Inequality and Power

The economics of class

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1 Introduction

The recent trend of increasing economic inequality in the U.S. is by now universally acknowledged, yet certain critical aspects of it apparently remain proscribed from mainstream public discussion. Liberal commentators rightly lament increasing inequality as an injustice and a rising threat to democracy, while conservatives, having given up trying to disprove it is happening, argue it is not a serious matter. For both, discussion of the real heart of the issue of inequality, the problem of class, is mostly avoided as a kind of taboo. This book is offered in the hope that readers' understanding of this momentous trend, and of the larger history of inequality in modern market societies generally, may be clarified by looking closely at that mostly unspoken problem of class.

Great inequality such as that seen in the U.S. today is not historically unusual. In the relatively egalitarian post-World War II period up to the late 1970s, it was not true that "the rich got richer, the poor got poorer": all income groups' standards of living rose about equally. Yet the U.S. was anything but exemplary even then, despite its own popular self-congratulatory mythology. Many Americans saw their society as one that did not need the kind of draconian and largely self-defeating approach toward real, egalitarian democracy taken by its arch-rival, the Soviet Union – they felt the U.S. was already a society of equals in freedom. But from the viewpoint of many of its post-war allied nations, this was pure pretension, for the European social democracies were making genuine and successful efforts toward the real thing. Today, as the American experience of a rising disparity between the rich and the rest progresses, the old pretension of America as a "classless society" is rapidly losing its appeal.

However, that is no thanks to the mainstream of public commentary on the subject. The fact that economic inequality has been discussed at all in the mainstream today is some indication of its seriousness, given that discussion of the subject was basically non-existent in the U.S. for decades. But as welcome as it may be, mainstream media commentary on the issue is narrow and shallow, effectively downplaying some of the most important ramifications of rising inequality, and reducing the concept of class itself to something harmless and apparently not greatly interesting alongside the main currents of the American experience today. The perspective of this book, by contrast, highlights economic inequality of the kind seen throughout American history all the way up to the present as essentially manifesting the reality of social class. More critically, it acknowledges class itself to be the worst possible violation of those aspirations of democracy that are proclaimed so much a part of this culture.

What precisely is class? It is a division of society into strata defined by positions of power or relative powerlessness for those occupying them. While some mainstream commentators might recognize this much, most see class as a phenomenon not of power but merely of privilege or status. Thus, the extensive *New York Times* (2005) online series on inequality and class does not even mention "power" in the sense of individuals decisively influencing other people. It portrays the American "class" system as one of conspicuous privilege and status for the affluent and relative degrees of pain and anonymity for the rest, an important enough observation and one that certainly deserves elaboration – but it does not even begin to get at the critical heart of the class system as constituted in structures of power.

What then is power? The term connotes a range of personal capacities, from that of simply accomplishing tasks to that of subjecting others to one's will. The latter of these two extremes of connotation constitutes the essence of power as a *social problem*, and it is that social problem that is the heart of the problem of class: in a word, class is a form of power in the sense of domination or *rule*. That most commentators on the trend of increasing inequality today fail even to consider this historic development in relation to the underlying realities of a class system *in that sense* is not surprising. Class as a form of rule is not a particularly pleasant subject for public discussion; the taboos against serious comment upon it are invariably quite strong, jobs and livelihoods depend on knowing how to skirt matters upon which superiors would frown. This book contends, however, that the problem of increasing economic inequality is essentially one of class as a system of power in the sense of domination, and that the problem cannot be effectively dealt with otherwise than by acknowledging as much.

It is not that class as a system of rule is something new in the U.S., or that increasing economic inequality manifests the rise of a kind of social system previously absent in the U.S. Class has been with us all along, what has changed is some of the specific contours of the power structures of which the class system of the modern market economy is constituted. This book does not provide a thorough account of the recent trend of increasing inequality and the specific changes that have brought it about, but instead an account of *inequality in general* in the modern market system and the class and power structures that are of a piece with it. The theoretical debate over the exact causes of the trend of rising inequality today has included some excellent accounts based in class analyses, even if these are not widely acknowledged in the mainstream of public discussion. Taken altogether, the literature from the perspective of class-based analyses provides a sufficient account of the real roots of rising inequality today.[1] What I hope this book might add to that literature is a kind of synthesis of the economic foundations of the class system of modern market societies, a general *framework* for comprehending those class-based analyses of increasing inequality today.

