American exceptionalism? The growth of income and wealth inequality in the United States and other Western societies

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Abstract: *The two central questions in this paper are: 1) How to explain the tendency of increasing income and wealth inequality in Western societies since the 1980s? 2) Why is this tendency particularly strong in the USA? It is argued that income and wealth differences in general have increased as a function of growing power differences within national states, which is related to the strengthening of international interdependencies. The particularly strong increase of inequality in the USA is explained as the result of the dynamics of American politics, the history of ethnic and racial dividedness, and the pervasiveness of the individualistic-meritocratic ethos. The question is discussed as how to combine these different explanations. It is concluded that the three conditions that together may explain the 'American exception' can be interpreted in terms of the power-interdependence model that is used to explain the overall trend of rising inequality.*

Keywords: *income and wealth distribution; trends in inequality; American exceptionalism; power-interdependence model.*

In the first paragraph of his book *The American Civilizing Process*, Stephen Mennell observes that America is 'a land of familiar paradoxes'. One of these is the paradox of egalitarianism versus inequality: 'Ever since independence, Americans have fostered a spirit of New World egalitarianism proudly contrasted with the stuffy and hierarchical Old World – yet that spirit has coexisted with social inequalities greater in many respects than those found in Western Europe' (Mennell 2007: 1).

In chapter 10, Mennell deals extensively with this seeming contradiction, and the chapter's title, 'The Curse of the American Dream', already suggests how it can be understood, how egalitarian values and actual social inequalities are paradoxically interconnected. It is precisely by their belief in equality of opportunity, as a norm and a fact, that Americans tend to accept huge disparities in income and wealth. For them, the model to be followed is the 'self-made man', the free entrepreneur who works his way up through his own capacities and efforts. In this ideal image of society, wealth is the outcome, and therefore also a clear sign, of personal merit. The counterpoint, the 'curse' of this American dream is 'the widespread belief that people who do not succeed in rising or bettering themselves [...] have only themselves to blame.' (ibid.: 264). The inclination to identify the poor with people of colour reinforces this attitude. Therefore, political proposals for welfare arrangements to help the poor, to guarantee a minimum of material security and to redistribute incomes are generally met with distrust, if not vehemently rejected.

However, as Mennell also points out, this can only be part of an explanation of the comparatively high degree of social and economic inequality in America. It suggests that this has always been a distinctive feature of American society, which is clearly not the case. On the contrary, throughout the nineteenth century and the first decades of the twentieth century, income and wealth differences were smaller in the United States than in Europe, despite the amassment of huge fortunes in the period between the end of the Civil War and the First World War. And in the 1930s and 1940s, these differences diminished considerably, as they did in Western Europe. This period of the Great Compression, as American scholars have called it (Goldin & Margo 1992; Krugman 2007), was followed by years of rising prosperity for all classes of the population, in which the relative differences remained more or less stable. Then, in the middle of the 1970s income and wealth inequalities started to rise, and have continued to rise up until the present.

In this respect too, the USA is not unique. In most, if not all prosperous societies income and wealth inequality have increased during the last few decades (OECD 2008; 2011). But this trend started earlier and has been much stronger in the United States than in any other of the rich countries. As a result, income and wealth inequalities are now larger in America than in these other countries. Thus, the share of the top ten per cent of pre-tax personal incomes, according to estimates by Atkinson, Piketty and Saez (2011: 6–9), rose from one-third to one half of the incomes of all Americans between 1975 and 2007, the share of the top one per cent from 9 per cent to 23.5 per cent, and that of the top 0.1 per cent from 2.5 per cent to 12 per cent, figures that signify a much steeper rise to a much higher degree of inequality than in any other Western country (cf. OECD 2011: 38–40, 45, 346–351). [1] [#N1] And while the gap between top management incomes and average wage income widened everywhere, this trend was most spectacular in the United States. In the middle of the 1970s, CEO's of major American companies received incomes of around thirty times the average wage; by 1990, that ratio had risen to about one hundred times; and in the first years of the new century it had exploded to more than 350 times (Reich 2007: 108–109). The estimated share of the richest one per cent of households in total personal wealth rose from 28 per cent in 1970 to 34 per cent in 2010, that of the richest ten per cent from 64 per cent to 71.5 per cent (Piketty 2014: 401–410). This increase in wealth inequality, while starting from a higher level, has been less dramatic than that of income inequality, but again stronger than in European countries.

