

Book Review

Anthony H. Atkinson

Inequality: What Can Be Done?

Cambridge, MA: Harvard University Press, 2015

Reviewed by Howard A. Doughty

Apart, perhaps, from some provocative screeds from unrepentant social Darwinists, a few guileless remarks in the diaries and personal correspondence of plutocrats or the excited campaign utterances of US presidential candidate Donald Trump, few people openly advocate excessive inequality. Especially when speaking of equality under the law, equality of opportunity and equality in the sight of God, it is considered prudent to comment approvingly of the democratic impulse to encourage fairness. In addition, even when addressing the more controversial concept of equality of economic condition and acknowledging the fact of significant and sometimes increasing differences in income and accumulated assets between the rich and the poor, it is required of us that we speak disapprovingly about “inequity” or unjustified inequality and at least to comment vaguely on the importance of reducing or at least ameliorating the effects of abject poverty. So, we are familiar with business, government and opinion leaders in the mass media making pleas for assistance to the destitute, whether the homeless in otherwise prosperous modern metropolises or starving infants in the dreadful conditions of various “failed states.” Expressions of compassion are socially *de rigueur* in polite society.

However self-serving and possibly hypocritical we may be, it must be admitted that some indicators of rising prosperity have been visible in recent history and that some current initiatives to address global penury contain seeds of hope. From experiments in stimulus packages and temporary bail-outs of failed financial and industrial institutions in advanced economies to the positive success stories coming from some formerly “third-world” countries such as Singapore and Taiwan and the immense and potentially dominating positions of countries such as China and India, there are definite signs that a new, if volatile, postcolonial economic order is emerging. Although unalloyed optimism is plainly premature, the dynamics of global economics no longer seem predestined and intractable.

For reasons that are unclear to me, much of the good news (at least in the form of proposals for helpful innovation) has come and is continuing to come from the United Kingdom, the world’s last openly and proudly unrepentant imperial power.

The most obvious source of optimism (apart from the musings of Karl Marx as they filtered out of the British Museum in the third quarter of the nineteenth century) is the work of John Maynard Keynes. His ideas for wise economic policy are generally credited with pointing the way out of the Great Depression of the 1930s. He was also the prime theorist behind the basic framework of global monetary and international exchange policies that facilitated political stability and economic growth through the instrumentality of the General Agreement on Tariffs and Trade (1947). The GATT, of course, was largely superseded by the World Trade Organization in 1995 and a good deal of its commitment to generosity and common developmental goals appears to have been sapped by an overriding belief in the increasingly discredited strategy of austerity as a cure for problems of international debt and domestic economic stagnation. Still, insofar as tonic tactics for equity and prosperity have worked to promote the material interests of individuals and a selected number of nations, it is reasonable to give the eminent Mr. Keynes a good portion of the credit.

Less well known to the general public, however, is Sir William Beveridge. A “legendarily cautious English scholar,” according to Thomas Piketty (2015: 26), Beveridge authored the famous report in 1942 that outlined the steps that he considered necessary to eliminate privation and want from Britain. The reforms he advocated may not have been fully translated into practical policy and therefore may not have achieved his lofty goals, but he did build the theoretical foundation for the British system of social security and universal health care that became an early model for subsequent welfare innovation in many liberal democracies—at least until the post-1980 reversals both in Britain and throughout much of the late capitalist world.

I was rather shocked when I looked at the whole sequence of legislation that took place in the 1980s—it was one bill after another reducing the powers and putting obstacles in the path of trade unions. Even in the 1950s, JK Galbraith was talking about the need for “countervailing power”. And it’s even more needed now.

– Anthony Atkinson

In *Inequality*, Anthony Atkinson presents one of the few arguments that rival the comprehensiveness and eminent good sense of his progressive predecessor. Beveridge, we should remember, was optimistic about the potential of the welfare state to promote human development and he took the circumstance of the most devastating war in human history as an opportunity to ban want, disease, ignorance, squalor and idleness—the five pillars marking the path to progressive post-war reconstruction to be built upon the open field of renewal. He described his time as “a revolutionary moment in the world’s history ... a time for revolutions, not for patching” Beveridge (1942, Pt. 1: 7). His enthusiasm may have been excessive at the time and certainly looks even more so during this era of neoliberal triumphalism; however, the growth of modest prosperity, relative economic security and moderately increasing equality and equity that prevailed in advanced nations from roughly 1945 to about 1980 should not be entirely

counted. Moreover, while some may not think that our current ecological and economic difficulties are more potentially catastrophic as the global challenges following World War II, it certainly cannot be said that these are quiet times by any standards. Moreover, whether “revolutionary” or merely “critical” is the better adjective to describe contemporary circumstances, we should at least remind ourselves that the Chinese expression for “crisis” combines the symbols for “danger” and “opportunity” and appreciate that Atkinson’s book alerts us to one rather dramatic and ultimately optimistic version of the *opportunity*.

Anthony Atkinson has amassed a commendable record of publication as scholar and economic analyst. In this book he ventures into political reformism and provides a powerful plan of action not only to help us negotiate the tempestuous seas of political and economic uncertainty, but actually to move us several steps forward on a decisive path to a more humane future.

As Atkinson sees it, Margaret Thatcher’s break from decades of progressive tax reform set a pattern for the British economy that remains to this day. Her intellectual soul-mate, Ronald Reagan, did the same in the United States and other Western leaders quickly followed. Even partisan switches did not seem to matter much. For example the American shifts to the Democratic Party’s Clinton presidency and, later, to the Obama presidency perpetuated and sometimes amplified Reagan’s policies. Likewise Britain’s swing to the Labour Party under Tony Blair did not fundamentally reverse (some would say vigorously extended) neoliberal ideology. The results have been somewhere between disappointing and devastating for all but the upper 10% of the population or fewer.

