Inequality: What Can Be Done?, by Anthony B. Atkinson. Cambridge: Harvard University Press, 2015. 384 pp. ISBN: 978-0-674-50476-9

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The study of economic inequality has become increasingly popular in recent years. British economist Anthony Atkinson, who died in January of this year at the age of 72, was both a pioneer and a preeminent researcher in the field. In the last five decades, he published more or less forty books and penned even more articles tackling the issue of inequality in one way or another. One may even say that he created, together with Simon Kuznets, a new discipline building on a specific methodological approach: the use of national household surveys and income tax data to reconstitute, and then analyze, the distribution of income and wealth in the long run. These questions have always been a common preoccupation among political economists, but the work of Atkinson—and subsequently collaborators such as Thomas Piketty—led to a significant leap forward, thanks to, among other things, a much more extensive coverage of the evolution of income and wealth in the past century.

Atkinson's last book, *Inequality: What Can Be Done?,* is divided into three parts. The first part is a diagnosis of the evolution of inequality that spans a third of the book. The second part, comprising another third of the book, proposes specific solutions. Atkinson sets out fifteen proposals for action in order to fight inequality. These proposals range from more progressive tax structures and increased levels of assistance for the development of poor countries, to the introduction of a participation income, national saving bonds, and guaranteed public employment at the minimum wage. To this, Atkinson adds five more general and ambitious ideas (a summary of which can be found on 237-39). In the third and shortest part, Atkinson replies to common objections that we cannot easily fight inequality.

The book differs from previous work by Atkinson in at least three distinct ways. First, it is intended for a wider audience, even though it is an academic book. Second, while the book contains plenty of new material, it also aims at providing an overview of the general body of research on inequality, especially in the first diagnostic part. Third, and as indicated by its title, the book is much more engaged than other work by Atkinson in developing a plan of action for fighting inequality.

The book is also different from other recent books on inequality. It is shorter, more direct, and more accessible than Piketty's best seller, *Le capital au XXIe siècle* (2013, translated in English as *Capital in the 21st Century*). Both Piketty and Atkinson can be praised for the clarity of their prose, but the latter spares the reader some of the high-density content that characterizes the former. In the first pages of the book, Atkinson confesses to be mindful of the dictum of Stephen Hawking's that "every equation halves the number of readers" (6). The dictum was in fact a piece of advice he received for his book *A Brief History of Time*, but, all the same, Atkinson is careful to avoid formalized or even technical writing as much as possible.

©2017 **Business Ethics Quarterly** 27:2 (April 2017). ISSN 1052-150X pp. 323–326
DOI: 10.1017/beq.2017.4

What do we mean by inequality and what is its current extent? Part One of the book provides some answers: in short, both inequality of opportunity and inequality of outcome—on which Atkinson will focus, although both are connected in his view—decreased in the first part of the twentieth century and then increased in the second part of that century until now.

Inequality is often measured by the Gini coefficient: a single-number index ranging from 0 to 1, or 0 to 100 percent, both extreme values indicating perfect equality or inequality, respectively. In the United States, the Gini coefficient fell by some 10 percentage points from its peak in 1929 to the end of the Second World War. From 1945 to the late 1970s, there followed a period of little change. But from the 1980s to now, the Gini coefficient increased by some 7.5 percentage points. Overall, inequality is not yet back to the levels reached in the 1920s, but it is more than halfway there.

Whether we look at the Gini coefficient, the distribution of income and wealth, or the rate of poverty, similar trends can be observed in many different countries: inequality follows a U-shape pattern. Atkinson even speaks of an "inequality turn" to describe the steep upward turn of the 1980s (17). It should be pointed out, however, that inequality *between* countries, as opposed to inequality *within* countries, tends to follows an inverted-U shape where the gap between rich and emerging countries has narrowed in the last decades.

But the story of inequality is not the same in all countries for all time periods. A specific group of European countries, and especially Scandinavian countries, saw a major decline in inequality during the postwar decades. Inequality also declined, although perhaps to a smaller extent, in Latin America in the years 1995-2015. This is an important finding for Atkinson. He thinks we should learn from these cases and use them as models for fighting inequality today. Experience suggests that "reduced inequality of market income" and "more effective redistribution" contributes to reducing inequality. He uses this as a basis to develop policy recommendations (110).

