

## Review Article

### **Inequality. What Can Be Done?**

Anthony B. Atkinson

Cambridge, MA: Harvard University Press, 2015, 384 pages, £19.95 (hbk. and ebk.)  
ISBN 978 06 7450 476 9

### **Why We Can't Afford the Rich**

Andrew Sayer

Bristol: Policy Press, 2015, 433 pages, £19.99 (hbk.), £19.97 (ebk.), £9.99 (pbk.)  
ISBN 978 14 4732 079 1 (hbk.); 978 14 4732 086 9 (pbk.)

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Much has been written recently about growing inequality under contemporary capitalism – and much more undoubtedly will be. Some of it is little more than (often empty) rhetoric lacking a convincing research base; some of it is little more than hand-wringing – we're doomed!; and some is impressive. The two books reviewed here certainly fall into that last category. They are very different but both are eminently readable without any prior knowledge of disciplinary scholarly apparatus. They illustrate the best of two very different types of British academic scholarship; those that address the world as we currently experience it, showing us why that is so; and those that explore whether we can change what to both authors – and to many others too – are highly undesirable characteristics and trends.

Tony Atkinson is a distinguished economist, who has spent much of his career analysing income distributions and associated inequalities and considering ways of moving to a more equal society, largely within its current parameters/paradigm. His subtitle – *What can be done?* – illustrates his obvious concern, indeed frustration, regarding the current situation, which has stimulated his essay into not only understanding why inequality has increased so substantially in recent decades, but also what feasible policies could reverse that trend.

The first of the book's three parts provides the diagnosis – just over one hundred pages of easily-read, careful analysis; no economists' equations or jargon, and a few clear diagrams. Atkinson clarifies the difficulties in addressing the issue – are we concerned with inequality at the individual or family/household scale, for example, and how exactly do we measure total income (money plus benefits in kind) and wealth. Along with Piketty (2014) – with whom he has worked – and others he stresses the changing balance between income from capital and labour over time and how that impacts on inequality levels. But that balance was not always tipping towards greater

inequality: recent periods – of war, and of extensive welfare state provision – have witnessed inequality falling. Atkinson holds that this can happen again, albeit taking changing contexts (globalisation, technological change) into account.

The book's second, and longest, part contains his proposals for action. There is much more to his argument than simple 'taxing and spending'; this is very much a work of political economy, not 'pure' economics. Thus alongside taxation rates Atkinson also addresses how a society (basically the UK) both prepares for and encourages positive technological change and also makes changes to the balance of economic power – to labour's advantage.

Thirteen proposals form the core of Atkinson's programme for a more equal society, covering technological change, greater union power, a distributional element to competition policy, a national living wage, a real rate of interest on savings in government bonds, a capital endowment for every adult, and a public investment policy – as well as more progressive taxation (on property as well as income) and an earned income discount. Alongside them are five 'Ideas to pursue', including a wealth tax.

Is all that feasible? Part 3 addresses three possible criticisms: whether it will reduce the 'size of the cake' (whether redistribution will hinder growth); whether globalisation means that such policies will fail if they are based in a single country only; and whether it is affordable. On the first Atkinson accepts that growth might be affected (but only might, and not to any great or worrying extent – it could be slowed slightly); on the second, globalisation has created constraints, but governments still have substantial choice sets; and on the third, his calculations suggest that a revenue-neutral budget outcome from significant changes in income and wealth distributions is entirely feasible.

But how significant? If all of his policy suggestions are implemented, the widely-used Gini coefficient measure of inequality – currently at 32.1 for the UK – could be reduced by three points, which he considers salient.<sup>1</sup> That would return us to 1983 levels, with a significant redistribution of income away from the top three deciles of the current distribution to the lower and middle income groups. Could we go further, to where it was in the 1960s and 1970s? Atkinson prefers not to set a (utopian) ultimate destination for an ideal society, but rather to outline what is possible and what should remove the gross inequalities currently experienced. Some may be convinced, others disappointed – and not share his optimism regarding both the potential of governments to implement his preferred policies successfully (having read King and Crewe (2013) on *The Blunders of Government!*) and the efficacy of 'national talking shops' such as his preferred Social and Economic Council. (What success do we attribute to the National Economic Plan produced by Wilson's Department of Economic Affairs, or the National Economic Development Council?!) And will the changes, if achieved, ensure sufficiency for all – however that might be defined – or just a little less concern about the riches of the few, whom few of the rest of society ever encounter?

