

# Inequality and Power

The economics of class

Eric A. Schutz



Routledge Frontiers of Political Economy

# Inequality and Power

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This book is about the causes and consequences of economic inequality in the advanced market economies of today. It is commonplace that in market systems people choose their own individual economic destinies, but of course the choices people make are importantly determined by the alternatives available to them: economic disparity arises mainly from unequal opportunity. Yet the book does not merely beg the question; from whence do the vast existing inequalities of opportunity arise? This book theorizes power and social class as the real crux of economic inequality.

Most of mainstream economics studiously eschews questions involving social power, preferring to focus instead on “individual choice subject to constraint” in contexts of “well-functioning markets”. Yet both “extra-market” power structures and power structures arising from within the market system itself are unavoidably characteristic of real-world market-based economies. The normal working of labor and financial markets engenders an inherent wealth-favoring bias in the distribution of opportunities for occupational choice. That bias is greatly compounded by the economic, social, political and cultural power structures that constitute the class system. Those power structures work to distribute economic benefit to class elites, and are in turn undergirded by the disparities of wealth they thus help engender.

*Inequality and Power* offers an economic analysis of the power structures constituting that class system: employers’ power over employees; the power of certain businesses over others; professional power over their clients and other employees; cultural power in the media and education systems; and political power in “democratic” government. Schutz argues that a “class analysis” of the trend of increasing economic inequality today is superior to the mainstream economic analysis of that trend. After considering what is wrong with power-based inequality in terms of criteria of distributive justice and economic functionality, the book concludes with an outline of various possible correctives.

This book should be of interest to students and researchers in economics, sociology, political science and philosophy, as well as anyone interested in theories of social class.

**Eric A. Schutz** is a Professor of Economics at Rollins College, USA.

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small open economies

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Anders Malmberg and Eirik Vatne*

**15 Labour Market Theory**

A constructive reassessment

- 16 Women and European  
Employment**  
*Jill Rubery, Mark Smith,  
Colette Fagan and  
Damian Grimshaw*
- 17 Explorations in Economic  
Methodology**  
From Lakatos to empirical  
philosophy of science  
*Roger Backhouse*
- 18 Subjectivity in Political  
Economy**  
Essays on wanting and choosing  
*David P. Levine*
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Middle East Peace**  
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agendas  
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choice  
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and the state

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Economics**  
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Money and Credit**  
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Development**  
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Social Welfare**  
*Christian Sartorius*
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and Adam Szeworski*
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Blair**  
The left veers right  
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Economic Development and  
Institutional Change**  
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Order**  
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thought  
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States and India**  
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the Wealth of Nations**  
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Sporting Organisations**

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Game Theory in Marxian**

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*Volker Bornschier*

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Austrian Thought**  
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basic income

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*Norman Schofield*

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Judaism**

*Carmel Ullman Chiswick*

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*Christian Arnsperger*

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Explanation**

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*Donald W. Katzner*

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Utopia**

Time travelling through  
paradigms

*Karin Schönplug*

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Performance in Industrial  
Democracies**

Party governments, central banks  
and the fiscal–monetary policy  
mix

*Takayuki Sakamoto*

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Environment**

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**139 Business Ethics and the  
Austrian Tradition in  
Economics**

*Hardy Bouillon*

**140 Inequality and Power**

The economics of class

*Eric A. Schutz*

# Inequality and Power

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Eric A. Schutz

 Routledge  
Taylor & Francis Group  
LONDON AND NEW YORK

First published 2011  
by Routledge  
2 Park Square, Milton Park, Abingdon, Oxon OX14 4RN

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Simultaneously published in the USA and Canada  
by Routledge  
711 Third Avenue, New York, NY 10017

***Routledge is an imprint of the Taylor & Francis Group, an informa business***

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***British Library Cataloguing in Publication Data***

Schutz, Eric A., 1947–

Inequality and power: the economics of class/by Eric A. Schutz.

p. cm.

Includes bibliographical references and index.

1. United States–Social conditions. 2. Social classes–Economic aspects–

United States. 3. Equality–Economic aspects–United States. 4. Power

(Social sciences)–Economic aspects–United States. I. Title.

HN65.S4295 2011

305.5'10973--dc22

2010038761

***Library of Congress Cataloging in Publication Data***

A catalog record for this book has been requested

ISBN: 978-0-415-55480-0 (hbk)

ISBN: 978-0-203-82887-8 (ebk)

# Contents

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## *[Acknowledgments](#)*

- 1 [Introduction](#)
- 2 [People make their choices](#)
- 3 [Opportunity matters](#)
- 4 [Opportunity matters: more yet](#)
- 5 [How power works](#)
- 6 [Capitalism: “classical” class](#)
- 7 [Realities of class today](#)
- 8 [Running the system: business power and political power](#)
- 9 [Cultural power](#)
- 10 [Increasing inequality today](#)
- 11 [Confronting inequality and class: distributive justice](#)
- 12 [Confronting inequality and class: economy, community and biosphere](#)
- 13 [Conclusion](#)

## *[Notes](#)*

## *[Bibliography](#)*

## *[Index](#)*

# Acknowledgments

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I wish to thank Ed Royce, friend and comrade, without whose steady encouragement and keen critical eye I certainly could not have finished this book. I wish to thank also Jose Galvez for his many insightful comments and his hard work on a fair amount of the nitty-gritty. My colleague Chris Skelley was helpful above and beyond the call. Thanks also to my colleague Rob Steen. And thanks to the Rollins College Office of the Dean of Faculty for a Full-Year Research Stipend and an office on campus that enabled me to complete this work.

# 1 Introduction

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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 relative 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 the society as one that did not need the kind of draconian and largely self-defeating approach toward redistributionist 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 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



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