



## BOOK REVIEW

# Thomas F. Remington (2023). *The Returns to Power. A Political Theory of Economic Inequality*. Oxford University Press

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Thomas Remington, currently a Visiting Professor of Government at Harvard University and Professor Emeritus of Political Science at Emory University, has been studying economic causes and political outcomes of inequality over many years. This volume is a comprehensive overview of the research on inequality that covers, in fact, all—economic, social, political, psychological, and philosophical— aspects of the problem. Some chapters can be used in the classroom, while other chapters can be central to discussions in academic conferences or political debates. It is hard to give justice to all the richness of this book, I shall focus only on the main argument and those matters that I find personally interesting.

Remington ties economic inequality to social conflicts such as growing polarization and extremism, and consequently is concerned that inequality threatens democracy. The COVID pandemic only exacerbated the trend towards rising inequality. As the author shows, “in the United States (as in Russia and China) nearly all of the rise in income inequality in the last 40 years has come about because of the dynamics of income from work; only a small share of people at the very top (roughly, the top 1%) derive a majority of their income from capital— real estate rents, capital gains, and the like” (p. 14).

While China, Russia, and Germany have their own chapters of the book, they are seen from the United States perspective and matter only as a background for comparison. The author argues that “the current wave of rising inequality

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flows directly from the turn toward market deregulation and liberalization that began in the late 1970s and accelerated in the 1980s” (p. 3), there is little discussion why it became such a global trend, though, and had to be implemented all over the world, including the post-Soviet Russia and Germany after its unification. In the case of the latter countries, it is hard to accept that these policies were endemic developments.<sup>1</sup> The comparative analysis shows that in the United States, Russia, and China, “one outcome of these reforms was to foster opportunities for rent-seeking by the largest business corporations from increased market and political power following an initial burst of competition and entrepreneurship” (p. 87). On the other hand, Germany stands out as a “social market economy” where market liberalization does not have to result in an antidemocratic oligarchy (p. 4).

Some important distinctions are made to elucidate the complex nature of inequality such as a distinction between wealth and income, pre-tax and post-tax income. Methodologies of measuring and explaining inequality are also discussed in detail: the Gini index and its accuracy, hidden income, spatial distribution of inequality, including within and across countries. I would recommend using Chapters 2–4 in the class because they are eminently readable and clarificatory. The latter highlights the fact that instead of expected economic convergence (“tendency for regional growth differentials across and within national economies to fall”, p. 52), another kind of convergence occurred—alliance of wealth and power.

After discussing some justifications of inequality<sup>2</sup>—both in moral terms and in statistical terms such as the power law distribution—Remington concludes that “in a hierarchically ordered society, where power at the top is granted by birth, prestige, or connections or is seized by force, rather than won through free and fair competition, the wage returns to power differentials will follow a power law distribution. It is tempting, therefore, for those who benefit to justify their good fortune by attributing it to ability and effort and to try to persuade those around them to do so as well. Therefore, we cannot accept pure market explanations for top-end pay levels” (p. 47–48). Delving into the explanations of what causes as well as what reproduces and reinforces inequality, Remington provides a thorough analysis of how deregulation gave an edge to early winners; how winners in the market tend to ally themselves with politicians and an alliance of market power and political power consolidates itself in securing the rents and rent-sharing. The concentration of wealth and power at the top drains the middle class and pushes ever more down the low-end strata resulting in spatial—and political—homogenization. The surprising example of spatial distribution of inequality is the access to healthcare and well-being. For instance, the

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<sup>1</sup> Cf.: “Unleashing market forces in societies so profoundly marked by hierarchies of status and power would free everyone to participate as equals in the marketplace was an ideological presumption convenient to its sponsors but unsupported either by evidence or common sense” (p. 315).

<sup>2</sup> Cf.: “Assumptions that market forces are the main factor explaining inequality then spread out more broadly into public opinion and shape theories of “the knowledge economy” and the “rise of meritocracy.” But as the evidence presented in this book shows, power relations in society shape the way economic forces work” (p. 314).

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average life expectancy at birth varies by 40 years: in the Adair, Oklahoma, it is 56.3; in the impoverished coal region of Logan County, West Virginia, it is 56.9. By contrast, in Charlotte, North Carolina, in the Research Triangle region, life expectancy at birth is 97.5. As differences in the levels of income, education, and opportunity widen across neighborhoods, their effects become mutually reinforcing, systematically locking in differences in advantage and disadvantage. More generally, as neighborhoods become more homogeneous by income and race, the inequalities between them grow wider. (p. 51)

Careful to avoid oversimplification (and conspiracy theories), Remington explains the mechanics of such an alliance between business and political elites in the following paragraph:

To use terms such as alliance or union in the case of the American political system is to simplify a far more complicated set of relationships. On both sides are multiple actors with their own interests, often competing with one another, and often contending over issue positions, but sharing a set of broadly congruent interests. Their relationships can be individual or collective, small scale or broad, formal or informal. No single overarching organization unites all politicians or all corporations, although wealthy right-wing interests do work hard to pool the resources of donors, policy experts, legislators, and others and channel them for political influence ... Rather than a formalized statement between two sides, alliance refers to a wide range of efforts aimed at achieving an understood set of ends. The term “alliance” helps to underscore two points: first, that the relations between the economic groups benefiting from the current arrangements and the political officials that maintain those arrangements are based on reciprocity and exchange, rather than a one-sided takeover by big business. Second, the partners in this alliance share an interest in excluding challengers. (p. 155)<sup>3</sup>

