

Peril of eating all the pie

Review of Joseph E. Stiglitz. *The Price of Inequality*. London: Allen Lane.

Church Times, 12 October 2012

<http://www.churchtimes.co.uk/articles/2012/12-october/reviews/book-reviews/peril-of-eating-all-the-pie>

"IT MAY be true that 'the poor always ye have with you,' " writes the 2001 winner of the Nobel Prize for Economics, "but that doesn't mean that there have to be so many poor, or that they should suffer so much."

The first half of *The Price of Inequality* is utterly compelling. Focusing on the United States, Professor Stiglitz stacks up the evidence for growing inequality of wages, total income, and wealth, and the sharp acceleration during the Great Recession, since 2008. The bottom and middle are now worse off than in 2000, while income growth has been primarily at the top one per cent. He also, importantly, busts the great American myth of equality of opportunity (related to both income mobility and lifetime earnings), often used somehow to justify inequality.

Market forces have shaped inequality; government policies have shaped those market forces (much of the inequality that exists is the result of government policy); and the one per cent have used their power to shape policy to their own ends. The wealthy often do not so much create wealth as take wealth away from others through rent-seeking - not just in the US. Recall, for example, HMRC's waiver of Vodafone's potential £7-billion tax bill.

The US and other widely un-equal countries are paying a high price for this inequality. Their economies are inefficient in their use of resources, and are neither stable nor sustainable in the long term. Further, the US is staring into the abyss of a breakdown in social cohesion and trust. Democracy it-self is in peril, warped, as it has been, from one person, one vote, into one dollar, one vote. Yet, despite everything, through its ownership of the media, the one per cent has succeeded in shaping public perception, and convinced the 99 per cent that they are all in it together.

At this point, and in his description of the battle fought over the laws and regulations that govern the economy, Professor Stiglitz starts to flag. But he picks up again when he returns to economics, and the battles over fiscal policy (tax and expenditure) and monetary policy (interest rates and inflation).

In his discussion of the policies that may or may not pull the US and European economies out of the Great Recession, I find three key messages: austerity doesn't work (George Osborne, take note); progressive taxation - that is, shifting the burden from the poor to the

rich - will stimulate demand and growth, as well as reduce inequality; and addressing unemployment should be prioritised over fighting inflation.

In the final chapter, Professor Stiglitz summarises his multiple solutions to inequality and its causes, but, given the power of one per cent, he has to ask: "Is there hope?" Only, it seems, if the one per cent learn before it is too late that their welfare is bound up with the way the 99 per cent live.