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BOOK REVIEW

The Distribution of Wealth – Growing Inequality? by Michael Schneider, Mike Pottenger and J. E. King, Cheltenham, Edward Elgar, 2016, 214 pp. £67.50, ISBN: 978-1-78347-643-5

Most books that have a question mark in their title are unreasonably hedging their bets, but not this one.

There is now substantial evidence that inequality in wealth grew until the year 1913 in many countries (see page 177) and then fell continuously after that date until the mid-1970s, only then to begin to grow again, dipping temporarily during the years of the recent global crisis. Right now, we are not at all sure of what is happening. Are we at a peak or just a temporary hiatus in a longer climb to come? Hence the well-deserved question mark at the end of the title of this book. The question of the future distribution of wealth is extremely interesting because it is a genuine question.

A very unequal distribution of wealth can be sustained for some time if a sufficiently authoritarian regime is in charge. Wealth inequalities are greatest in times of slavery and, as the political scientist and anthologist James Scott has repeatedly claimed in books well worth reading alongside this volume, slavery has co-existed with civilisation for almost all the time we have had anything resembling civilisation. The question of the distribution of wealth is largely a question of freedom. When are we most and least free, and how free can we really be in a human civilisation? Will the greedy always take too much?

Michael Schneider wrote the first edition of this book, titled merely 'The Distribution of Wealth' in 2004 without the additional question. Academia owes him a huge debt in having opened up an area of investigation which had mysteriously lain large hidden until then. Kevin Cahill has considered land ownership and John Hills looked at recent wealth surveys, but no one has surveyed so many countries and in such depth. Wealth tends to be a private secret. Its distribution is not publically disclosed. Income is more often taxed; income is declared, not wealth.

Mike Pottenger and John King have joined Michael to bring about a *tour de force*. No reader could ever feel they were denied statistics on almost everything we know with any accuracy about the distribution of wealth. The book is full of tables of data, but it is also packed with insight.

The authors quote Fisher, not R. A Fisher the statistician, eugenicist and geneticist but Irving Fisher, the progressive economist who in 1912 said: "Equality of wealth is an unstable condition and, even if once established, would not endure, because of the unequal forces of thrift, ability, industry, luck and fraud … inequality once established tends, by inheritance, to perpetuate itself in future generations." (89). Note that Fisher was saying this just before that 1913 peak. He could not and did not know what was to come.

Had it been R. A. Fisher saying those words, he might well have added that all this was inevitable because of the differing genes of different individuals. R. A. Fisher believed that some people were just more able than others and so both accumulated and deserved greater wealth. What no one knew back in 1912 is that some people might, genetically, be more acquisitive than others and have an innate tendency to want to acquire more; more money, more qualifications, more power, more wealth. Others – the vast majority of us – are more pro-social and less greedy.

The wonderful thing about innate characteristics is that they are not here forever, they quickly dissipate through the generations. Even with assortative mating the outcome varies. Someone may well be born very greedy, but their children are very unlikely, simply by the chance way in which we receive our genetic inheritance, to be quite as greedy as the greedier (or even the less greedy) of their two parents. And then although the children of the rich often inherit much of their material wealth, they are usually less cursed by their most avaricious parent's biological traits and the wealth is not held onto in greater and greater concentration.

Pity humans on the day when the greedy and rich begin to screen their sperm and eggs for 'greed genes' to produce even more acquisitive versions of themselves to hold onto their wealth after their deaths. But we are a long way from there as yet.

There are remarkable geographical variations in what the acquisitive have been allowed to get away with. This book reveals that the richest of Japan hold the least wealth when the 20 most affluent countries are compared. The richest 10% there hold just 39% of all the Japanese wealth. In great contrast, in Switzerland, they hold 71% and in Denmark the highest proportion is 76%. Denmark enjoys 'income' inequality that is remarkably low, almost as low as in Japan, so quite what is going on there is very hard to gauge. Switzerland is also dramatically more equal when it comes to income inequality than the USA and UK, but when it comes to wealth inequality the best-off 10% in the UK take 'just' 56% of everything and the best-off tenth in the USA reserve 70% of it all for them- selves (85).

Imagine 30 children in a playground or a classroom who behaved like this, where the best-off three kept 70% of all there was, leaving 30% to be shared out among the other 27. Would the other 27 play well with those three? And within those three there would not be much solidarity, as one would own more than the other two combined. Inequalities in wealth are greatest within the wealthiest group.

It is possible that a high level of wealth inequality without high income inequality is not especially harmful, if the wealthy just hold and never spend their wealth. If they dress as if they don't have it, if they live as if they don't have it, rather than flaunt it, is the effect as bad? We don't know. Whether or not the other children know that you are so wealthy, could you be their friend, a good friend, given that you know what you have?

In Australia where all three authors of this book are based, the best-off tenth take 45% of all wealth. Is that good or bad? Is it largely a reflection of Australia's colonial youth or the effect of continued immigration and emigration or of a greater propensity for hiding wealth off-shore if you amass a great deal in Australia? Or are these figures just out of date since the Sydney property market boomed? And was Australia the place that enjoyed the greatest wealth equality for the greatest length of time before the colonisers arrived? These are all questions we are still left with after reading this book.