Related to this increase in income and wealth inequality, intergenerational social mobility in the United States diminished and has become, according to comparative studies, lower than in Western Europe (Wilkinson & Pickett 2010: 157–163). Thus, with respect to equality of opportunity, America falls short not only to its own prevailing norm and self-image, but also to other Western societies, and to the reality of its recent past.

In short, America's distinctiveness is not a static given, but changing over time. As to current economic inequality, we have to explain two things: 1) Why has there been a general tendency of growing inequality within Western, prosperous countries [2] [#N2] since the 1980s, after a period in which inequality tended to decrease? 2) Why is this tendency particularly strong in the United States?

Explanations for the rise of economic inequality in the Western world

Four explanations for the rise of economic inequality in Western, prosperous societies since the 1980s can be distinguished:

(1) The most common explanation among economists, at least until recently, is one that refers to *changes in the labour market*. Due to technological innovations (automation, computerisation) and globalisation (extension of international trade, relocation of labour-intensive industries to low-wage countries), the demand for industrial work that requires only basic education and skills decreased, whereas the demand for work requiring specialist knowledge and skills increased: therefore, wage differences between well-educated professionals and low-skilled workers widened (Burtless 1995). [3] [#N3]

This explanation has only limited value. First, it has to be noted that with the expansion of college education in the past few decades the supply of highly-educated workers also strongly increased; it is, therefore, not at all evident that the overall demand for people with good credentials increased *relatively* to their growing numbers. Secondly, this market model assumes that there is a fixed relation between jobs and educational requirements, whereas sociological research has shown that this relation varies and changes over time; it is in particular because of the growing supply of the better-educated that educational requirements for many jobs have been upgraded (Collins 1979; Windolf 1985). Thirdly, this approach cannot explain the observed dispersion of wage incomes *within* educational categories, such as the strong increase of top management incomes in comparison to the salaries of other workers with similar educational degrees. Nor does it account for sources of growing income inequality other than wage differentials, such as income from capital.

(2) Recently, the French economist Thomas Piketty (2014) has given renewed attention to *capital ownership* as the basic source of growing inequality. According to his now famous formula, inequality will grow when the rate of return to capital exceeds the growth of national income, and this condition has been met since economic growth slowed down in the 1970s. Piketty does not explain clearly, however, why and how this condition inevitably leads to growing wealth and income inequality. Nor does he offer much empirical evidence to support his thesis. Whereas inequality has increased more strongly in the United States than in Europe and Japan since the late 1970s, the difference between the return to capital and economic growth was smaller (because the latter variable was higher due to more population growth). And, as Piketty himself observes, the very strong rise of top incomes in this country is mainly due to the explosion of top labour incomes – rather than capital incomes – received by the 'supermanagers' of big corporations and investment funds. Why this has happened, is a question that falls outside the scope of his economic approach. [4] [#N4]

(3) In recent years it has become quite common, also among economists, to focus on *institutional and political changes* in order to explain the tendency of increasing inequality during the past decades. These changes comprise the decline of labour unions' bargaining power, the deregulation of the financial sector, the privatisation of state-owned companies, the lowering of tax rates on capital gains, corporate profits and high incomes, and cuts to public social expenditure. The impact of all these changes on the distribution of income and wealth is undeniable. But the question then is: how to explain these political and institutional changes?

(4) In order to give a more comprehensive explanation, I have elaborated a figurational *power-interdependence model*, which assumes that degrees of socio-economic inequality on the national level are a function of the interdependencies and power balances between different groups and classes of the national population, which are in turn connected to relations of interdependence on international levels: the stronger the relations of mutual dependence between different strata on the national level, the more even the power balances between these strata, the smaller the differences in income and wealth (Wilterdink 1993; 1995; 2000; 2015). During the greater part of the twentieth century, interdependencies among various groups within Western societies grew in connection with processes of large-scale industrialisation and intense competition between national states, culminating in the two world wars. As a consequence, socio-economic inequality diminished. After the Second World War, international trade, cross-border investments and international capital movements strongly expanded, particularly since the 1970s, when barriers to the international flows of goods and capital were lowered or eliminated, and technological innovations hugely facilitated long-distance transport and communication. The increase of inequality since about 1980 is then related to 'the strengthening of *international* interdependencies and a corresponding weakening of the ties of interdependence *within* nation-states' (as summarised by Mennell 2007: 253–254; 2014: 2). To be more specific, with the increasing flexibility and transnationalisation of large corporations, the relocation of manufacturing industries to low-wage countries and the growing concentration of financial capital in internationally operating investment funds, large wealth-holders and managers of financial and industrial