Such a framework has been lacking to a large extent because of the neglect of the *economics* of power, class and inequality. The distribution of income and wealth is now a respected research agenda in mainstream economics, where not too long ago it was considered of little interest. Nonetheless, not only are mainstream economists as a group poorly prepared to provide the kind of analyses that will be required for real progress in dealing with the trend of rising inequality, they are actually to blame for much of the misleading and obfuscating public discussion taking place on the subject today. Their past neglect of distributional matters was of a piece with their continued, studied avoidance of issues of power, the single concept most critical, this book argues, not only for comprehending economic inequality but for appreciating its importance in the first place. Their colleagues on the "fringes" of the field, along with analysts in the other social sciences where the concept of social power is a theoretically respectable and widely employed analytic tool, are far better prepared to provide fruitful insights on the causes and possible remedies of rising economic inequality than are mainstream economists themselves. Given the special weight naturally carried by the pronouncements of the latter on economic matters, their eschewal of all discussion of power in this context makes them, in effect, a major part of the problem. It is hoped this book will help remedy that by providing a conceptual framework firmly based in mainstream economics but applied for consideration of issues long and assiduously neglected by mainstream economists.

Inequality on the rise

Mainstream economists would probably not even have discovered an interest in the subject of the distribution of income and wealth were it not for the increasingly obvious trend of rising economic inequality at the turn of the twenty-first century.[2] This trend may well prove to be one of the most momentous events of our era. Just how bad has the rise in inequality been as of this writing?

The end of World War II marked the beginning of an exceptional period in the recent history of the U.S. and other advanced market economies. All the way up to the 1970s, these economies experienced uninterrupted high rates of growth unlike anything seen before or since. It was, moreover, *shared* growth. The social democracies of Europe worked on redistributing the gains from growth away from those who would, under other, more usual circumstances, have monopolized them, and down to the middle- and lower-income classes. In the U.S. all income classes participated roughly equally in the unprecedented material bounty, a consequence partly of extensions of the Social Security system, of the "War on Poverty" and the efforts to lessen racial disparities in the 1960s, and of an historically exceptional balance in American labor-management relations.

Many commentators looking at the steady growth experience of the time believed policy-making in the capitalist economy had finally matured into a mere management science, and that the field of economics had become, as J.M. Keynes had hoped, a kind of "humble and competent" trade peopled by trusted, easily trained, social engineers. Considering the even distribution of the gains from growth to all groups across the income-class spectrum, many mainstream economists had actually come to believe the distribution of income in modern market economies was *fixed* by the institutional requisites of the market system and essentially unchangeable. Since all boats were being lifted on the rising tide, there was apparently little of interest for mainstream economists in the subject of the distribution of income and wealth. Few seemed to care much about why some boats were so enormous while most were pretty small, why some others were barely large enough to hold their passengers, and why some others yet failed even to float despite the apparently benign flow of things generally.

Although it is not completely clear, looking back on the recent trend of rising inequality in income and wealth it appears to have begun because of the same developments that led to the end of this happy era of strong economic growth. As the post-war global economy gradually came into its own – "globalization" in today's sense of the term began around the 1960s and 1970s – the competition among advanced national economies grew keener, and the post-war system of international finance began to collapse under the developing stresses. In combination with the consequent "stagflation" then arising, these led to stresses also on the post-war labor-capital accord that reigned throughout the period. A kind of multi-national corporate-oriented free-market approach began to develop in public governance and private business policy as an incipient reaction to the rising welfare state and was now greatly strengthened by the government's apparent inability to deal with the changing economy in a sufficiently business-friendly manner.

Along with globalization, the growth of this attitude in business and government policy was the other major cause of the rise in the degree of inequality in the distribution of income and wealth. As will be explained later in this book, the resulting increase in economic inequality further fueled both these processes of globalization and "free-market corporatism" in business and government in a vicious circle. Today, the disparity in the distribution of wealth present in the U.S. today is roughly equal that prevailing just prior to the Great Depression.

