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***Combating Inequality Rethinking Government's Role. Olivier Blanchard and Dani Rodrik. MIT Press, 2021, pp. 287. ISBN 9780262045612***

Danny Dorling. University of Oxford. E-mail: danny.dorling@ouce.ox.ac.uk

This edited collection begins with the words '*Inequality is widening*', but does not immediately say inequality where, inequality when, or inequality of what. *Combating Inequality* is a collection of written papers from a conference held in late 2019 in Washington DC. The 'where' is the USA. The 'Government' in the subtitle of the book is clearly the government of the United States of America, and the 'what' is income and wealth inequality. The overall message of the book is summarised on the first page of its introduction: The USA should try harder to be a little more like Western Europe, and not to diverge further from it:

'...after declining for many decades, the income shares of the richest 1% in Western Europe and the United States increased from around 8% in the 1970s and 1980s to 11% and 20%, respectively, today. In 1980, the income share of the bottom 50% stood at 20% in both regions. Over the subsequent three and a half decades, this figure dropped to 12.5% in the United States and 18% in Europe.' (p.i)

Why start a review of a book about inequality by pointing out the geographical ambiguities? One reason is that it is a key feature of the unequal world we live in that it is often assumed that the reader of a book lives in the USA; or that what might be appropriate for government in the USA might be appropriate elsewhere. However, as Figure 1.1 in this book shows, Western Europe is more like China in its inequality profile and trend since the 1970s; and, conversely, the USA has much more in common with post-1989 Russia and very inequitable India (than with Western Europe). But other than appearing in Figure 1.1, Russia and India are not mentioned again in this book. China does merit a mention in two chapters (Chapters 11 and 12) but both only on the "China shock" – which is the shock experienced in the USA from the economic success of China. Neither of these is a chapter about the role of the Government of China in possibly combating, or at least constraining a little, the rise in inequality in China.

So, having accepted that this is a book about the USA aimed at a readership in the USA what does it tell us?

Firstly, it tells us that a group of researchers, mostly based in the USA, have been looking back at the 1930s, 1940s and 1950s when income inequality was last addressed and then began to fall. This group notes, for instance, that Franklin Roosevelt's New Deal policies, which worked to help begin to bring down USA income inequality before, would mostly not have passed any evidence-based test at the time they were implemented as the evidence that they might work then did not then exist (p.xvii). The implication is that something bold and not fully tested might have to be tried again today in the USA.

Secondly, some of the chapter authors see the restoration of higher taxes for the wealthy as being key. They find that, increasingly, inequality is about differences within countries rather

than between them (Figure 1.5). However, there are also many doubters in this volume who will grudgingly admit that *'Progressive taxation should be part of the conversation'* (p. 46), but do so with such hesitancy that parts of this book become less a toolkit for what might help and more an object lesson in why both income inequality and wealth inequality has grown so stubbornly high in the USA and are both kept so high there. If several critics of inequality in the USA can only now, in 2021, grudgingly admit that higher taxes on the incredibly rich in the USA might be something that *could be talked about* –that is a very large part of the problem. In fact, Chapter 14 is actually titled “How to Increase Taxes on the Rich (If You Must)”, with obvious doubting implications in that caveat so prominently put within the parentheses. This chapter proposes a form of taxation advocated by Milton Friedman in 1962. Friedman, of course, famously helped advocate for the policies that made the USA so very unequal in subsequent decades, especially those implemented during the 1980s.

Thirdly, chapter authors occasionally use their chapters to critique some of the best known authorities who have best documented the awful rise of inequality in the USA since the 1980s and these authors then try to downplay how bad the situation is. A case in point is Chapter 15 penned by Lawrence Summers who provocatively claims that: *'...Saez and Zucman substantially overstate the erosion of progressivity of the US tax system and the increase in wealth inequality. While there is much room for methodological debate on these matters, it is noteworthy that every choice Saez and Zucman make goes in the direction of their ideological preconceptions.'* (p. 141) with Lawrence then claiming - counter intuitively - that the introduction of a wealth tax would *'...likely increase the influence of the wealthy on American society'*. If some apparently friendly economists concerned with inequality have views like this, then who needs enemies? Overall this book, and especially this chapter (as well as Chapters 27 and 29), is useful here in illustrating just how much at odds with each other economists in the USA are. In the very next chapter (16) Saez calls for a wealth tax and explains why it could work, amongst other measures – directly contradicting Summers (who happens to also be the 'Former Under Secretary of the U.S. Treasury for International Affairs'.

