allocational decisions in the health-care sector. His criticism of existing practice is fully convincing. His emphasis on public values in a liberal conception of the government is fascinating, but raises difficult questions. One can only hope that his book will contribute to a deeper discussion between philosophers and health economists on the values underlying cost-effectiveness analysis. This is urgent, as the actual techniques are close to becoming canonized – and that would be a big mistake.

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Inequality: What Can Be Done? Anthony B. Atkinson. Harvard University Press, 2015, ix + 384 pages.

A superficial review of the current state of literature on equality in economics and philosophy might note discord among disciplines. While economists seem to be increasingly willing to recognize the significance of equality, philosophers are deeply divided over its value. A number of economists who have become household names – Anthony B. Atkinson, Thomas Piketty and Joseph Stiglitz, for example – argue that we should pursue much greater equality. By contrast, in recent years, many prominent philosophers have questioned the value of equality: those who prioritize the position of the worst off, or threshold levels of goods, for

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example, argue that egalitarians have mistakenly fixated on the moral significance of equality (e.g. Frankfurt 1987; Parfit 1997).

There is no necessary contrast between disciplines here, however. While economists are focused on *economic* equality, the debate in philosophy often revolves around which, if any, equalities are valuable per se (e.g. not merely instrumentally valuable). One can be committed to less economic inequality without believing in the value of economic equality per se, or even any form of equality. As I argue, the proposals for achieving greater equality in Atkinson's latest book, *Inequality: What Can Be Done?* could form a point of general convergence among conflicting philosophies, and also between equality-favouring economists and most political philosophers.

1. THE SIGNIFICANCE OF POLICY FOR ESTABLISHING EQUALITY

Atkinson's book is based on the results of the research he has been conducting since the 1960s. While it puts forward proposals for reducing inequality which could apply in a range of countries, it is mainly focused on the UK, and it provides a marked condemnation of the inequality-inducing policies that have been pursued by Tory, Labour and coalition governments since the 1980s.

The book aims to emphasize the links between policies and inequality. Policies, it argues, are a reason why equality was maintained or increased after the Second World War; they are part of the reason why inequality began to rise in many countries in the 1980s; and policies are essential for substantially decreasing current inequalities. This contrasts with an emphasis on 'facts about the world' such as wars, market forces, or globalization, being at the root of equality or inequality. This is not to say that Atkinson denies that these facts can have an enormous influence. However, he claims that first, policies *also* greatly influence equality or inequality; and second, these facts about the world – say, globalization – are very much shaped by policies. If we want to reduce inequality, we need to institute the correct policies, and the purpose of the book is to show us what these are likely to be.

In the next section of this review, I will provide a summary of the book and its proposals, highlighting one proposal in particular as an example – the institution of a national pay policy. I will then consider the possible normative underpinnings of Atkinson's proposed policies. Why, after all, should we aim to tackle inequality? Despite the fact that philosophers are at odds over the value of equality, I maintain that their philosophical arguments do not undermine the claim at the heart of Atkinson's book – that we should aim for much greater economic equality.

2. POLICIES FOR REDUCING INEQUALITY

The book is divided into three sections: Part 1, 'Diagnosis', explains how unequal our societies currently are and why they are so; Part 2, 'Proposals for Action', makes fifteen recommendations to reduce inequality; and Part 3, 'Can It Be Done?', addresses objections.

In the beginning of Part 1, Atkinson charts the course of inequality in the distribution of household incomes in the 20th century, especially but not exclusively in the UK and the USA (45–81). Inequality, measured by the Gini coefficient, declined between the World Wars and remained low (in comparison to the peak before WW2) up until the 1980s. From here came the 'Inequality Turn', with steadily rising inequality in the UK and the USA as well as a number of other European countries. While the trend is the same, there are a number of differences between countries. For example, since the 1980s, overall inequality in the UK has increased much more than it has in the USA.

Why did inequality remain relatively low in the decades after WW2? While the USA saw wider pay differentials after the war, this did not lead to a rise in inequality in household incomes because the influence of the pay differentials were offset by government transfers. Overall inequality in the UK and other European countries, such as Denmark, actually declined in post-war decades in part because of government transfers and progressive taxation. Wages and capital incomes were also less unequally distributed, due to the bargaining power of trade unions and to national income policies that limited individual pay increases. Reasons why inequality has increased immensely in the last few decades include explicit policy decisions to cut social transfers and top rates of income tax. There has also been a widening of pay differentials and a lack of the earlier instruments in place to curb these widening differentials, such as income policies. In contrast to the US and many of the European countries, inequality has declined significantly in Latin America in recent years, due to, among other factors, progressive redistribution and increased social assistance.