Many commentators acknowledge the apparent connection between great inequality and the "great recession" that reigns at the time of this writing, certainly the worst downturn since that of the 1930s. Most do not see such inequality as causal (as I argue it is in this book),[3] but rather as an undesirable side-effect of those things that do cause large recessions and depressions, for example, speculative excess in a lax regulatory environment. As the current great recession proceeds, perhaps the corporate free-market attitude in public and business policy will continue what seems now to be a reversal of direction in the face of the obvious need for major policy changes. Perhaps too the accompanying trend of rising inequality will reverse as well with the progressive policy changes that may follow. As things stand at the moment, however, the enormity of the economic disparities seen in the U.S. today is astounding. It is worth dwelling upon for a moment.

Various common measures of the overall degree of inequality have reached almost unprecedented levels for the U.S. (in other advanced countries they have also risen, although for many they have not risen as much, while in some they have not risen at all).[4] In terms perhaps more vivid, where once top corporate CEOs in the U.S. made about 24 times what their average worker made (that is about the same ratio that still holds today in many other advanced market economies), even after the stock-market crash that began the current recession CEO pay is still *hundreds of times* average worker pay (Mishel *et al.* 2009: 221). The average real income of the top 1 percent of households *more than tripled* from 1979 to 2005, while that of the highest growth category of households in the bottom four-fifths of the population grew by only about 23 percent. The income *share* of the top 1 percent of households more than tripled, rising from about 8 percent of total income in 1975 to 24 percent in 2005; the share of the top *one-tenth of 1 percent* (0.1 percent) of households rose *fourfold* (from less than 3 percent of total income to 12 percent of total income; see Atkinson and Piketty 2010). Inequality in the distribution of wealth has advanced equally greatly. Thus, the ratio of the average wealth of the top 1 percent in the U.S. to that of the median household rose from 125 : 1 in 1962 to 190 : 1 in 2004 (Mishel *et al.* 2009: 269).

At the very bottom of the scale, while the rate of poverty as officially measured fell from 22.4 percent in 1959 to 11.1 percent in 1973, its lowest on record in the U.S., it has mostly remained in the 12–13 percent range ever since, rising to about 14–15 percent only in 1991–1994. In the first year of the current recession (2008) it was 13.2 percent, and will certainly be seen to have risen significantly since then as the recession continues. The long-term trend in the official poverty rate generally has not been clearly upward, but the trend *among the poverty population itself* has been one of deepening poverty since the mid-1970s. Thus, the average real "poverty gap" for families has risen: the shortfall between their actual real income and the poverty threshold income level rose from about $6500 to about $8200 (in 2006 dollars) between 1975 and 2004.[5] And the fraction of the poverty population living *below half the poverty income threshold* rose from 28 percent in 1975 to about 42 percent in 2005 (Mishel *et al.* 2009: 269).

It might be thought that even apparently dire indications such as these of increasing income and wealth disparity are not of much concern in a *mobile* society like the U.S., where the sting of inequality is greatly lessened by the very real prospect for every individual of moving "up the ladder". Mobility is, however, merely another part of the myth of American "classlessness": other nations show significantly greater mobility up and down the income ladder, both between generations and within one generation, than does the U.S. Measurements today indicate that the ease of movement from one income level to another in the U.S. is actually declining (Mishel *et al.* 2009: 105, 109, 110). Thus not only is the "length of the ladder" increasing as the degree of wealth and income inequality rises, it is also getting harder to climb the ladder as mobility both upward and downward is decreasing.

But was it not always so?

This is a major event if things continue along these lines: the not-so-distant future will be dark indeed, with a kind of corporate feudalism looming over the horizon. Still, we do need to develop some perspective: the increasing disparities of these times are no small matter, yet the disparities that prevailed before them, in the "relatively egalitarian" post-World War II period of American history, were not at all insignificant. Thus, by the end of that period the U.S. still had troubling economic disparities of race and sex, and its level of poverty remained twice that of its competitors in Western Europe. And measures of overall inequality in that period, even if perhaps considered moderate by today's standards, were nonetheless quite staggering.