companies became less dependent on groups and institutions that remained much more tied to the nation-state – the large majority of manual and non-manual workers and their organisations (labour unions), and national governments. The power balance shifted in favour of the first category, the owners and managers of big private firms, including the power to raise their incomes and accumulate personal wealth. All the political and institutional changes just mentioned, such as the weakening of labour unions and the reduction of taxes on corporate profits and high personal incomes, can be related to this shift in power-interdependence relations.

This explanation is broad and comprehensive, covering parts of the first three explanations, but also quite unspecific. It evokes at least two questions. The first is why it was around 1980 that the tendency of decreasing inequality reversed into one of increasing inequality. The growth and intensification of transnational networks of interdependence was already manifest in the first three decades following the end of the Second World War. However, it was also in this period that social expenditure by national governments strongly increased, helped by an unprecedented economic growth. This happy connection between expansion of international trade and investments, growth of national production and income, and extension of the welfare state was broken in the 1970s. The collapse in 1973 of the postwar Bretton Woods system that regulated international finance induced an enormous growth of speculative money flows and forced the deregulation of capital controls (Helleiner 1994; Held et al. 1999: 201–227), making national economies more dependent on global finance. At the same time, the increasing openness of national economies made Western companies more vulnerable to foreign pressures and competition, as became manifest in the ‘oil crises’ of 1973 and 1979 and the expansion of, in particular, Japanese industrial firms. Company profits were squeezed while production costs continued to grow, creating ‘stagflation’, the combination of stagnation and inflation. Under these critical conditions companies developed strategies of radical cost reduction by outsourcing, flexibilisation, differentiation and relocation of production, massive lay-offs and forcing workers to accept lower wages. They were able to do so as growing unemployment and job insecurity weakened the position of labour unions. And they were backed by national governments, which were keen to improve company profits that were regarded as the necessary condition for employment and economic growth. Governments contributed, in varying degrees, to private cost reductions by cutting the public costs of the welfare state and restricting labour rights. The example was set by the governments of the United States and Britain, which spread the ideological message of what came to be known as neoliberalism. Other national governments followed, though in different ways and degrees.

The question of why it was around 1980 that the transition from decreasing to increasing inequality took place, can then be answered by specifying the conditions under which the extension of international interdependencies relative to interdependencies on the national level induced and enabled different groups to actions that brought about this transition. While conscious policy decisions, strategic choices and ideological preferences were very much part of this process, the transition as a whole was not controlled or planned by any individual or collective actor, though it clearly accorded quite well with the goals and interests of some powerful actors.

The second question that this general explanation evokes is whether it might explain variations in inequality trends between Western nation-states. As it turns out, there is no positive correlation – rather, a negative one – between the openness of a national economy (as indicated, for example, by import and export or ingoing and outgoing foreign direct investment flows relative to national income) and the degree of income and wealth inequality or the extent to which it has increased since the 1980s (Rodrik 1997; Wilterdink 2000; OECD 2011: 111–118). Thus, whereas the American economy is relatively closed according to these indicators, and seems therefore less subject to the forces of globalisation than other Western economies, the increase in income and wealth inequality is stronger than elsewhere. Apparently, if this thesis is valid on a general level, it is insufficient to explain specific changes in economic inequality in particular nation-states. This brings us to the second main question of this paper: Why is the tendency of growing inequality since the late 1970s so strong in the United States?

What accounts for America's extraordinary increase in inequality?

Remarkably, some distinguished American economists have focused on politics rather than economics to explain the growth of inequality in the United States. Thus, Paul Krugman (2007) has argued that the main cause of rising inequality in this country has been the political polarisation between the Democrats and Republicans, as the latter party was taken over by what he calls 'movement conservatism', which from the start was intent on eliminating all the achievements of the New Deal and returning to a much purer and harsher version of market capitalism. This movement, most clearly represented by the Republican presidents Ronald Reagan and George W. Bush, succeeded in bringing a sharp turn to the right in American politics.

