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A girl in a London slum in the 1960s.

ECONOMICS

The architecture of inequality

Aaron Reeves surveys five books on the defining social, political and economic issue of our times.

Donald Trump's election to the US presidency and Brexit — Britain's impending divorce from the European Union — have both been read as populist rejections of rising inequality, driven by economic and political elites. But democracies do not necessarily reduce inequality. Nor is it clear that Trump or UK Prime Minister Theresa May (or French presidential hopeful Marine Le Pen, for that matter) will disentangle elites, state power and money. Indeed, a number of Trump's Cabinet appointments — such as Wilbur Ross, commerce secretary and billionaire businessman — merely replaced Washington insiders with corporate insiders, whose vested interests have been vigorously questioned.

However much it is in the news, income inequality is an ancient and intractable social, economic and political condition. Now, five books examine its inevitability, in terms of both political economy and consequences. They take up the baton from social scientists Thomas Piketty, Tony Atkinson, Richard Wilkinson and Kate Pickett, whose books have reignited this global debate in the past decade. Piketty's *Capital in the Twenty-First Century* (Belknap, 2014) tries to hold economics and politics together. He argues that inequality is a product of fundamental laws of capitalism, and would be amenable to change through a global tax on financial transactions. Atkinson's *Inequality* (Harvard University Press, 2015), with Wilkinson and Pickett's *The Spirit Level* (Allen Lane, 2009), contends that inequality can be curtailed through greater government intervention in technological development and labour markets. What do the five new studies add?

After Piketty, edited by Heather Boushey, Bradford Delong and Marshall Steinbaum, responds to what the editors describe as academic economists' less-than-healthy reaction to Piketty. It asks an interdisciplinary crowd of social scientists to tug at the various threads of his argument to see whether it unravels. (It also includes a fascinating essay from an emboldened Piketty on issues such as the potential of collective bargaining to reduce inequality generated by capitalism.) The book serves as a fantastic introduction to Piketty's main argument in *Capital*, and to some of the main criticisms, including doubt that his key equation — $r > g$, showing that returns on capital grow faster than the economy — will hold true in the long run.

It also contains thoughtful interventions in debates about the political economy of inequality. Economist Branko Milanović, for instance, documents how sharing capital more equally across the population could weaken the impact of a rising capital share (when those who own capital gain more of an

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economy's income). Stemming the tide of rising inequality in a period of slow growth may require redistribution of capital, not just income.

This idea also lies at the heart of sociologist Thomas Shapiro's *Toxic Inequality*. Shapiro, a public-policy specialist, explores the fault lines of race in the landscape of inequality. The book draws on two sets of interviews with 137 US families of different ethnicities and levels of income over a decade, and argues that class must not eclipse race as an explanation of wealth inequality. The gap in median net wealth between white and African American households almost trebled between 1984 and 2013. Piketty's equation is not race-neutral. Navigating upheavals such as illness or job loss was much harder for the African American families Shapiro studied: many of their parents had been locked out of opportunities for wealth accumulation, such as home ownership. Shapiro argues that virtues such as thrift or dedication are not enough to overcome these disadvantages — especially when policy (that is, health-care coverage and housing regulations) makes it harder to build wealth. Yet he doesn't fully explore whether interventions such as reforming private-pension policy would overcome decades of accumulated advantage.

"Compressing the bottom of the income distribution is not enough. You need to compress the top as well."

One possible policy solution is basic income, under which all citizens of a country are regularly issued an unconditional cash payment. This is not a new idea, as social ethicist Phillipe Van Parijs and political scientist Yannick Vanderborght demonstrate in *Basic Income*, but it has been much discussed in recent years, and social experiments pop up with some regularity. Finland, for example, is running a trial in which 2,000 unemployed people are being paid €560 (US$590) per month — and the payments will continue even if they find work.