Thus, Dutch economist Jan Pen (1971) described the situation in the U.S. in the late 1960s with his famous parade metaphor: Imagine a street parade walking past as one stands on the curb. It will last one hour. The heights of the people marching in the parade are proportionate with their incomes, and paraders march past in increasing order of their height, i.e., income. Suppose a six-foot-tall marcher represents the mean income level. At the ten-minute mark, marchers are still not up to the spectator's waist in height; at the 30-minute mark, halfway through the parade, the paraders are still not yet five feet tall – the six-foot-tall average-height parader does not even pass until around 45 minutes into the parade. As the parade advances further and marchers' heights continue increasing, with six minutes to go the top decile of income earners march past, 20 feet tall and growing with dizzying rapidity from one to the next into the hundreds of feet tall. In the last few seconds, the spectator can see not much further than paraders' knees. At the end is J. Paul Getty, the Bill Gates Jr. of his time. As he strolled past, thousands of feet tall, spectators looking upward to get a glimpse of him could barely see beyond the soles of his shoes.

That was the 1960s, again the most "egalitarian" period in modern U.S. history. Pen's parade would be something else again today – readers are invited to calculate the height of the tallest individual passing at the end of the parade in these times.[6] Still, while the outlandish increases in inequality in these times are certainly astonishing, so too is the extent of inequality in the modern market economy in "normal" times at least as astonishing, whether it be times of increasing inequality or not: even in relatively "egalitarian" times, inequality in this economy has been extreme. Increasing inequality is a call to action, as many commentators have by now emphasized and as this book too attests, but the kind of inequality present in our economy *at any time* in our history should never have been a matter for complacency.

Class and inequality

It is the thesis of this book that understanding inequality entails understanding class. In a society of significant inequality such as has prevailed in this society throughout its history, the association between an individual's economic status in the broadest sense of that term and his or her class standing is a critical one, as this book will explain in depth. In common parlance today, however, that association is reduced to one of a *simple equivalence* between class and the kind of income and wealth differentials so graphically illustrated in Pen's parade: monetary differentials are simply what one means by "class". Precisely how much of an income or wealth difference between people constitutes a difference of "class" in this view is, of course, somewhat hard to define – presumably small quantitative differences, such as usually hold between people living in the same or similar neighborhoods, do not really count as "class" differences. Of course, sizable quantitative differences of income or wealth definitely indicate qualitative differences in physical and emotional comfort as well as social presence: these then are what are most often referred to as differences of "class" in mainstream discussion in the U.S. today.

Currently the median household income in the U.S. is around $50,000 a year more or less. Four-person households living on roughly half that amount experience a level of deprivation sufficient to be classified by the federal government as officially in "poverty", the poverty threshold presently for such a family being around $25,000. When the poverty threshold real income level was originally defined in 1960, it was set in terms of a minimally adequate household food budget and was not conceived as an income on which a household could healthfully sustain itself for any length of time. So defined, poverty is a life situation the stresses and hardships of which are certainly profound.[7] It definitely puts one in a different "class" from that of households with a median-level income or more.

Some commentators like to point out that nonetheless poverty in the U.S. is nothing like that found in the under-developed world, where literally hundreds of millions of people make their living by begging on the street or scrounging from land-fills or trying to farm on non-arable land. Yet almost a million people were estimated to be homeless on any given day in 2007 in the U.S., the most affluent nation in human history, and about 3.5 million people were homeless at some point during that year (National Coalition for the Homeless 2009). Even if most of the "officially poor" in the U.S. do not live in homeless camps or charity shelters, most of them do consistently experience the threat of "food insecurity", that is, insufficient food to provide a healthy life for all household members.[8] No wonder the life-expectancy and infant-mortality statistics, along with a variety of medical measures of illness, indicate a population experiencing more than their share of health difficulties.

On the other hand, a household living on twice the median $50,000 income level has a degree of comfort and security that makes its members mostly immune to all of that. Decent health care is merely one of several factors allowing relatively affluent "upper-middle-class" people longer and healthier lives than "middle-class" or "lower-class" people who cannot afford it. Comfortable and congenial homes; quality food; reliable transportation, including that required for vacation travel; varied and plentiful leisure, entertainment and recreation opportunities – these are some of the things such an income can secure that provide for not only a long but also a full life. In the U.S. today, most people in a range of income of around $100,000 a year would refer to themselves as simply "middle-class", even though that level of income puts them in the top 20 percent of the population of households (U.S. Census Bureau 2008a).