Fourthly, lessons learnt from other countries are occasionally raised such as Germany (in chapter 12) and Japan (in Figure 13.5). But only very rarely are the most equitable countries of the more affluent world included in the discussion – such as Finland, France, Sweden and Denmark (in Figure 13.6; with Norway and the Netherlands added in Figure 25.3). Occasionally, a statement is included of the form: *'In Europe, several countries have created new intermediate categories of employment that extend some social protection rights to gig workers'* (p.183). But then little else is said, such as how much better-off those workers might be as compared to their equivalents in the USA, how much less likely they might be to find themselves living homeless on the streets, in a prison, for their children to die young, or for them to die early. It is very possible that several of the authors of this book are not aware of these huge differences between living standards for those who are worst-off in the USA as compared to the worst-off of Europe and in other affluent countries so often made in international comparisons.

Occasionally one of the very few countries in the more affluent world which have recorded higher income inequality than the USA is mentioned favourably such as with educational outcomes in Singapore (in Chapter 10). For many years I have written books on inequality which have included a rank table of the most unequal affluent countries in the world. The rank order would occasionally move around mid-table; but only Singapore would be consistently more unequal than the USA; although that might now be changing. In 'Combating Inequality' more is said favourably about tiny and very income-unequal Singapore, than about far larger

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Denmark, Finland, France, Norway, Sweden and the Netherlands; let alone Japan (which illustrates how a very populous country can also have very low income inequality).

There are exceptions. One key exception is Gabriel Zucman's chapter on 'Can a Wealth Tax Work?' which does use examples from other countries well and which comes to the opposite conclusion to Lawrence Summers (an author who fails to mention other countries). It is interesting to ask why Gabriel's chapter appears so late in the book. Do progressive politics come last in the USA? I could not help thinking that it might have been more interesting had some of the later chapters appeared earlier (and vice versa). In fact Gabriel's chapter is the last one in the book – if you do read this book I would suggest you start with it!

It is not just the more progressive suggestions that come late in this collection. Gender inequality is mentioned in chapter 1 but mostly relegated to chapter 20 (and some graphs of how badly men are doing are included in Chapter 23). All this is a neat illustration of gender's ranking in general importance in the book as a whole. Also mention of the social safety net is relegated to section ten, from chapter 25, onwards. You have to read through 20 chapters of this book before the option of work councils – that are common in so many European countries – is mentioned (in chapter 21). Even then, the author of that chapter writes, perhaps realistically: *'I doubt that Congress will seek to reform the labor system even along the more consensual lines that I favor until an economic crisis brings workers "into the streets" demanding change.'* But the question of how politicians, economists and policy makers in some European countries have managed to achieve such better outcomes without a crisis let alone revolution in the streets is not raised. Stefanie Stantcheva in a chapter towards the end of the book explains why the USA may be in such a bad place. She says:

'When faced with negative information about inequality (i.e., that it is high and has increased), respondents tend to say that they trust the government less. This may stem from the belief that if it is politicians who let inequality become this bad, they should not be trusted to remedy it. In all surveys described in this chapter, trust in government in the United States in general is abysmally low. Over 89% of respondents agree that "politicians in Washington work to enrich themselves and their largest campaign contributors, instead of working for the benefit of the majority of citizens.'" (p.265-266)

The by-line on the blurb advertising this book is *'Leading economists and policymakers consider what economic tools are most effective in reversing the rise in inequality.'* At no point are any of the actual reversals that have occurred in the last two decades in income inequality in various affluent countries worldwide actually considered (there are recent examples of inequality being reduced that the USA could learn from). Instead, most of these leading economist and policymakers illustrate how they disagree with each other so much; how so many of them dislike the idea of progressive taxation; and in doing all this they help provide an explanation of why the USA finds itself where it is – with economic inequalities as bad as those in Russia and India today (as illustrated by the very first Figure in the book). Had more of them asked *"what do Russia, India and the USA have in common and why?"* they might have provided some more useful answers. The long quotation from Stefanie Stantcheva above is the only example I could find of this in the book – with its implication of corruption.

To conclude – this book is well put together. Given my personal political preferences I would have reordered the chapters as early chapters are much more often read in edited collections than later chapters - but I suspect this book as a whole is a very fair summary of the state of the debate in the USA today, with a few overseas interjections. Read this book – but don't read it for solutions, read it to understand just how bad the problem is – including how

the views of so many very senior older male US economists are probably not helpful (if reducing inequality is your wish). This is perhaps not surprising. The USA would not head the ranking of the most economically unequally of all the large affluent countries of the world if so many of its economists and policy-makers were not so complacent. Some are complacent to the point of some being very averse to using the measures which both reduced inequalities in the past in the USA. These are the policies which currently help keep economic inequalities so low, or even occasionally falling in those countries elsewhere in the world. Countries that perform so much better than the USA as regards combatting inequality.