The book is likely to become a primer on core debates, such as the scheme's overall feasibility, but its most striking aspect is how the authors make their argument. They justify a basic income not as a tool with which to address inequality, but rather as an "instrument of freedom". Theirs is not an economic argument, although they explain the disincentives lucidly. Nor is it a social-justice argument, although a basic income would reduce most measures of inequality if set (as they suggest) at 25% of gross domestic product per capita (which would work out to $1,163 per month in the United States). It is a philosophical argument driven by concerns about liberty, and it cuts across the political spectrum.

A basic income, however, would not necessarily solve the problems that Keith Payne documents in *The Broken Ladder*. Drawing on experimental psychology, Payne argues that the amount of money you have is not the main determinant of well-being; what matters is how you feel about it. The problem of inequality is relational, not economic. Poverty unquestionably harms health, encourages bad decisions and creates instability. But the key message of Payne's book is that people who are not deprived may act as if they are — because they feel relatively poor.

Compressing the bottom of the income distribution through, for example, a basic income is not enough. You need to compress the top as well. When it comes to how this should be done, however, the implications of Payne's experiments are less clear. They hint at why inequality harms people, but they do not demonstrate that merely "shortening the ladder" (that is, reducing inequality) will improve well-being. Consider a society that taxes the rich and simply throws their money into the sea. Will this society be better off, healthier and happier? If not, then how societies reduce inequality matters.

For historian Walter Scheidel, this is precisely the problem. In his magisterial sociopolitical history *The Great Leveler*, inequality is shown as preferable to the alternative: society levelled by vast upheavals. As he shows in a narrative spanning the whole Holocene epoch (starting 11,700 years ago), the rich have been dispossessed only by wars, plagues or cataclysms such as the French Revolution. And deliberate levelling programmes, including welfare states and the deepening of democracy, are the product of conflict. It was the Second World War that spawned the British National Health Service.

ESPEN RASMUSSEN/PANOS

Charles Edward lives in a factory in Michigan.

After Piketty: The Agenda for Economics and Inequality
EDITED BY HEATHER BOUSHEY, J. BRADFORD DELONG AND MARSHALL STEINBAUM
Harvard University Press: 2017.

Toxic Inequality: How America's Wealth Gap Destroys Mobility, Deepens the Racial Divide, and Threatens Our Future
THOMAS M. SHAPIRO
Basic: 2017.

Basic Income: A Radical Proposal for a Free Society and a Sane Economy
PHILLIPE VAN PARIJS AND YANNICK VANDERBORGHT
Harvard University Press: 2017.

The Broken Ladder: How Inequality Affects the Way We Think, Live, and Die
KEITH PAYNE
Viking: 2017.

The Great Leveler: Violence and the History of Inequality from the Stone Age to the Twenty-First Century
WALTER SCHEIDEL
Princeton University Press: 2017

Scheidel concludes that ridding ourselves of inequality inevitably involves great suffering.

Scheidel also shows that the pressures that drive inequality pre-date not only capitalism, but the state itself. They began with the shift towards agriculture that ignited the "Great Disequalization" of the Holocene, manifested in the elaborate burials of the few. Later, inequality actually contributed to the development of the state, allowing elites to create collectivized mechanisms of extraction and accumulation, for example through slavery.

Scheidel's political economy of inequality is remarkably consistent across eras, despite dramatic shifts in configuration. Political and economic elites have always had close ties, and — for Scheidel — the difference between Trump's Cabinet and the senate of ancient Rome is only a "matter of degree".

Fear of communism after the world wars motivated elites in the West to create social security and, in some cases, universal health care, resulting in sustained levelling. Inequality is certainly on the political agenda now, but motivations are different. Economic elites fear slow growth and the retrenchment of free trade. These are real threats to generating shared prosperity and reducing poverty. But they are unlikely to prompt substantial restructuring of the distribution of income and wealth within countries. What's clear from these five very different takes is that, notwithstanding the rise of populism and resentment among the people who feel left behind, inequality is not going away. ■

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