And of course, those living in the upper reaches of the wealth and income scale can take advantage of the greatest imaginable variety of the very best of these things available – and some may shop for them across the face of the entire globe as they move multiple times a year between homes in different countries. Many can even avoid the grueling hardships of shopping itself, with staffs of cooks, housekeepers, drivers, personal planners, attendants and consultants of all sorts taking care of it all. Such people are certainly of another "class" entirely.

The differences in quality of life associated with quantitative wealth and income inequalities such as these represent enormous and profound disparities among people's life prospects and abilities to fulfill their potentials and aspirations. They are certainly dramatic enough to merit strong designation such as the term "class", as in common discourse. With the degree of wealth and income inequality rising – with both the "length of the ladder" increasing and mobility up and down the ladder decreasing – the consequence is certainly a kind of steepening and hardening of what might fittingly be called "class" boundaries. We should rightly be concerned about "class rigidification" on those counts.

Yet this simple equation of "class" either with economic inequality in the merely quantitative sense or with differentials of material comfort, prestige and status is nonetheless a great mistake. As deeply as these kinds of disparities among people matter, they do not get at the essence of what class means. Class is really about power, and the critical connection between class and economic inequality understood as disparities of income and wealth has to do with that. The mostly unstated but supremely critical concerns in the increasing rigidity of class boundaries today are its ramifications for society as a structure of power.

Class and power

Like "class", the term "power" too has multiple meanings. In the context of issues involving economic inequality, power is sometimes used to designate people's capacities to do things, to get things accomplished. In market societies, individuals' powers so defined are, in effect, directly and closely determined by or even equivalent to their *purchasing power* – since in such societies doing things usually requires first buying things – and unequal "powers" so defined mirror existing quantitative disparities of wealth and income. Such a definition reduces *class*, as a form of "power", to simple quantitative purchasing power, and is equivalent to defining class by mere quantitative income or wealth.

Certainly the most common usage of the term power in social contexts refers to an individual's ability to *influence other individuals*: to cause them to behave and/or to think differently from how they would otherwise. Power in that sense is not strictly determined by an individual's wealth and income: even a wealthy individual may be unable to put his or her wealth to effective use in influencing others in certain kinds of ways, while even a poor individual may have significant social influence. Yet such power is nonetheless *strongly correlated* with income and wealth, since the latter enable an individual to have at his or her command goods or services that may allow him or her to take actions having various influences upon other people.

Power as influence is commonplace in discourse on politics or business dealings. There, reference is often made to the "movers and shakers" involved in some public issue, or the "wheelers and dealers" effecting some significant business change or transaction. In both cases the powerful are often recognized as not the same people as those in officially designated authority positions. The relationship between influence and wealth is often well appreciated, and duly recognized political and business officials are often acknowledged to be routinely overruled by sometimes less conspicuous but usually monetarily better-endowed individuals "behind the scenes".

Yet in mainstream public discussion of economic inequality, power as influence is itself all too often understated or downplayed, and the precise form of "influence" exerted by powerful individuals on particular events is too often left unspecified. The influential are only vaguely so, and precisely why they are to be noted or respected is unstated. Exactly what "influence" itself may be is left for speculation, and when it is more or less clearly noted as importantly a function of wealth and income, the influence possessed by the affluent is treated as if it were mostly a harmless and only occasional attribute of riches. It is worthy of note, respect and admiration but otherwise generally benign. It is not acknowledged to be a consistent function of wealth but only coincidentally associated with some notable wealthy individuals.

As this book will explain in detail, however, there is far more to the influence of the wealthy than is usually recognized openly in such public discussion. It is true power, and while definitely worthy of note and respect it is not at all to be assumed generally benign: power, as that which is associated with wealth, is *power over people*, or to put it more strongly and clearly, domination or *rule*. It is not merely an occasional attribute of wealth, with some wealthy people having it while others do not. It is a *general* attribute of wealth: if you have considerable wealth, then you very likely have power in that sense along with it; if you lack wealth, then you are more or less consistently subject to someone else's power in that sense.