> The empowerment of the hard right emboldened business to launch an all-out attack on the union movement, drastically reducing workers' bargaining power; freed business executives from the political and social constraints that had previously placed limits on runaway executive paychecks; sharply reduced tax rates on high incomes; and in a variety of other ways promoted rising inequality (Krugman 2008: 7).

In a similar vein, Joseph Stiglitz (2012) has pointed out that market forces cannot sufficiently explain the increase in inequality in America, as these forces are shaped in multiple ways by governmental laws, rules and decisions. Since the late 1970s, political decisions have increasingly served the particular interests of a small segment of the population, the executives of big corporations and the very rich. These decisions have involved not only deregulating and 'liberalising' markets, cutting social expenditure and lowering taxes for the rich, but also creating favourable conditions for 'rent seeking', i.e. the acquisition of income and wealth based on the exploitation of market imperfections, such as monopolistic control, hidden or open government subsidies, or a systematic lack of information on the part of some of the market participants (e.g. the buyers of complex financial products). This reflects the growing power and influence of the corporate rich in American politics, which they exert by financing election campaigns, intensive lobbying, moulding public opinion through mass media, foundations and think tanks, and establishing strong direct relations with politicians based on mutual interests. Economic power generates political power, which in turn contributes to growing economic power: there is a spiral of mutual causation between increasing income and wealth inequality on the one hand and increasing inequality in political power and influence on the other. As Stiglitz puts it, the American government in the past few decades became more and more a government 'of the 1%, by the 1%, for the 1%' (2014: 88) of the population that is at the top of the income and wealth distribution. In reference to Elias' notion of 'functional democratisation' (1970: 72), the whole process can be characterised as one of functional *de*-democratisation (Mennell 2007: 311–314; 2014: 2).

The idea that unequal political and organisational power is at the root of the growing income and wealth disparities in American society has been elaborated more systematically by political scientists Jacob Hacker and Paul Pierson (2010a; 2010b), who identify four ways in which the American government since the late 1970s contributed to rising income and wealth disparities: drastic tax cuts for the rich and reducing redistribution through social expenditures and the minimum wage; restricting the rights of labour unions;

allowing the unfettered rise of executive pay; and a far-reaching deregulation of the financial sector (2010b: 50–70). This pro-business policy started in the late 1970s during the Democratic presidency of Carter, when business launched a vast and successful 'organised counterattack' against the feared growing influence of labour and consumers' interests; it was continued, reinforced and officially legitimised in the 1980s under Republican president Reagan; and has remained since then the dominant course in American politics. This policy in favour of business and the wealthy and to the detriment of most workers and lower-income groups is explained by Hacker and Pierson (2010a; 2010b) as the consequence of the vast mobilisation of organisational and financial power resources by business organisations, corporations and wealthy individuals to shape politics, combined with the weakening of countervailing power groups, in particular labour unions (see also Volscho & Kelly 2012).

This analysis of political change in America is in itself illuminating. Similar changes have occurred in other Western countries. But the question still remains, why was this change apparently more radical in the United States than elsewhere, and why did it lead to a much stronger increase in income and wealth inequality? Part of the answer might be found in specific characteristics of the American political system itself, such as the strong and increasing extent to which politicians on different (local, state, federal) levels are dependent on acquiring money, and therefore on wealthy donators, to finance election campaigns. But this answer is far from complete, as the political system is not an autonomous whole but embedded in wider societal structures.

Two characteristics of American society, rooted in its history, have been suggested to account for the exceptional growth of inequality in this country. The first is the legacy of racism, or, to put it in broader and more neutral terms, the history of ethnic and racial diversity and dividedness. As Paul Krugman (2008: 28) expressed it, 'racial antagonism has had a perverse and malign effect on American politics, largely to conservative advantage.' Since the late nineteenth century, it has weakened the labour movement and undermined progressive political reforms. As sociologist Douglas Massey (2008) pointed out, the New Deal politics of 1933 and subsequent years that created the foundations of the American welfare state and diminished income differences, rested on a coalition between Northern and Southern Democrats in which the latter supported the reforms as long as racial inequality remained intact. It was with the successes of the Civil Rights Movement in the 1960s and the anti-poverty 'Great Society' program under president Lyndon Johnson (a Southern Democrat) that this coalition was dissolved, and white middle and working class people in the South massively went over to the Republican Party. As welfare arrangements were extended to racial minorities, they were increasingly associated with these minorities and therefore lost support. The paradox is that as official racial segregation disappeared and overt racism weakened, its 'perverse and malign effect' on conservative support for growing inequality became stronger. The old Democratic coalition between the North and the South was replaced by a Republican coalition between the corporate rich who pursue their economic interests and large parts of the white middle and working classes who suspect that all government benefits go to ethnic and racial minorities.