Economists, Atkinson indicates, often prefer to focus on seemingly uncontrollable forces to explain the economics behind inequality. Atkinson agrees that factors such as globalization and technological progress have contributed to rising inequality, because both of these lead to an increased demand for skilled workers which in turn means that the skilled wage increases relative to the unskilled wage (84–5). However, he aims to emphasize that phenomena like globalization and technological change are not things that simply happen; rather, for example, globalization 'is the result of decisions taken by international organizations, by national governments, by corporations, and by individuals as workers and consumers' and the shape that globalization takes is partially a function of decision-making (82). Inequality is the result of a complex interplay of factors, a significant number of which are determined by policies.

To reduce inequality significantly, we require a number of interacting policies aimed at revising pay, employment, insurance, capital and taxation, as well as broader social and economic structures. Atkinson puts forward fifteen proposals and five ideas to pursue in order to reduce current levels of inequality (113–239; summarized at 237–9). The proposals are:

1. Explicitly encourage innovation that increases employability and 'emphasises the human dimension of service provision' (237);
2. Help to motivate a better balance of power among stake-holders;
3. Set a target for preventing and reducing unemployment, and offer 'guaranteed public employment at the minimum wage for those who seek it' (237);
4. Implement a national pay policy with a statutory minimum wage and a code of practice for pay above the minimum;
5. Offer a guaranteed positive real rate of interest in savings through national savings bonds;
6. Institute a capital endowment given to all at adulthood;
7. Create a public Investment Authority for building up the net worth of the state;
8. Put in place a more progressive tax rate structure for personal income tax;
9. Introduce an Earned Income Discount as part of personal income tax;
10. Implement a progressive lifetime capital receipts tax;
11. Establish an up-to-date proportional or progressive property tax to replace Council Tax;
12. Offer a taxable Child Benefit for all children;
13. Introduce a national-level participation income;
14. Renew social insurance;
15. Raise the Official Development Assistance target to 1 per cent of Gross National Income.

To illustrate Atkinson's approach, let us examine the fourth proposal (147–54). Atkinson claims that while reducing unemployment should be an aim of government (hence Proposal 3), most people who are poor are in paid work. If we want to reduce economic inequality, we will also have to implement pay policies applicable to the bottom and the top of the pay scale. Here Atkinson emphasizes that we cannot take market forces to be the only important factors in determining pay because markets do not function according to standard economic models – we are not paid in precise relation to our marginal product. Pay is determined greatly by bargaining power. To improve pay, we would need to improve workers' bargaining power, which is one of the aims of Proposal 2. Directly intervening in pay, by establishing a national pay policy – Proposal 4 – is also required. Such a policy, which would be similar to the income policies in place in a number of countries before the 'Inequality Turn', would recognize the importance of supply and demand for establishing the bounds for pay, but would not allow the market alone to set pay.

The first part of the policy would be a statutory minimum wage which should be set at a living wage. Atkinson's discussion is inconclusive in terms of where precisely the minimum wage should be set, but he argues that it would most likely have to be set higher than the current minimum wage in the UK. In setting the wage, however, we need to consider it as part of the overall policy on income, and include in our calculations the overall determination of household disposable income via other means, such as social transfers. Were we to see the minimum wage as the only way of reducing poverty and of increasing equality, we would set it at an overly high rate.

The second part of the policy would focus on limiting pay above the minimum. Some companies already have pay policies in place which limit the ratio of the highest paid to the lowest paid, or to the average salary. Voluntary pay codes like these, Atkinson claims, should be encouraged. He stresses, however, that they should not be statutory, at the least because statutory pay codes may be subject to too much variation as governments change, and are unlikely to be sustainable. If the public sector implemented such pay policies alone, this would raise problems in terms of attraction and retention, but Atkinson argues that the private sector could be motivated to adopt pay codes to make these problems less likely. The government could, for example, adopt a requirement that firms that supply goods or services to the public sector must have pay codes.

In defending his proposals, Atkinson responds to three central objections (241–308). I will highlight the first of these, which states that in implementing these policies we would have to sacrifice efficiency for equality; reducing inequality can only be accomplished by lowering economic output or by slowing economic growth. Atkinson's first response is that we must combat the instinct to think that this is a knock-down argument against greater equality. A smaller economy with a better distribution might still be preferable, Atkinson claims, to a larger economy with greater inequality. He maintains that we have to examine the gains and the losses involved, and identify where we are willing to make trade-offs. His second response is that it is not straightforwardly true that the proposals will lead to losses in efficiency – indeed some of the proposals, he claims, can be efficiency-inducing. In terms of the minimum wage, for example, it is possible that an increased wage 'could increase labour-market attachment and investment in skills' (262).

3. THE PROBLEM WITH ECONOMIC INEQUALITY

Why should we care about economic inequality? Atkinson's discussion in Chapter 1 is a little too brief, and his claims that greater economic equality may be intrinsically valuable are curious (11–14). Income and wealth are prime examples of goods that are only instrumentally valuable – we value them for the intrinsically valuable goods that they can help us to achieve, such as central capabilities. If our argument is that economic inequality is bad per se, this would not be compelling. We can fill in some of the gaps left by Atkinson's analysis by considering the political philosophical literature.

