



No sign of recovery the 'mind-boggling' facts in the study are more disturbing when you realise how similar the US is to the UK

A detox diet for Uncle Sam

Tax hike for US elite could fund college for poorest. Danny Dorling on a Nobel laureate's 'corrections'

Rewriting the Rules of the American Economy

By Joseph E. Stiglitz

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Of course it is politicians, not economists, who write the rules. Nevertheless, this is a beautifully written book, and one that can be read in an afternoon. It is short and to the point, a clear, concise and up-to-date book. However, it does not tell the reader how the rules can be rewritten, but simply states how obvious it is that they should be, and outlines what should be put in place of the old rules. *Rewriting the Rules of the American Economy* ends by admitting that what is most needed is a renewed political will, and points out how that will has been hijacked by those with the most wealth in America. It suggests changes to the electoral system to make the US a democracy again – but it doesn't offer one word of advice over how such changes can be realised.

Nobel laureate Joseph Stiglitz, writing here with his colleagues Nell Abernathy, Adam Hersh, Susan Holmberg and Mike Konczal, proposes that voting should be made easier and online voting instituted, and that a constitution amendment is needed to curtail the control of campaign funding by the wealthy and to enable the public funding of parties by matching small contributions with federal funds. All this is laudable, but to achieve it, and the economic rule changes suggested here, it will require more than good intentions and careful explanation. It may require the economic crisis in the US to deepen even further. Most Americans are not enjoying any economic recovery, but is the situation yet bad enough?

The principal changes proposed here are twofold: restore full employment and curtail rent-seeking. Seventy pages of proposal after proposal eloquently list what Americans could try to achieve, but diplomatically do not point out that all of these proposals are, in one way or another already in

place in other more equitable countries. This book is aimed squarely at the American public. It aims to inspire, not shame them. A \$4 trillion (£2.6 trillion) New Deal is described, along with improved union rights; government contracts going only to living wage employers; a rise in the minimum wage; overtime pay; the introduction of sick pay and family leave; and the dismantling of racist and sexist legislation. It is suggested that if the best-off 1 per cent saw their marginal taxes raised by just 5 per cent, then all US public college education could be provided for free, along with early years childcare.

Raising taxes curtails rent-seeking. Laws have been introduced in the past four decades that encourage the richest Americans to exploit their fellow citizens, and these need to be repelled or rewritten. They affect intellectual property rights and international trade agreements that favour only a few elite Americans. But much more is required, including the ability to declare yourself bankrupt and thus unable to repay student and home loans; a surcharge on banking; the regulation of shadow banks; reductions in credit card fees, and, says Stiglitz, "The easiest way to begin addressing executive pay is to adjust the tax code, which privileges compensation of executives."

Since 1960, high marginal taxes have been cut further in the US than in any other affluent nation, thereby not simply reducing the overall tax take from subordinates who become worse

paid (as the rich take more), but also creating "a new incentive to rent-seek that is a more worrying effect of the changing tax rules". Compared with the average citizen, the wealthiest 0.003 per cent of Americans have each benefited 4,000 times more from changes to capital tax rates. Even more astonishing, the richest Americans plan to avoid paying any taxes by passing on their wealth in \$644 billion of bequests in the next 20 years, circumventing estate and other taxes. Entirely legal shenanigans mean that more than nine-tenths of all the increases in income that have been recorded since 2009 have been accrued by the wealthiest 1 per cent of Americans. This book reveals mind-boggling fact after fact and makes you wonder just what sort of dupes the American public are...before you realise that, economically, the most similar country to the US is the UK.

Perhaps wisely, American exceptionalism is hardly mentioned in this book's argument, and almost all sources to the various suggestions appear to be home-grown. Twenty-four pages of preface and introduction have to be read before a non-American is even mentioned, Thomas Piketty, who apparently has "not quite the right explanation, or at least not the full explanation". The authors do have a point. It takes a little more than "r>g" to fathom how the American economy became so exceptionally dysfunctional for the American people.

The rest of the world does get one mention. The damage that US mainstream theories and policies have done to other countries is declared early on, especially through US influence on the World Bank, International Monetary Fund and the World Trade Organization; but there is nothing un-American in this book. "We broke it, we can fix it" is the mantra (and hubris) throughout. However, quite why now is the time is never made clear. Living in the US has become so hard for so many that there really is no alternative to rewriting the rules. Hammering nails in the coffin of neoliberalism is done one book at a time.

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