If we take climate change seriously, we’re going to need to spend a fair amount of our resources dealing with that. As a result, there are going to be times when GDP is rising but incomes are not rising as fast.

- Anthony Atkinson

Complicated by such factors as the seemingly permanent war in North Africa, the Near and the Middle East and, increasingly, by natural forces including the early ravages of climate change, the mass transfer of wealth from the working and middle classes to the already wealthy has only intensified. Meanwhile, the reordering of the labor process including the decline of industrial trade unions and the normalization of precarious employment has contributed mightily to the overall drift toward economic stagnation, the decline of manufacturing and the flat-lining or the actual decline of income for all but the very richest citizens throughout many of the OECD countries but, for Atkinson’s purposes, especially for the United Kingdom.

Inequality presents the argument that the dynamics of inequality are not just morally unconscionable from the viewpoint of the poor and the soon to be poor, but that they are unsustainable in any country hopeful of a prosperous future. Growing poverty, it appears, isn’t

just a shame for those suffering it, but it is also a symptom of systemic decline. If this premise is accepted, the practical question is plainly expressed in Atkinson's subtitle: "What can be done?"

I propose a minimum inheritance (or capital endowment) tax.
Inheritance is not a bad thing, as such. It's just very unequal. –
Anthony Atkinson

While political leaders across the ideological spectrum recoil in horror from the mere hint that their economic plans might include increases in taxes in any form, and with specific proposals for such measures as a "carbon tax" now terrifying consumers and aspirant leaders alike, Atkinson embraces a range of higher rates of taxation. A redistribution system anchored in a progressive taxation policy that would counter the neoliberal pattern of taking from the middle and working classes and giving to the rich is, he says, important, but both insufficient and impractical in light of current political opinion both in senior government offices and on the streets. The rich wouldn't permit such a massive reversal of fortune, and it wouldn't do the job anyway—at least not on its own.

In addition to restoring past tax rates, therefore, Atkinson has other plans in mind. He laments the fact that policy makers have been sublimely indifferent to technological advances when it comes to their actual socio-economic impact. Efficiency and productivity are measured in utterly inhumane algorithms. There is no doubt that the high technology of the past half century with its focus on computers is merely the first step in a much more significant transformation in the nature of capital, labour, production and distribution of goods and services. So, he insists, it is essential to take the human factor into account and make it the central theme. Innovation in technology and work must be encouraged, he says, in ways that increase not mere productivity but, more importantly, the employability of the labour force.

Atkinson also concentrates less on the rich (who were the people of primary concern to his protégé, Thomas Piketty (2014; Doughty, 2014) than on the poor. He is fond, for example, of quoting R. H. Tawney, who famously pointed out that "what thoughtful rich people call the problem of poverty, thoughtful poor people call the problem of the rich" (Qtd. in Derbyshire, 2015). So, if we accept any significant part of the labour theory of value as constructed by classical economists such as David Ricardo and later used for his own purposes by the foremost critic of political economy, Karl Marx, the origin of wealth starts with human labour; therefore, the most expeditious and righteous route to a just society must include some sensible restoration of that wealth to the people who initially produced it and ultimately to those who have fallen even further down the income ladder.

Tony Atkinson is the godfather of historical studies of income and wealth.
– Thomas Piketty (Qtd. in Chu, 2015)

Atkinson's preferred means to accomplish this restoration, however, are unusual. In addition to skimming something off the profits of the corporations and the dividends of the stock owners and delivering the proceeds to the less advantaged through social programs of various sorts, Atkinson advocates the literal sharing of the wealth. His radical suggestion takes the form of a new set of rights that apply to all citizens. These include not only the familiar notion of statutory living wage with guaranteed minimum-wage jobs for the unemployed, but also the more innovative idea of democratic access to capital. Specifically, Atkinson has in mind a manageable increase in estate taxes from 1% on property worth between £125,000 and £150,000 up to 7% on property valued at more than £2,000,000. This would, he says, provide sufficient funds for a legacy of over £5,000 to each young person when they turned eighteen years of age. Moreover, with only a slight increase in income tax for the richest members of society, the sum could more than double to something in excess of £10,000. Thus furnished with a sort of personalized venture capital, young people could embark upon adulthood with a "grub-stake" to begin their productive lives. The principle of "inheritance for all," is just one of Atkinson's ideas for achieving increased equality, equity and overall prosperity.

Progressive income tax, of course, is not abandoned, but Atkinson reckons that his proposed reforms could eliminate poverty and promote prosperity with a maximum marginal tax rate of 65% for the wealthiest Britons—a level that might seem high by contemporary neoliberal standards, but is much below the rates in excess of 90% that were in place in the USA during the Republican administration of President Eisenhower—an era that contemporary Americans on the political right enjoy holding up as the "good old days."

Atkinson adds a number of reforms strengthening the powers of trade unions, a Public Investment Authority to manage a robust inventory of state investments, a proportional property tax, child benefits and a realistic commitment on the part of the United Kingdom and all wealthy countries to development aid equal to 1% of their gross national incomes.

The body of reforms that Atkinson is floating goes some distance beyond those proposed by William Beveridge. It certainly exceeds the written record of reforms advocated by John Maynard Keynes. It should, however, be kept in mind that the historical tendency of capitalism has been to come close to destroying itself only to be rescued by people espousing economic theories for which it previously expressed open contempt. If Keynes helped restore capitalism after the Great Depression and Beveridge ensured the stability of capitalism in the wake of World War II, surely it is not too much to imagine that Atkinson's cure for the beast's current excesses are the least that are required if it is to regain its health ... until the next time.

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