We are told that 'inequality in the distribution of income accounts for less than half of inequality in wealth, that age differences account for only part of the gap … that non-uniform inheritance also makes a significant contribution [as do] non-uniform saving behaviour, and … rates of return on wealth' (102).

Refreshingly this book takes issue with Thomas Piketty and supports Gregory Mankiw's suggestion that 'the forces of consumption, procreation and taxation are and will probably continue to be, sufficient to dilute family wealth over time' (108). The authors also favorably quote James Galbraith's 2014 conclusion:

> There is new evidence of declining inequality in China and also in Europe after 2008, at least if one takes the continent as a whole. In the US there has been a sawtooth pattern, closely related to the stock market, with inequality peaks in 2000, 2007 and 2013,

> but little trend since 2000 … Perhaps Piketty's Law will vanish – as quickly as it has appeared. (116)

However, Galbraith says little about India or Africa or about the very many tiny tax-haven treasure islands dotted around the planet where a few of the extremely rich live and where most of the very richest squirrel away parts of their fortunes.

This book seriously considers the arguments that greedy behaviour is virtuous behaviour. Quoting Edmund Burke in 1790:

> The characteristic essence of property, firmed out of the combined principles of its acquisition and conservation, is to be unequal. The great masses [of property] therefore which excite envy, and tempt rapacity, must be put out of the possibility of danger. Then they form a natural rampart about the lesser properties on all their gradations. (120)

The wealth of the extremely rich protects the wealth of others.

Edmund Burke was a Whig MP, a man of property and substantial wealth, heir to an aristocratic lineage. If one of his cells could be harvested and his whole-genome sequence derived, we would see, if inclined, whether he was born with the various genes hypothesised to be associated with extreme greed (a psychopathy).

The individual proclivities of those advocating different ideological positions when it comes to the morals of hoarding wealth are not dwelt on much in this book. This might be in good taste, but I was left wondering as to what underpinned Michael Oakeshott's 1956 defence of the sanctity of private property or William Stanley Jevon's 1871 claim that 'every mind … is inscrutable to every other mind and no common denominator of feelings seems to be possible' (121). The un-empathetic Jevons, concludes that we cannot know what distribution of wealth might be preferable and should not be concerning ourselves with such questions. Hardly any women appear in these descriptions of the debates, almost certainly because they were almost always not included, but perhaps their sense of entitlement is not as self-centered?

Isaiah Berlin argued for wealth inequalities in 1956 on the grounds that 'it is only the most fanatical egalitarian that will demand that such conflicts invariably be decided in favour of equality alone, with relative disregard of the other "values" concerned' (128). He partly (but not only) meant that more 'colour and variety in society' were desirable. In contrast, Amartya Sen argued that greater equality resulted in more colour, variety and flourishing, while my colleague Jonathon Wolff is quoted in this book questioning Berlin's conclusions suggesting that they fail to help resolve the conflict of who really should have what – of what a fair distribution might be (128).

The solutions to creating fairness suggested in this volume are drawn from a very wide variety of sources. They include an annual tax on wealth, which almost half of all OECD countries already have in one form or another (139). Another Wolff (Edward Wolff) is favourably quoted explaining that if this were introduced, it 'would redistribute wealth from the elderly to the young, from families to the unmarried and from whites to blacks' (140). Capital gains tax is also an effective tool, and more widely used in affluent countries. In conjunction with all this, handing out wealth to groups that do not have it has an obvious initially equalising effect, as occurs when governments instigate child trust funds for all children or transfer assets at a discount. The authors do not mention it, but at first the sale of council houses at a discount in the UK was a massive redistribution of wealth to the poor (Dorling, 2011).

Taxes on wealth transfers between individuals, including inheritance tax are another break on the growing accumulation of wealth by a few – long advocated but rarely as

carefully examined as here. Additionally or alternatively, the communal ownership of wealth can make us all more equal. Examples range from owning common land, to your nation's health service or the cooperative business you work in or the Cambridge college of which you are a member and sit on the governing body. The last example is not mentioned in this book, but I thought I would add it, as the preface of the first edition of this book, is also included here, Michael Schneider makes mention of the influence on him of studying and researching in Christ's College Cambridge which, as with all such colleges, is communally owned.

The book ends with a warning about the undesirable and often unintended consequences of allowing 'the monied interests' to acquire more monies ranging from their 'undue influence over university appointments in economics' (180) as they sponsor posts, through to their undue electoral influence as they finance political parties and the health damaging, crime creating, opportunity denying, soul destroying, gross inequality that appears to follow in the wake of any period in a place that allows the rich to get richer at the expense of the rest.

There is so much I would not now know had I not read this book. And I thought I knew a great deal about wealth and its distribution. In short, we don't know if wealth inequality is still growing over all, but we do know that it would be very bad if it were still growing today. Most importantly, we now know very many ways in which we can and do collectively choose to control the greedy.

It was a pleasure to read and review this book.

Reference

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