That is the real heart of power, and the real heart of class as a form of power as well. The social classes may indeed be more or less accurately delineated by people's wealth or income or lack thereof, as will be discussed in detail in this book. But the real heart of what *defines* the classes is power as domination or rule, that is, the social groupings that actually constitute classes are groupings according to people's power over other people.

While class as power in this fullest sense of the term is rarely mentioned or alluded to in mainstream public affairs discussion, in the social sciences, at least those other than economics, it is a commonplace element in theory and analysis, empirical work and description of all kinds. Power in all forms both inter-personal and social constitutes a major portion of the concerns and studies of sociology, anthropology, political science and history, as well as psychology and philosophy. And class, understood as a particular arrangement of power, is a critical dimension of most analyses of social bodies in anthropology, sociology and political science as well as in social and political history. Nor do these social sciences limit their use of the concepts of class and power to consideration of *past* societies: social science discussions of current affairs equally incorporate these concepts as meaningful and critically useful for comprehension of present-day social reality as much as of that of the past.

In the mainstream of public affairs discourse outside of academia today, however, it is as if the market society of modern times had somehow escaped the historical lineage of societies constituted by power and class arrangements. This kind of inattention to what is surely one of the more notable connections of modern society with its past is understandable as a general feature of the cultural self-image of class societies throughout history: ruling elites have always most valued and advanced those ideas in circulation that least shed light on the reality of their positions, and the mythology of the modern market society is as effective at this as any other mythology in history. Moreover, the kind of dynamism and turbulence characteristic of the modern market society – it has brought what amounts to a perennial revolution in human life – tends to distract further inquiry into the matter with a continual succession of major problems, issues and trends of its own. It is easy then to lose sight of even these glaring commonalities with older historical realities.

The inattention to power and class in mainstream public discourse today is also significantly aided and abetted by the avoidance of these subjects in one particular field of inquiry in which it might be expected they would be of special interest: economics. Turned to for insight on "how things really work" in the modern market society perhaps more than any other social science, economics is also especially ideologically sensitive (see the Appendix to this chapter). Alone in eschewing so completely these two most critical topics, economics has confined itself thoroughly and exactingly to whatever in social life may be abstracted and disjoined from considerations of power and class, and has thus contributed greatly to making them taboo in public discussion as well.

Choice, opportunity and power

Especially when it comes to the study of economic inequality, how could power not be at least suspect as a major causal factor? Presumably whatever other import they may have, enduring power relationships imply redistributions of economic benefit, i.e., to the powerful at the expense of those subject to their power. Avoiding such glaringly obvious suspicions requires some effort, and the field of economics has been an important contributor to that.

Neoclassical economic theory, the foundational body of thought of all mainstream economics today, is in itself an ideologically neutral tool of analysis, and does not at all necessarily preclude analyses based on power. Indeed it is the entry point for the particular analysis offered in this book. But as it is routinely applied in the ideologically sensitive field of economics (again, see the Appendix to this chapter), it does discourage inquiry into power relationships, to say the least, even in the face of such clearly suspicious connections as that between power and economic inequality.

This is partly because of the foundation of neoclassical theory in a model of *individual choice*. All neoclassical economic theory is built carefully upon a groundwork of individuals making decisions. If groups or aggregates of individuals are the object of theorizing, as is so in all social sciences, then in the neoclassical approach behavior at the group or aggregate level must be directly derived from the behavior of the individuals involved, with the latter being modeled as instances of rational individual decision-making. This individualist methodology of neoclassicism, when taken as if it were the *only* valid approach to social theorizing, however, as if other more social or structural approaches could not be relevant to the economic inquiry – as is all too often done in economics – unfortunately inclines many followers of economics toward what I refer to in this book as a "pure choice model" of inequality. In such a model, individuals' economic fates are thought to be virtually solely determined by their own choices, and no individual's economic fate is significantly affected by others' choices. The distribution of income and wealth in a society is then seen as no more than the simple aggregation of the individual choices made by its people, and is of no further importance in the matter either.