The second basic American characteristic is mentioned at the beginning of this paper in reference to Stephen Mennell's work (2007): 'the curse of the American Dream', which is rooted in the history of immigration. It is the individualistic and meritocratic ethos that permeates American civilisation, which justifies the wealth of the rich as the well-deserved rewards for their merits and achievements, and blames the poor as being deficient in capacities, lacking morality, or both. As sociologist and Social Darwinist William Graham Sumner put it as far back as 1873: 'the weak [i.e. the poor] are the shiftless, the imprudent, the negligent, the impractical and the inefficient, or they are the idle, the intemperate, the extravagant and the vicious' (quoted by Lewis 1978: 7). In more recent times, this ethos has legitimised tax cuts for the rich, the dismantling of the welfare state, restriction of labour union rights, and decreasing expenditure on public education. In this way it has justified the growth of income and wealth inequality. (That this in turn has led to an increase of inequality of opportunities is hardly noticed – which is understandable, as it lays bare the mythical character of this creed.) Yet, as remarked, this ethos can only be part of an explanation of the extraordinary growth of income and wealth inequality in the United States, since it is not shared by everyone, at least not to the same extent and in the same way, is not constant over time, and varies in its political and social consequences.

Explanations compared

The question now is: how to combine these different explanations, which, arguably, all have some degree of validity? More specifically, how to relate the explanations of 'the American exception' to the power-interdependence model that I have used to explain the international tendency of growing income and wealth inequality in the past few decades? The simplest answer is that they add to one another. Shifting power-interdependence relations on international and national levels explain the general tendency in all major capitalist, prosperous nation-states. The other factors, peculiar to the United States, explain why this tendency has been so strong in this country: the dynamics of American politics; the legacy and continuing importance of racial and ethnic dividedness; and the pervasive individualistic-meritocratic ethos, which reflects the history of immigration. This solution is not utterly wrong, I think, but too easy – for two reasons.

The first reason is that it does not yet answer the question how important these different 'factors' are in explaining the observed changes; in particular, how important the general shifts in power-interdependence relations are compared to the processes that are specific to American society. The argument developed here suggests that the first are basic; that American society is prey to the same global forces as other national societies, but that the responses to these forces differ due to specific traits of American society, politics and culture.

The counter thesis that could be posited is that the internal factors peculiar to American society are basic; and that they explain not only the strong growth of inequality in this country, but also, indirectly, the growth of inequality in the whole Western world, due to American economic, political and cultural dominance. In other words, the similarities in the tendencies of growing inequality among Western nations might be explained as the result of American hegemony.

If this counter thesis is taken as *the* explanation for the tendency of growing inequality in Western countries, it has to be rejected as, at least, too one-sided; it overestimates American autonomy and power, and neglects global processes that are beyond the control of any nation-state. Thus, while the collapse of the Bretton Woods system of international monetary regulation in 1973, with its momentous consequences for the global economy, was the direct result of the decision by the American government to give up the fixed dollar price of gold and to allow the dollar to float in relation to other currencies, this decision was taken under the influence of unintended and uncontrolled developments: the growth of the American trade deficit and of foreign liabilities, and the strong expansion of the 'Eurodollar' market outside the USA (Arrighi 1994: 300–314). And while American corporations were among the first to develop new strategies of outsourcing, flexibilisation and restricting labour unions' rights, they did so as a response to increased international competition.

Yet, as these examples also illustrate, it is important to take account of the large differences in the positions of different nation-states in the international figuration of states in terms of internal autonomy and external power, with the USA at the one pole and (among the prosperous capitalist countries) 'small open economies' like Ireland or the Netherlands near the other pole (Katzenstein 1985). The range of options for political and economic elite groups to make 'their own' policy choices is much larger in the United States than in the latter countries, and the impact of the choices made in the United States on these countries is much larger than the other way around. The financial crisis of 2008, which started in the United States as the unintended outcome of the far-reaching deregulation of the financial sector and subsequently spread to Europe, is a case in point. US dominance is manifested in various ways – through the vast influence of American culture, the sheer weight of its economy, its military superiority, and also its dominant position in international organisations like the World Trade Organisation and the International Monetary Fund. The strengthening of international interdependencies – or globalisation, as it has come to be known since the 1990s – was moulded by political decisions such as the deregulation of cross-border capital flows, in which American politicians, officials, business leaders and economists played a central role (cf. Rodrik 2011).

