Book Review

The Inequality Crisis, edited by Edward Fullbrook and Jamie Morgan

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Inequality has historically been neglected by economists (Atkinson 1997; Wade 2012; Eyler-Driscoll 2018; Cook and Opoku-Agyeman 2019). In the last decade-plus, however, economists have increased their focus on inequality (Fox 2016; Abrahamian 2018; Kleven 2018). The most obvious reason is the increase in income inequality in the U.S. in the past half-century (see, for example, Tcherneva 2015, Piketty, Saez, and Zucman 2016). Observers have also cited the impact on livelihoods of the financial crisis of 2007-2008 as a spur to this increased attention (Fox 2016), along with the political reactions to that crisis such as austerity politics and the occupy movement (Morgan 2020). Others argue that the election of Donald Trump in the U.S. and other right wing populist political movements have been connected to the failures of the global economic system, including inequality (Pettifor 2017), and that these phenomena may also have helped spur this newfound focus within the field. Other catalysts of change have come from within the profession itself, most notably the massive success and attention afforded Thomas Piketty's (2013) *Capital in the 21st Century*, which created an impetus for response from critics and supporters alike (see, e.g., Boushey, DeLong, and Steinbaum 2019). Indeed, many of the essays in the volume reviewed here include reactions to and critiques of Piketty's work. Also relevant is the increased and easy access to data measuring inequality, beginning with Klaus Deininger and Lyn Squire's (1996) international set of Gini coefficients 25 years ago.

Among the central questions of *The Inequality Crisis*, a collection of essays published by the World Economics Association, is why inequality was relatively ignored for so long by economists, and the extent to which economics in its current form is equipped to explain inequality now. In his introduction to *The Inequality Crisis*, Edward Fullbrook discusses the inability of the economics profession to focus on the societal and ecological outcomes of the economic system, which include economic inequality. Fullbrook discusses his hope that this collection of essays will offer a partial corrective to these blind spots of economics, and perhaps some potential paths forward. The collection is edited by Fullbrook, one of the founders of the World Economics Association (WEA) and Jamie Morgan. Fullbrook

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and Morgan are co-editors of the *Real-World Economics Review*, the journal of the WEA. The WEA was founded as a pluralist, international alternative to the American Economics Association and other similar, country-based associations. The *Review* reflects that pluralist, international perspective, as does this book, which originally appeared as a special issue of the *Review*. The essays address many facets of economic inequality from a variety of perspectives and theoretical alternatives.

Many of the essays in this collection focus on the inadequacies of mainstream economic theory in explaining and addressing inequality, and the real-world consequences of these inadequacies through their impact on policy and public perception. Economic theories that support desired policy outcomes may be favored at elite institutions that have influence on policy. For example, Robin Broad (2006) contends that the World Bank's research department aimed for "the confirmation of a priori neoliberal hypotheses" (p. 388), while Robert Wade (2001) describes how the World Bank, under political pressure, reduced its focus on inequality in a draft of the World Development Report. Choices about how data is presented and how information about social phenomena is portrayed also affect popular perception. Research shows, for example, that exposing people to information about inequality affects those people's views on whether inequality is a problem, and whether policy should be used to address that problem (McCall et al. 2017; Hoy and Mager 2018).

Several essays in the collection focus on current levels of inequality as a challenge to economic theory. Morgan's essay focuses on how economists' capacity to think through problems of poverty and inequality has been shaped by what economic theory encourages its adherents to think, and what it discourages them from thinking about. For example, Morgan argues that neoclassical economics' insistence that all factors are paid based on productivity does not allow for a focus on considerations such as power, social stratification, and social conflict in explaining disparate incomes. Peter Radford argues for better conceptions of freedom, and of what types of inequality are important, than the current version of economics has to offer. Erik S. Reinert writes on two major blind spots in neoclassical theory: its inability to deal with the reality of increasing returns in manufacturing, and its failure to make a distinction between productive and financial capital. These blind spots lead to policy failures in trade and monetary policy, respectively, which in turn have contributed to inequality. James Galbraith and Jaehee Choi also discuss the history of inequality in modern economics theory and the relationship of that history to forces shaping inequality. For example, relying on theoretical arguments counter to mainstream economics, they stipulate that lower inequality and/or higher wages could be good for growth and employment. Steven Pressman offers a critical view of Piketty's work, discussing both *Capital in the 21st Century*, and his follow-up work, *Capital and Ideology*. Pressman argues that Piketty's latter work has more fully rejected neoclassical theory in favor of a focus on history, ideas, and societal context. However, Pressman writes that Piketty's policy recommendations, focused on a wealth tax, still fall short of the broader structural changes necessary. David Ruccio uses data to refute the claims of some economists attempting to downplay the increase in inequality, then presents Marxian surplus value extraction as a superior explanation for inequality than either neoclassical economics' "rent-seeking behavior" or Piketty's work.

Robert Wade's essay focuses on the theory of "convergence" between wealthy and less wealthy countries. The claim that less developed countries are catching up can be useful as a political defense of current policy regimes (Hickel 2017). It has been repeatedly demonstrated, however, that changing how inequality is defined or measured produces very different answers on whether global inequality is improving, and on whether convergence is taking place (Atkinson and Brandolini 2004; Atkinson and Brandolini 2010; Bosmans, Decanck, and Decoster 2014; Hickel 2017; Nino-Zarazua, Roope, and Tarp 2017; Martin. Ravallion 2003; Martin Ravallion 2018; Greenstein 2020). The theoretical and empirical approach to answering this question has important political and real-world implications. Wade explains the weakness of the dominant north/south, developed/underdeveloped framing of understanding global inequality. The creation of this dichotomy, Wade argues, obscures the interdependence of the "north's" economic success and the "south's" economic struggles. Wade further notes that convergence theory fails to match observed reality.