Although it has had a regrettably significant influence on public discourse, this is, of course, a most naive "theory", for the pure choice theory tends to precludes any discussion of the greatly varying opportunities available to people in different circumstances. In reality, people's choices are always choices among *available alternatives*, and these greatly differ among different groups and individuals. Just as significantly, the pure choice model also precludes any role for power relationships in shaping people's economic fates, that is, it precludes recognition of the fact that the specific alternatives available to people are affected by the choices of other individuals, particularly those in positions of power.

The pure choice model, as naive as it is, might end up having little credibility but for the particular approach taken in the neoclassical *theory of markets*, a kind of benchmark theory in which nearly all students of economics are virtually smothered as undergraduates at least, and as graduates even more thoroughly if they proceed that far. In theoretical systems of "well-functioning" markets, not only would people engage in exchanges that are completely mutually voluntary, but there would be no "distortions" like monopoly or market dominance, imperfect or asymmetric information, transactions costs or externalities that might cause imbalances in people's positions in bargaining. The theoretical upshot is a (hypothetical) system of total equality of opportunity among people for pursuing occupations of their own choosing: inequalities of income then represent nothing more than *what people choose* for their own economic destinies, people having weighed their preferences of occupation against their desire for income. Such inequalities then are merely apparent disparities of income, not real disparities in people's overall economic well-being.

Every application of neoclassical theory begins with this model, and all references to policy are made by comparing actual realities with this hypothetical construction. In as ideologically sensitive a field as economics (again, see the Appendix) it is thus fairly easy to slide into the supposition that the purely theoretical construction is actually not far from reality "most of the time". Thus does mainstream economics tend to bypass questions of economic inequality generally, and especially insofar as they relate directly to major or systemic inequalities of opportunity.

It is nonetheless both possible and reasonable to begin an analysis of the place of power in the economy in terms of neoclassical theory. Power is, among other things, a relationship between individuals, and therefore, as this book shows, may be formally theorized, at least in the initial stages of inquiry, in terms of the neoclassical individualist approach to understanding social behavior. And where the neoclassical theory of markets may incline economists to err on the side of blithely favoring markets as unambiguously benign, it may instead be used to highlight precisely where markets systematically and unavoidably "go wrong" in biasing transactors' bargaining positions and economic statuses.

That is the approach taken in this book. In the chapters that follow, an account is given first (in Chapter 2) of the "pure choice model" of the distribution of income, that is, in which individuals make their choices in a context in which markets are supposedly "well-functioning". Quickly enough, important complications are seen to arise in that felicitous and purely hypothetical case, complications both acknowledged and explored among mainstream economists – specifically, those having to do with information and transactions costs and market monopolization. The upshot is systematic inequalities of opportunity among different groups of people that totally confound the easy conclusions otherwise holding.

Following that account, in Chapters 3 and 4, we explore the implications of acknowledging some even more important systematic disparities of opportunity that have not been as widely examined in mainstream theoretical economics. Race- and sex-based differentials of opportunity are appreciated and have been analyzed by economists, albeit not – in the mainstream at least – in the kind of depth with which other social scientists have explored these subjects. Wealth- or "class"-based disparities of opportunity, while widely appreciated on the fringes of economics and elsewhere in the social sciences, have been considered hardly at all among mainstream economists. Many of the important connections between race-, sex- and class-based economic inequality have also thus been missed in mainstream economics, and these are considered here as well. The upshot is that an individual's opportunity to gain income is importantly a function of his or her family's already accumulated wealth – as in common parlance, "it takes money to make money".

Having thus shown just how critically opportunity matters, this book then proceeds in Chapter 5 to an explication of power based in the neoclassical model of "individual choice subject-to-constraint". Briefly, a power relationship between two individuals is one in which the constraints to which they are each subject differ in their restrictiveness (the person with power has less restrictive constraints), and in which one person (the one in power) may non-reciprocally affect the constraints upon the other, and thus may affect the other's choices and behavior. The choices people can make depend upon the opportunities available to them, and in a world of power relationships, the opportunities available to people depend upon the decisions of people in positions of power over them. The implications, both generally and especially those specific to the class system of the modern market economy, are the concern of the rest of this book.