Part Two of the book sets out the plan of action involving a series of proposals and ideas to pursue. According to the economic textbook story of inequality, globalization and technological change are the main forces shaping the distribution of income and wealth. Basically, these two phenomena increase the demand for skilled workers, but they are also fueled by the availability of skilled workers in the labor market. This creates a race between increased demand for skilled workers and the capacity to educate these workers. Populations that are able to produce skilled workers will be better off because they will enjoy a "wage premium" (83) over unskilled workers, among other things. It follows, then, that the standard response to the question "how can we fight rising inequality?" is to advocate for increased investment in education or skills.

Atkinson has nothing against such measures, but he wants to offer more than the textbook view. He also wants to highlight more radical proposals. His proposals are indeed more radical but I wonder if he did not miss an opportunity to be more critical of the textbook view. Many assumptions seem wrong in the idea that a race for education will help us fight the inequalities created by globalization

https://doi.org/10.1017/beq.2017.4 Published online by Cambridge University Press

and technological change. On the one hand, to say that more skilled workers will be made better off implies that less skilled workers will be made worse off. How can the race for education reduce inequality if it creates winners and losers at the international level? On the other hand, this prompts a further question: When does the race stop? As workers become more skilled, other workers need to have access to even better education in order to become even more skilled and keep their wage premium, ultimately maintaining a gap between the well off and the worse off.

One of the first of Atkinson's fifteen proposals will speak more directly to a business audience. Public policy should "aim at a proper balance of power among stakeholders" in the market (131). This means, among other things, that there should be an explicit distributional dimension in competition policies, and that the power of trade unions should be legally enforced. This even goes as far as granting extensive social responsibilities to corporations.

The general idea is that better education is insufficient—as is more redistribution, for that matter—to alleviate the inequalities created by globalization, technological change, and other factors. It is necessary to shift the balance of power in the market. This is why Atkinson also recommends "guaranteed public employment" at the minimum wage, to empower workers and redistribute income (140). People should have access to capital, too, and the power conferred by capital ownership. The government should offer "guaranteed positive real rate of interest" via national saving bonds (168) and a "minimal inheritance" paid to all at adulthood (170), and a "public investment authority" should hold investment in companies to build up the net worth of the state (178).

Other proposals by Atkinson do not target market powers as directly. The list includes more progressive taxation of income and wealth, more generous child benefits, and a participation income, as well as more assistance to poor countries at the international level.

I had great expectations going into Part Three of the book, where Atkinson offers replies to common objections. Unfortunately, this is the part that left me most interested in further analysis. One common objection goes as follows: "Reduced inequality can be achieved only at the expense of lowering economic output or slowing economic growth" (243). There is a trade-off between equality and economic efficiency or, to use the common metaphor, a cake divided more equally may actually become smaller.

Atkinson argues that a smaller cake divided more equally may be preferable to a larger cake divided less equally, depending on who are the winners and the losers. This seems right. He also argues that egalitarian measures in an imperfect (read "real") market may in fact be efficiency enhancing, which also seems right. But his examples involving the minimum wage, unemployment insurance, and national saving bonds could be more convincing. He ends up only shifting the burden of proof, arguing "there is no general presumption" that egalitarian measures will affect the size of the cake (262).

Atkinson's reply to the objection that globalization prevents action reads more like an optimist's take on the possibility of international cooperation—a position not easy to accept considering the lack of any clear proposal on how to tackle such issues as international tax evasion. His answer to the question "can we afford all these proposals?" is interesting, but focuses exclusively on the case of the United Kingdom. This does have the advantage, however, of showing that a lot can be done to fight inequality at the national level.

What is the message of the book for business ethicists? There is at least one fundamental idea: the market, as an adversarial institution with its own rules, regulations, informal norms, practices, etc., is characterized by the competition of large business firms promoting an unequal distribution of benefits and burdens in society, unequal relationships among individuals, and so on. People have been told again and again that this is acceptable because the social benefits outweigh the costs. But for the last several decades, inequality has been rising and it is almost back to levels seen in the early twentieth century. To compound the problem, there is less social mobility today. According to Atkinson, today's inequality is shaped by an improper balance of power *in* the market and cannot be compensated for exclusively by redistributive measures *outside* the market. This raises serious questions for anyone preoccupied with ethical issues in the world of business. Should we tolerate all the competitive practices that we currently do tolerate, both legally and informally? Should we expect more from business organizations? What ought businesses do beyond mere compliance with the law? These are age-old questions in the field and Atkinson did not have all the answers, but he did offer a unique perspective on the magnitude of the problem, and how to solve it.

REFERENCE

Piketty, T. 2013. ***Le capital au XXI siècle***. Paris: Seuil.