Essays by Jayati Ghosh and David A. Westbrook also examine aspects of global inequality. Ghosh explores the relationship between global inequality and the COVID-19 pandemic, highlighting the disparate exposure to illness, and to loss of income, globally. If written only a few months later, unequal vaccine access (Rouw et al. 2021) could have also been included. Westbrook attributes the massive amounts of wealth at the top of the global distribution to the vast markets created by globalization and the nature of digital markets tending towards monopoly. He also makes an interesting theoretical observation about the nature of wealth calculations; the estimation of Jeff Bezos' wealth, for example, is highly dependent on an agreed upon (and somewhat subjective) valuation attached to Amazon stock.

Several essays discuss how inequality is measured and defined, and the impact of those choices. The types of indicators that are chosen to measure social phenomena, and who chooses those indicators, can have important consequences in terms of policy priorities, normative effects on discourse, and popular perception (Merry 2011; Davis et al. 2012; Fukuda-Parr, Yamin, and Greenstein 2014). Victor A. Beker discusses the role that measurement and definition play in understanding the relationship between poverty, inequality, and growth. Beker argues that the use of "relative" measures of income poverty obscures a choice between redistribution (which will reduce inequality) and growth (which will reduce absolute poverty). In contrast, Holger Apel discusses how income growth for the bottom 40% of the income distribution fails as an "inequality" indicator in the Sustainable Development Goals and the World Bank's "shared prosperity goal." This indicator ignores the top of the distribution.

Such an indicator would clearly be preferable to anyone wishing to avoid demands for a policy regime aimed at reducing incomes of the top earners.

Other essays in the collection are more explicitly focused on the question of "what is to be done." Girol Karacaoglu suggests basing policy on "love" of future generations, which would entail maximizing current well-being while preserving resources for future well-being, and decoupling the opportunities afforded members of future generations from the circumstances in which they were born. Geoff Crocker makes the case to alleviate inequality using a universal basic income funded through "sovereign money," meaning money that is issued by the government without corresponding debt. Dean Baker finds the roots of inequality not in markets, but in institutions. No system other than capitalism is presently available, Baker argues, so we must "fix" that system by structuring markets differently to reduce inequality. In particular, Baker trains his sights on patents and copyrights, CEO pay, tax law, and regulations surrounding the financial industry.

Richard C. Koo offers a very different theory of inequality, and a commensurately different solution. Koo expounds a theory similar to the famous Simon Kuznets (1955) and W. Arthur Lewis (1954) models, or, more recently, to Branko Milanovic's "Kuznets Waves" (Milanovic 2016). In these models, economies go through different structural phases as they develop and grow, and the nature of each phase determines the path of inequality. In Koo's iteration of these theories, wealthy economies reach the ultimate high inequality stage when capital is more profitably invested in less-developed countries, simultaneously depressing demand for manufacturing workers domestically and increasing returns to capital. Koo's solution is one unlikely to be popular with most readers of this collection or this review: to change domestic policy through tax and regulations to increase the profitability of capital, and thus enticing more capital to "stay home." In contrast, Ann Pettifor places the blame for global inequality on an international financial system designed to expand markets for creditors and investors. Her solution is an internationally coordinated restoration of public authority over monetary and financial policy to the domestic level. In the final essay in the collection, Marshall Auerback explains the uneven impact of the Covid-19 crisis based on race, wealth, and class, and implores that this crisis should not "go to waste" as an opportunity to reform the economic system.

This collection offers a variety of interesting and useful perspectives on global inequality, and some trenchant critiques on economics' ability to understand and address it. It is genuinely pluralist in that it offers viewpoints from a variety of theoretical frameworks and addresses a diverse set of issues related to inequality. It is extremely timely and worth exploring for those interested in the subject.

One topic that I would have liked to see more thoroughly addressed in the essays is horizontal inequality, in particular inequality by gender and race. Aside from the intrinsic importance of this topic, horizontal inequality would fit well with this collection's critical analysis of the economics profession and the ways that flaws within the field have hampered economists' ability to understand and address inequality. Economics' historical, and contemporary, lack of diversity by gender and race, along with hostility in the field towards women and underrepresented minority groups, has been well documented (Bayer and Rouse. 2016; Wu 2018; Cook and Opoku-Agyeman 2019; Allgood et al. 2019; Rosalsky 2020). These diversity issues in turn are likely to have a limiting and negative influence on the issues that economics addresses and how it addresses them (Bayer and Rouse. 2016), a point acknowledged by some elites in the profession such as Janet Yellen (Chaney 2018) and Ben Bernanke (Rosalsky 2020). This lack of diversity likely particularly affects the approach that economics takes on issues of racial inequality (Spriggs 2020; Francis and Opoku-Agyeman 2020). Understanding inequality as it relates to gender and race is an important goal on its own, but it is also vital to understanding economic inequality more generally. As a result, economics' lack of diversity impedes its ability to address inequality as much as any other issue discussed in this compilation. An essay exploring this connection more fully would have been a welcome addition to an otherwise excellent collection.

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