Philosophers disagree about what a society should distribute equally. Is it resources such as income and wealth, or capabilities, or opportunities for welfare, or something else? Indeed, whether equality should be our aim at all, rather than say sufficiency of capabilities, or improving the absolute position of the worst off, is also contested. Despite this divergence, most philosophers from the various camps could rally around the claim that we require much greater *economic equality* as a matter of justice (and it is this – greater equality – rather than strict economic equality for which Atkinson argues). This is because many philosophers are likely to agree that the levels of economic inequality we experience in the world today are the results of injustices. Furthermore, much greater economic equality tends to be instrumentally valuable in helping to achieve the range of often conflicting goals of the various theories of justice – such as achieving equal opportunity for welfare or threshold levels of capabilities. These philosophers may thus disagree as to why economic inequality is bad, but many of them can agree that it is indeed bad. There is, of course, some recalcitrance. Harry Frankfurt (2015) claims that we might attain much greater economic equality as a side effect of trying to achieve what is morally valuable – sufficiency of well-being – but, he claims, we have no need *to aim* to achieve greater economic equality.

The goal of reducing economic inequality can also be seen to be shared between another set of (arguably) conflicting egalitarianisms: social (or relational) egalitarianism and luck egalitarianism. Social egalitarians emphasize the importance of equality in the form of non-hierarchical relationships between persons, where no-one is treated as inferior or superior (e.g. Fourie *et al*. 2015). Luck egalitarians often emphasize the importance of reducing inequalities that stem from bad brute luck (luck over which we have little control, or for which we are not responsible), rather than those stemming from bad choices (e.g. Arneson 2011). While claims have been made that the philosophical divergence between these forms of egalitarianism is in any case exaggerated (Lippert-Rasmussen 2012) even if one accepts that these are rival theories, both camps can get behind the cause of substantially reducing economic inequalities.

It is implausible that current levels of economic inequality are entirely a matter of bad choices on the part of individuals at the bottom of the scale, and thus luck egalitarians are likely to be in favour of greatly reducing them. Social egalitarians could also object to current economic inequalities as they are heavily associated with gross inequalities between classes, races and nations, for example. Thus the origins of these inequalities are morally problematic. Furthermore, they could argue that even where economic inequalities are not *caused by* differences in social standing, they remain problematic because *they cause* social inequalities. For example, they could be said to interfere with the cooperation and cohesiveness required for social equality. Atkinson himself emphasizes the social egalitarian foundations for greater economic equality – 'A society in which no one could afford to travel privately into space, and in which everyone could afford to buy their food from ordinary shops, would be more cohesive and have a greater sense of shared interests' (16). Part of what it would take to establish a society of equals would be much greater economic equality.

While I think it is important to stress that Atkinson's policy proposals represent convergence, we should also not exaggerate the point. There will be differences between philosophers in terms of whether we should aim to significantly reduce inequality or actually aim for equality per se. The specific details of their theories would also imply different trade-offs: how much weight total utility is given in relation to the weight that is given to the worst off or to equality will, for example, make a difference in terms of how much economic growth we are willing to sacrifice for greater economic equality. However, I think it is useful to policy-makers or to economists like Atkinson looking to find a normative basis for their work, that philosophers clarify how far and in what way their philosophical disagreements have implications for which policies should be pursued. I have argued that these disagreements need not undermine the case for this set of policies aimed at reducing inequality.

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Analogies and Theories: Formal Models of Reasoning, Itzhak Gilboa, Larry Samuelson and David Schmeidler. Oxford University Press, 2015.

Induction and analogy have long been considered indispensable items in the uncertain reasoner's toolbox, and yet their formal relation to probability has never been less than puzzling. One of the first mathematically well-informed attempts at grappling with the problem can be found in the penultimate chapter of Laplace's *Essai philosophique sur les probabilités*. There, a key contributor to the construction of the theories of mathematical probability and statistics argues that analogy and induction, along with a 'happy tact', provide the principal means for 'approaching certainty' when the probabilities involved are 'impossible to submit to calculus'. Laplace then hastens to warn the reader against the subtleties of reasoning by induction and the difficulties of pinning down the right 'similarity' between causes and effects which is required for the sound application of analogical reasoning. Two centuries on, reasoning about the kind of uncertainty which resists clear-cut probabilistic representations remains, theoretically, pretty much uncharted territory. *Analogies and Theories: Formal Models of Reasoning* is the attempt of I. Gilboa, L. Samuelson and D. Schmeidler to put those vexed epistemological questions on a firm decision-theoretic footing. Indeed this book can be seen as a manifesto encouraging economic theorists to boldly go where probability does not apply. For, the authors argue, Bayesian rationality,