

remained one of the most enduring stylized facts in macroeconomics. It continues to attract the interest of applied researchers and features in most macroeconomics textbooks, and it is through this “law” that generations of students come across Okun’s name.

SEE ALSO *Productivity; Unemployment*

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OLIGARCHY

The term *oligarchy* refers to a form of government in which political power is in the hands of a small minority. The word *oligarchy* derives from the Greek word *oligarkhia* (government of the few), which is composed of *oligoi* (few) and *arkhein* (to rule). This definition does not necessarily distinguish oligarchy from other forms of government. Autocracy, for example, can be viewed as a form of oligarchy in which “the few” refers to a single individual, though autocracies, especially when they take the form of dictatorships, have commonly been associated with greater use of coercion. Democracy, some argue, is also characterized by a “rule of the few” because most political decisions are made by a small section of society. The key factor differentiating oligarchy and democracy is the fact that in democracy political decisions are made by representatives who can be voted out of office by the citizens in regularly scheduled elections. Direct democracy, where the people decide on policies without the intermediation of representatives, is an exception. Therefore, it can be useful to think of the different types of government as being located along a continuum that runs from autocracy to direct democracy. Furthermore, oligarchies are not confined to national politics; oligarchies can also emerge in local government (e.g., Hunter 1953) or in other organizations, such as labor unions.

THE IRON LAW OF OLIGARCHY

The most influential treatment of the politics of oligarchy is *Political Parties* (1911) by German social scientist Robert Michels (1876–1936). The focus of Michels’s work was the German Social Democratic Party, but his analysis had clear references to other types of social institutions, including national government. Michels’s conclusions were highly pessimistic from a democratic point of view. He argued that the necessity of organization for any large-scale social institution would sound the death knell for democratic governance. Famously, Michels went so far as to state, “Who says organization, says oligarchy” (1962, p. 365). The need for organization concentrated political power in the hands of a select few whose position at the apex of the organization served to solidify their standing. In Michels’s view, the advantages conferred upon the leaders of the organization eliminated the possibility of democratic control through leadership elections. These advantages included greater access to information, greater ability to communicate with the organization’s members, and the opportunity to develop political skills. Combined with the “incompetence of the masses,” evidenced by a lack of participation by ordinary members, which Michels saw as being due to the members’ lower degree of education, the division of labor, and organizational obstacles, the political power of the leadership was ensured.

Differences in knowledge and education also gave the appearance that the division between the leaders and the led was natural. If democratic government is defined as a form of government that serves the interests of its members, rather than being defined in procedural terms, nothing thus far suggests that democracy is impossible. However, the final component of Michels’s theory was that the interests of the leaders and the members would inevitably diverge. As the heads of the organization, the leaders’ interests become identified with their institutional position rather than the interests of the organization’s members. The leaders’ primary concern becomes protecting their position and serving their own ends using the organization as their means.

Despite Michels’s pessimistic conclusion about the prospects of democracy, it appears that relatively few governments identified as oligarchic in the literature followed the route he described. Instead, oligarchies have appeared as a consequence of, for example, the devolution of monarchical rule (e.g., in England under King John in the thirteenth century) or the concentration of economic influence (e.g., in Florence around the turn of the fifteenth century and in Chile in the 1830s).

RESEARCHING OLIGARCHY

Since Michels’s seminal contribution, there have been few systematic studies of the politics of oligarchy. There are

several reasons for why this has been the case. First, many of the issues raised by Michels are not specific to oligarchy as such but have far wider applicability. Representative government has been analyzed extensively in the context of democratic governments. Similarly, whether ordinary members can control their leaders is taken up in the literature on principal-agent theory. Both issues are at the core of Michels's argument. Second, while the term *oligarchy* is commonly used, there exists no clear, universally accepted definition of *oligarchy* in the literature (Payne 1968; Leach 2005). Most scholars agree that oligarchy involves the concentration of political power in the hands of a minority, but this form of government has few other universally accepted defining characteristics. Third, because oligarchy is not necessarily seen as incompatible with (free) elections, the line between oligarchy and democracy becomes blurred. The most frequently cited factor distinguishing oligarchy from democracy is that admission into the class of oligarchs is restricted in some manner to a subset of the citizenry. The Greek philosopher Aristotle (384–322 BCE) classified oligarchies on the basis of types of restrictions on participation in government, where participation depended on property qualification or heredity (Whibley 1896). South Africa during the apartheid era, where the majority was disenfranchised on the basis of race, serves as an example of another possible type of restriction.

The failure to settle on a definition of *oligarchy* means that comparative studies, such as *The Logic of Political Survival* (2004) by Bruce Bueno de Mesquita, James Morrow, Randolph Siverson, and Alistair Smith, provide perhaps the most general insights into the politics of oligarchies. Rather than classifying governments as autocratic, democratic, or oligarchic, Bueno de Mesquita and his coauthors instead focus on the size of the group that has a say in the selection of the government or leader and the size of the coalition that the government needs to stay in power. Bueno de Mesquita and colleagues find, for example, that the characteristics associated with oligarchies (i.e., smaller coalitions) tend to reduce economic growth and government expenditures but to increase corruption.

The issue of membership in the governing class also looms large in accounts of the decline of oligarchies. J. Mark Ramseyer and Frances Rosenbluth's (1995) account of Japan's Meiji oligarchy highlights two problems an oligarchy must solve to survive: it must prevent the membership from being expanded, and, at the same time, it must provide for rules of succession. Ramseyer and Rosenbluth show that oligarchies may be vulnerable to competition for political influence among the oligarchs, which may induce them to mobilize previously excluded sections of society. For the same reason, oligarchs may be unable to agree on institutions that govern succession within the oligarchy. In the Soviet Union, by contrast, the

Communist Party provided institutions that checked the actions of the oligarchs, although the rules guiding succession were somewhat ambiguous (Hammer 1990).

SEE ALSO *Aristocracy; Aristotle; Democracy; Elites; Elitism; Power, Political; Republic*

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OLIGARCHY, IRON LAW OF

Coined by the German sociologist Robert Michels in his 1911 monograph *Political Parties*, the *Iron Law of Oligarchy* refers to the inbuilt tendency of all complex social organizations to turn bureaucratic and highly undemocratic. According to Michels, even the left-wing parties of Western Europe in the pre–World War I era, which were programmatically committed to mass democracy, popular participation, and equality within their ranks, tended to become *de facto* oligarchies. In spite of their revolutionary manifestos and formally democratic constitutions, the labor parties of his day were dominated by demagogic ruling cliques with an interest in the perpetuation and growth of the organization itself rather than in its proclaimed ideological aims. As an especially ironic example, he noted that in a fundamentally democratic