hedges, the theory remains more an intriguing vision than one lending itself to ready application. We cannot claim to have applied the theory convincingly to the cases assayed in this chapter. Empirical studies necessary for a convincing application – supposing they could be marshaled – have not been presented. We have, instead, reconnoitered large trends that appear to correspond, *prima facie*, with processes of elite circulation and degeneration theorized by Pareto.

We have been reluctant to characterize American and British elites since World War II as metaphorical foxes or lions. To be sure, these metaphors and the clear-cut differences they symbolize are tantalizing. It is tempting to label both elites as predominantly vulpine between 1945 and the late 1970s and as predominantly leonine once more clearly tough-minded leaders like Thatcher and Reagan were in charge after about 1980. Yet in the coldest years of the Cold War, between 1950-1970, American and British elites displayed plenty of leonine fortitude, and during the 1990s and 2000s they engaged in a vulpine orgy of economic payoff and risk-taking. By contrast, labeling as leonine the fascist, Nazi and other militant elites of the interwar period, as well as the longer-lasting Soviet elite, seems a less subjective judgment that is consistent with Pareto’s conception of ‘lions’. Nevertheless, governing elites are probably always a mix of ‘vulpine’ and ‘leonine’ proclivities – of Class I and Class II propensities – and evidence that one is predominant or becoming predominant is eminently debatable.

Delineating the duration of post-World War II elite cycles in the American and British cases is also difficult. Here, too, self-immolating trajectories and culminations of degeneration seem clear enough (at least in hindsight) among the interwar authoritarian elites and the Soviet elite, but dating cycles among elites like the American and British is more questionable. The readiness that we detect in Pareto to entertain the co-existence of short and long cycles, whereby long cycles subsume shorter ones, helps somewhat. We believe it makes most sense and is most consistent with Pareto to regard the entire period
between World War II and the present as constituting one long elite cycle that encompassed two relatively distinct and shorter cycles: from 1945 until pronounced economic difficulties in the late 1970s fueled significant elite circulations; and from the adjustments made by substantially reshuffled elites after 1980 until or after the onset of profound crises in 2008.

If these crises signal the end of a long cycle dating from World War II, then, following Pareto, elite circulations of era-ending proportions must be occurring. At the start of 2011, however, this was debatable. In political arenas, the recent American and British elections had changed ascendant inner elite leaders and altered compositions of Congress and Parliament materially. In Washington and Whitehall, most top administrative positions had new holders. In business arenas, important banks, financial firms and corporations had disappeared, merged, or remained in government receivership, while leadership teams of more than a few other firms and corporations had been sacked or otherwise displaced. Costly military undertakings in Iraq and Afghanistan were being wound back; defence budgets and military force structures were coming under siege; an outflow of military commanders associated with the Iraq and Afghan wars had begun. Still, these and other changes in elite personnel could be regarded as falling short of the wide crisis-generated circulations Pareto’s theory anticipates.

One possibility was that the crises had not ended and that unsustainable national budget deficits, fiscal insolvencies of sub-national state and municipal governments, high rates of unemployment, falling housing prices and home foreclosures, as well as debt deleveraging by banks, business enterprises, homeowners and consumers would continue, with spikes in oil prices triggered by upheavals in the Middle East and North Africa adding to difficulties. In other words, recovery from the crises that took hold in 2008 might require a decade or more, during which elite circulations could intensify as a consequence of voter anger and extremist political and social movements that emerge.

The difficulties encountered when applying Pareto’s theory testify to its elasticity and vagueness. Is it useful, nonetheless? We regard his theory as boldly demarcating an outer limit in analyses of elites and politics. Many scholars and commentators pinpoint elite shortcomings; many dissect elite actions and beliefs; many discuss the uneasy relationship between elites and democracy. But only Pareto theorized that elite
degenerations are inescapable and cyclical; only he insisted that elites be studied as wholes; only he attributed many of the calamities visited upon humanity to elites. In a time of sceptical reflection and sobering anxiety, his dark vision has an important place.

References