The idea that America is taking the lead in developments that extend to Europe and other parts of the world is already quite old, as is testified by the term 'Americanisation', which came into use in the beginnings of the twentieth century (Berghahn 2010). One has to distinguish, however, between similarities in which American developments precede those in other societies, and direct American power and influence exerted on these other societies. The two features of American society and culture that have been advanced here to explain the extraordinary growth of economic inequality since the late 1970s – ethnic-racial dividedness, and the pervasiveness of the individualistic-meritocratic ethos – have become *less* distinct since then, and *more* characteristic of other Western societies as well. But this does not necessarily reflect direct American influence. With the massive influx of poor non-European immigrants into Western Europe since the 1960s and 1970s, ethnic-racial tensions within European nation-states have grown, which, as in the United States, have contributed to growing inequality by undermining class politics and the power base of left-wing political organisations. This mass immigration into Western nation-states is one of the links between the extension of international interdependencies and the weakening of ties of interdependence within these nation-states.

The second 'typical American' trait that has been advanced, the dominant ethos of meritocratic individualism, has also become more widespread in other Western societies since the 1980s. This too can be attributed primarily to large-scale changes within these societies, such as the flexibilisation of work, the weakening of labour unions, the growing emphasis on 'open' selection in the educational system, the decreasing significance of old aristocratic distinctions, and increased chances of enrichment through entrepreneurship. Yet the impact of American-dominated economic thinking as well as American popular culture, which so often celebrates individual heroes who win against all odds, probably contributed to the spread of this ethos throughout the Western world.

The second reason why the addition of several causal factors is too simple a solution, is that it does not answer the question how they are related to one another. It may give the impression that the specific traits that explain the extraordinary growth of inequality in the United States remain outside the power-interdependence model, which would then only explain the overall trend of growing inequality; but if this model is really comprehensive, it should encompass these traits as well.

A core assumption in figurational theory is that intended human actions are a function of unintended human interdependencies, which in turn change as a result of these actions. This insight can be applied to American politics and its impact on changes in socio-economic inequality. The power shift in American politics since the late 1970s in favour of business interests was not merely the result of the mobilisation of organisational and financial resources by business organisations, big corporations and wealthy investors, as Hacker and Pierson (2010a; 2010b) and other scholars contend; the success of these actions was also the result of changing power-interdependence relations on national and international levels in favour of these groups, as I have argued here.

One important source of this overall change has not yet been mentioned: changes in military relations, in particular the transition from a conscription army to a professional army. In the United States, conscription was abolished in 1973 after the end of the Vietnam War, followed by similar measures in European countries.

Conscription is a basis of interdependence between powerful elite groups and non-privileged strata, and a source of power of these strata, whose young male members are armed and forced to fight for their country (Andreski 1954; Marwick 1974). After the First World War, the American veterans' movement became a strong political force, which induced the government to guarantee extensive social and medical care for their members. Both the Second World War and the Vietnam War, fought by huge numbers of conscripted soldiers, were periods in which the pressures for democratisation and equality were strong. The abolition of conscription, induced by the relaxation of relations with the Soviet Union, meant that this basis of interdependence and the diminishment of inequalities between different social strata disappeared.

Likewise, central to figurational theory is the view that culture or shared mentality is not separated from human interdependencies; that culture does not refer to the realm of the human mind outside or above social relations, but at any given moment is the result of social learning processes and as such a function of relations of interdependence. This insight can be used to understand the characteristics of American culture that have been advanced here to explain the extraordinary growth of inequality: the legacy of racism, and the pervasiveness of the individualistic-meritocratic ethos. While both traits have a long tradition rooted in American history, they have been mobilised in different ways and degrees in different periods, depending on changing power-interdependence relations. When power differences are strong and increasing, there is a growing tendency among the less privileged to identify with the more privileged and to stress the differences with groups who are even lower on the status scale. [5] [#N5] This tendency has been observable in American society since the 1970s (Mennell 2007: esp. 313). With increasing power disparities between the economic elite and the large majority of the population, coupled with the formal elimination of racial segregation, members of the white middle and working classes increasingly tended to stress their distance from the 'underclass', the welfare dependent poor who are largely identified with racial minorities. And with this same shift in power-interdependence relations, the tendency among the less privileged to identify with the highly privileged and to accept and internalise the meritocratic legitimations of social inequality, only became stronger.