I deemed it worth citing in full because this paragraph clearly and fully describes class interest and class relations as it would be exemplary for any Marxist analysis. However, time and again the author distances himself from both Marxism as a theory and socialism as a political program. It is ever more surprising when the reader peruses the policy recommendations at the very end of the book. These policies include public investment in infrastructure, in life-long education, and child allowance; progressive taxation; antitrust laws (“competition must be protected before it is suppressed”, p. 322); measures countering financialization; healthcare (universal mandate) and labor (organized labor) market reforms. The author insists that these reforms should be implemented “to achieve the goal of stimulating growth of the kind that raises incomes in the middle band rather than pressuring low-end

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<sup>3</sup> Another important caveat is that “even though as individuals, owners and executives are vulnerable to arbitrary state repression, as a group, the regime depends on them for economic growth, investment, and revenues. In turn, business cannot do without maintaining personal, privileged, and often corrupt exclusive relations with those in power” (p. 245).

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wages downward and concentrating income gains from rents at the top” (p. 323) and regards them as opening the market and protecting the fair competition, that is, *not* as (revolutionary) redistribution. Yet, one is left to wonder what political force would be interested in pursuing these policies against the self-conscious and organized class interests of allied market and state power as they were described above. The political ideal that sustains Remington’s aspirations —“the ideal of political equality is always threatened by hierarchies of social power. Therefore, it can only be protected in a society that ensures that all individuals have *necessary opportunities to exercise their rights*” [emphasis added] (p. 319)—goes far beyond the liberal equality of opportunity and highlights the fact that capabilities indispensable for that equality are to be something more than a (false) promise.

This is the key question for the whole argument because Remington refers to rent-seeking practices (resource rents, innovation rents, administrative rents), curtailed competition (monopsony, natural monopolies, etc.), and power concentration as “market imperfections” (p. 185), while his meticulous analysis demonstrates that these are the natural outcomes of market economy: Germany is an outlier, while the United States, China, and Russia are mainstream<sup>4</sup>. In addition, the nations that feature as successful in keeping market economy under control in the book such as Germany, Taiwan, South Korea (p. 245) happened to have, to use the term from behavioral economics, a “supposedly irrelevant factor” of enjoying decades of strong United States military presence. Thus, the hope for a socially oriented market economy needs a clear vision of who and why would enforce it.

There is a fundamental tension in the argument between the commitment to the market, which is regarded as a mechanism of economic redistribution, and the market-produced inequality, which is dangerous to the commitment to political ideals of equality and democracy. The attempt to solve this tension is presented in the final chapter that aspires to offer “alternative public philosophy” (p. 315). Among the sources of this philosophy, German Ordoliberalism, American Progressives (L. Brandeis), and “Constitutional Framers” (J. Madison, J. Adams) are cited. Political equality that entails consent to be governed by the leaders of one’s choice can be undermined by economic inequality that results in polarization, extremism, and, to use a Marxian term, alienation (from fellow citizens, common good, and ultimately oneself). However, Remington believes that

political equality can be reconciled with political and market freedom so long as neither political or market power is too concentrated. The best solution to checking the tendency by those gaining political and market power to claim rents and fortify their positions by curbing competition, therefore, is to encourage

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<sup>4</sup> “The freely clearing markets for labor, land, and capital taken by neoclassical economists as assumptions for models of how a capitalist economy works are, in fact, historically rare” (p. 293). Cf. also “To imagine that the working of markets is ‘natural’ ignores how they are shaped by the distribution of resources in which they operate. To assume that market liberalization will open opportunity equally to all to realize the fruits of their talents reflects a willful blindness to evidence. Without deliberate efforts to ensure some fairness in the opportunity to participate in a market economy, market liberalization will result in a deepening of inequality” (p. 315).

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the competitive pursuit of material self-interest as a vital social interest in itself while preventing the pursuit of rents by those with power ... As the early winners argument described in this book show, the greatest threat to political and economic freedom is not the latent risk that the masses will exercise their democratic rights and rise up to demand redistribution by curbing property rights. It is the reality that those with market power will always prefer to ally themselves when they can with those with political power to suppress competition in both the market and political arenas. (p. 318)

The conclusion that follows, in my view, from this argument allows no equivocations and can be summed up in “Workers of all countries, unite!” It should be noted that this aspiration cannot be achieved nationally, at least for long, but requires an international movement because, as already happened, rent-seekers are apt to operate on the international market and have a tremendous talent for meddling in other countries' affairs and corrupting their institutions.

This book is a timely exploration of the causes and potential remedies for human development in countries, which are ravaged by inequality and where conflicts—both social and political—result in the rise of authoritarianism and extremism. However, the avoidance of international dimension of current dynamics of inequality and the feasibility of the proposed measures could be explored in the next book.