Chapter 6 introduces the class system of the modern market system with a simple model of its power arrangements. Class is, in the modern market economy, constituted most fundamentally in the relationship between *working people and their employers* in private businesses. That this relationship is one of power is as easily seen in theory as it is experienced in practical daily work life. First, lacking wealth, working people must sell their labor services in order to receive income, while their employers, possessing sufficient wealth to own businesses themselves, need not. Second, the market system works in such a way that sufficient unemployment is generally assured so that employees are more or less continually threatened by the possibility of job termination, which threat then enables their employers both to command their labor and to take economic benefit from it. In the class system of the modern market economy, this taking from employees accrues mainly as a portion of the business profit and other forms of property income received by employers and other property owners. It is also the main material resource for the maintenance and strengthening of the various structures that constitute the class system.

Of course the modern class system is not as simple as this basic "two-class model" suggests. In reality, the class system is a vast and complicated set of economic and social structures within which a framework consisting of a stratified hierarchy of power relationships and positions may be distinguished. I find it convenient to view the class system of the modern market society as constituted in *employers' power*, as just described, *plus* four other distinct power structures, which are the subjects then of Chapters 7, 8 and 9:

- *Professionals' power*. Those in "knowledge" and other fields requiring extended formal education and certification, e.g., doctors, lawyers, professors, more or less run things in the modern market economy, and have, to one degree or another, agency power over their various clients; business managers, a special group of professionals, have the same relationship vis-à-vis their "clients", i.e., firms' owners, and also have owner-delegated managerial power over their inferiors in the business firm, a pivotal form of power required for running the firm.
- *Business power*. This is found in the hierarchical relations among business firms that not only command the broad directions of economic investment but also channel business profit "upward" in the business sector hierarchy; it is constituted from monopoly/oligopoly power, financial and network power among businesses, and like all the other structures of power rests importantly upon disparities of spending power, in this case, among firms rather than individuals.

- *Political power*. In an important sense, this is the most critical structure of power in the class system, being required for the existence, maintenance and effectiveness of all the power structures in the creation and enforcement of the relevant specific laws, regulations and policies carried out by the state; exercised in the "political sphere" of the society, like the other forms of power, disparities of political power correlate closely with disparities of "prior wealth endowments".
- *Cultural power*. Class societies require the allegiance or at least acceptance of the larger part of their populations, and this is achieved importantly by the exercise of "value power", that which influences people's values, preferences and attitudes; the class system of modern market societies is thus promulgated in such institutions as churches, families, the mass media and education systems, and this book looks closely at the latter two of these.

The power structures of the class system have by no means remained fixed and unchanged over the history of the modern market society. Recent developments, however, merit particular attention insofar as they appear to be moving things in the direction of greater economic inequality and a greater strengthening of these structures. The consequent rising economic disparities have not gone unnoticed in mainstream economics, where a whole new field of inquiry on the distribution of income and wealth has thus developed along with several variations on a neoclassical account of the trend of rising inequality. Other analysts more attentive to the class dimensions of the problem have developed, in effect, a kind of "power theory" explanation that is based in a recognition of the same fundamental economic developments – in a word, technological change and globalization – but that is theorized in terms of the changing "balance" of power in the class system. Such a theory is arguably superior to that of mainstream economics, at least insofar as it successfully encompasses a broader and richer range of phenomena than does the latter. In Chapter 10, after looking a little more closely at the trend of increasing inequality, this book gives an abbreviated account of the "power theory" explanation.

But what, after all, is wrong with economic inequality? While there is much hand-wringing over the trend of rising inequality today, American culture glorifies more than ever the rich and their lifestyles in the midst of the dreariness and mediocrity of the middle classes and the real hardship of the rest. Having theorized rising inequality as a phenomenon of the developing power structures of the class system of recent times, I then argue, in Chapters 11 and 12, that unless the trend is reversed the future consequences are quite bleak. Economic inequality both arises in and undergirds the class system – it is both manifestation and foundation of social class – and reversing it means attenuating the power structures of the class system. It is imperative then to be clear about why that would be desirable. I discuss the profound injustice of inequalities associated with class: while that may seem obvious, some important arguments offered today would say otherwise. Aside from their unfairness, however, such inequalities are also inimical to economic growth or vitality, contrary to the widespread notion of an "equity-efficiency tradeoff" promulgated importantly by mainstream economists. Perhaps most