Final remarks

It can be concluded that the power-interdependence model offers a theoretical basis to explain not only the overall tendency of increasing socioeconomic inequality in Western national societies, but also the relatively strong increase in inequality in one of these societies, the United States. To explain this specific development, the general formula 'the weakening of interdependencies within nation-states is related to the strengthening of international interdependencies' is not sufficient. It remains crucial, however, to connect processes on the national level with processes on wider, international levels. The observed increase in inequality in the United States cannot be only reduced to internal processes, as if these were unrelated to developments in the rest of the world.

While the power-interdependence model is a valid and fruitful basis to interpret and explain inequality trends, as I hope to have shown here, it cannot be applied as a simple device. It is a framework in which various intertwined economic, political and cultural processes are brought together. The statements about the interconnections advanced in this article are to some extent hypothetical, even if they are highly plausible on theoretical and empirical grounds. Only further research will be able to confirm, specify, amend or, if necessary, correct them.

Finally, it should be emphasised that this figurational model is non-deterministic. It leaves room for unpredictable events that have an impact on the course of developments, and collective actions that go 'against the stream'. Growing socio-economic inequality may have different, even contradictory social and cultural consequences. On the one hand, as remarked, it tends to lead to an increasing identification on the part of the less privileged with powerful groups, which reinforces inequality. On the other hand, it may evoke feelings of injustice and moral outrage which form the motivational base of social movements opposing inequality (Moore 1978). While the first type of response has been dominant since the 1980s – in the United States, but also in Europe – oppositional responses have come more to the fore in recent years, although, until now, they have been too weak to have much effect on the actual trends.

A central question in this context is, what are the choices open to various relevant actors, what are the consequences of their (chosen) actions, and to what extent are they able to foresee these consequences? One lesson may be drawn from this paper's argument: groups who wish to stop and reverse the trend of rising inequality in their country do better to look beyond the national borders. While there are good reasons to criticise a policy that merely stimulates the free cross-border movement of goods, capital and people, one should be wary of just opposing 'globalisation' as only a negative force and cultivating illusions of a return to national autonomy. It is not globalisation as such that has led to increasing inequality within national states, but rather the form this process has taken since the 1970s – the increasing openness of international markets without corresponding political coordination and regulation, let alone democratisation, on supranational levels. [6] [#N6] Political action in favour of more equality will only be effective if its aims reach beyond the boundaries of the national state.

Endnotes

1. Which does not mean that the differences between the other Western countries are unimportant. Present-day income inequality is also relatively large in other Anglophone countries such as, notably, the United Kingdom (OECD 2011: 22–28). [#N1-ptr1]
2. The categories 'Western' and 'prosperous' are of course not identical, but they still largely coincide. The most important exception is Japan, to which this paper's argument also applies. Special cases of non-Western prosperous societies such as the city-state of Singapore and the rich oil states of the Middle East fall outside the scope of this article. [#N2-ptr1]
3. The debate among economists focused on the question whether technological change or the extension of international trade is more important in causing growing wage inequality, with most economists giving more weight to technology. This question cannot be answered easily, however, since 'technology' and 'trade' are strongly interconnected, and economic internationalization or globalization comprises much more than the growth of international trade (cf. Schmitt 2000). [#N3-ptr1]
4. As Piketty himself put it, this is 'a question for sociology, psychology, cultural and political history, and the study of beliefs and perceptions at least as much as for economics per se' (2014: 333). [#N4-ptr1]
5. As argued extensively by Elias (especially 1994) in his discussion of 'established and outsider relations'. [#N5-ptr1]
6. This also pertains to regional levels such as, in particular, that of the European Union and, within the EU, the Eurozone. Until now, the EU has mainly developed into a 'stateless market' (Kapteyn 1996) in which political coordination and regulation lags far behind market integration. One consequence is a negative policy competition between the member states, each of which attempts to make itself attractive for international capital by, for example, lowering taxes on corporate profits. The same mechanism can be observed on the global scale. [#N6-ptr1]

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