Sayer's is also a book of political economy – but nevertheless very different. Atkinson is clearly concerned (upset) about the current inequality trends: Sayer is angry – and his anger not occasionally surfaces. His goal is narrower than Atkinson's in one main respect – although he has proposals for the future, his stress is on the diagnosis. And stress is the right term. The entire book is a clinical and massively impressive analysis of contemporary (especially UK and US) capitalism – in particular of its language, how seemingly innocent words like entrepreneur are used in a loaded way to portray in positive lights activities that have negative consequences for inequality. Nothing illustrates this better than the chapter on 'Interest ... for what? or We need to talk about usury'.

The book has five parts: 'A guide to wealth extraction' coruscatingly lays contemporary capitalism bare; 'Putting the rich in context' then analyses how income and wealth inequalities have been growing; which leads into 'How the rich got richer: their part in the crisis'; followed by 'Rule by the rich, for the rich' which unpicks their political takeover without any conspiracy; and finally 'Ill-gotten and ill-spent: from consumption to CO<sub>2</sub>' shows how we are destroying the planet – leading into the brief conclusion 'So what now?'.

Sayer, like Atkinson, sees inequality increasing when the balance between earned and unearned incomes – between rents, on the one hand, and wages for producing something (or facilitating production), on the other – moves towards the former. But he goes much further than Atkinson in elucidating not only how much income is now unearned, by rentiers, but also how this is facilitating the accumulation of great wealth by the super-rich. His is a wider political economy too. Part four looks at how the rich exercise political power – directly and indirectly – within a plutonomy (an economy dominated by a plutocracy), how much of their wealth is hidden (from the taxman), and how they operate legally but also, according to many people's ethical standards, corruptly, to amass great sums of money that are then spent on grotesque over-consumption, including massively-inflating housing markets such as London's.

But just reversing the growing inequality is insufficient for Sayer because – as the title of his twenty-first chapter puts it – there is 'The twist in the tale: global warming trumps everything'. So even if the sort of reversal Atkinson and others promote were feasible it would not be enough. Redistribution with growth will accelerate global warming. And so his prognosis is much stronger – more frightening? more realistic? – than Atkinson's. We have to go 'back to basics', to recreate an economy based on provisioning ourselves sufficiently to live well in a sustainable way, which would involve ending all procedures whereby owners extract rent from assets and benefit disproportionately from high interest rates. It requires a very much more active state than we currently have – when so much of the current rhetoric is pointing in the other way (not surprisingly, because it favours the rentiers and exacerbates inequalities). In his final paragraphs, Sayer stresses that his is not a manifesto but rather an analysis showing that we cannot afford the rich and their political economy – they are living beyond our and our planet's needs, and must be stopped.

This is a powerful book, deserving a wide readership. It is dense and detailed, but accessible – a characteristic assisted by Sayer's sardonic wit and his excellent boxed examples (one book where these are really welcome and not part of the 'dumbing-down textbook' movement). Every page makes you stop and think because he is continually addressing the first principles of contemporary capitalism; you may question some of the arguments, but you will need powerful rebuttals to demolish them.

I read Atkinson's book first, and emerged somewhat optimistic: the 1980s weren't that bad – though I think I preferred the 1960s (when I lived in New Zealand - then truly a very equal welfare state). Could we get there again (through social democracy), and would it then be sustainable? Reading Sayer's book then made me pessimistic; the system is so complex and so weighted now towards the rich that I doubt a viable future is possible under our form – or any other – of social democracy; and even if it was, would it be sustainable, or are my grandchildren bound to witness a world in perennial and unresolvable crisis – whatever the future size and shape of the European Union?

## Notes

1 Data recently released by the Office for National Statistics on recent trends in inequality clearly illustrate Atkinson's point regarding how it is measured. (See <http://www.independent.co.uk/news/uk/politics/report-finds-that-britains-wages-are-the-most-unequal-in-europe-10259077.html> - accessed 19 November 2015).

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