1. Introduction: plan and scope of the book

When measuring inequality, we are concerned not just with the consumption of the rich – important though this may be – but also with the power that wealth can convey.

Atkinson (2015)

Economic inequality seems increasingly to be recognized as a matter of concern for economic policy. This is not new, of course, but in the late twentieth century inequality seemed to have disappeared from the economies of policy. In the second decade of the twenty-first, inequality is again on our agenda. Some of the reasons for this reversal, both in economic thought and in world events, will be considered in later chapters. But what are we to do about it? Can we envision a future social economy in which equality would be realized, to the greatest possible degree, and a social economy that is at the same time workable, efficient, and progressive? Would this social economy require our posterity to sacrifice other values, such as individual autonomy and liberty, or may we hope that these values too could be perfected? If we do envision such a social economy, what are the steps that could take us from our present status to the social economy we envision? If the last question cannot be answered, then positive answers to the first two questions are utopian, in the sense in which Marx and Engels used that term. And the Marxist perspective would pose yet another question: are there political tendencies that would take us down those steps to the social economy we envision? Do they form political positions around which a large majority, that is to say, the working class could coalesce? And like the Fabian Socialists, we might be still more demanding, and ask whether these steps could be taken without bloody revolution and confiscation, and without disrupting the ongoing work of production. After all, if the twentieth century has taught us nothing else, it has taught us that violence is not the way to a better society.

These are difficult questions! Ninety years ago, however, Social Democrats, Labor socialists, and Soviet Communists thought they had answers to those questions, albeit for the Soviet Communists the answer to the last question was negative. The costly failure of the Soviet experiment
and the stagnation of Social Democracy and Labor socialism were among the reasons equality disappeared from the aspirations of the industrialized societies. A purpose of this book is to revisit these questions, taking account of changes in the capitalist social economies of the advanced countries as well as the continued accumulation of knowledge in economics. But there are some related questions that must also be addressed:

- What do we mean by inequality? We might speak of inequality of income, of wealth, of status, or political inequality, or indeed all four.
- What is the alternative cost of a transition to a more equal social economy? That is, what can we expect in the future development of capitalism?

In addressing the second of these questions we are again following a trail broken by Marx, but Marx was using the best economic learning of 1850, and economists have learned some very important things since then, especially about the usefulness of markets and also their limitations. Further, the capitalist political economy we observe today is quite different from the one Marx observed in 1850 and the two decades that followed.

For the first of these subsidiary questions, it will be argued that inequality of wealth is fundamental. The reasons that will be discussed are, in order of importance, summarized as follows.

(a) Concentrations of wealth inevitably become concentrations of political power. This then bears on the second question, since an efficient capitalist market system requires an arm’s-length separation between business and politics. If the rich act as rational economic men and women, they will use their wealth to divert the political process. The arm’s-length separation of business and politics disappears. Thus, the efficient market capitalism envisioned by so much economic theory is utopian, unsustainable.

(b) This concentration of political power makes political democracy increasingly difficult to sustain. Political democracy, as we now understand it, involves not only voting but also a political commitment to a wide sphere of individual liberty. Thus the concentration of wealth threatens both our electoral systems and our liberty.

(c) Concentration of wealth inevitably creates differences of social status, and where differences in social status pre-exist the concentration of wealth, as in racist societies, the concentration of wealth exacerbates it.

(d) Inequality of wealth is the major cause of income inequality, so that even if our normative concern is only with income inequality
(together with efficiency), policies to limit wealth inequality must be a part of the armory of economic policy.

In this work, as in Reframing Economics (Edward Elgar Publishing, 2014) I will draw freely on various traditions and schools of thought in economics from the beginnings in the eighteenth century to the present. Thus, Marxist ideas will coexist with neoclassical and Austrian influences, and probably some that cannot be fitted neatly into any of those categories. There are two important differences from Reframing Economics. First, where that work stressed the continuities and commonalities across two and one-half centuries of economics, this work will focus more narrowly on the equalitarian ideas that are far more important in some traditions than others. Second, there will be less occasion to draw on the insights of game theory. Nevertheless, the framework proposed in Reframing Economics is no less the framework for this work.

This program will require some discussion of a very wide range of topics within economics and some related fields. Specialists in many of these areas will probably find the discussion superficial. My defense is that for the purposes of this work, the whole is more important than the parts. As in Reframing Economics, I will attempt to draw broad lessons from the various studies, and to weave them into a synthesis in which each will reinforce the rest. Important counterarguments, and particularly those that shape the ultimate conclusion, will be considered in some detail. Certainly, I will make every attempt not to endorse any really discredited hypotheses, but I feel no obligation to respond to every counterargument, especially those that seem, in my best judgment, tendentious. This is a programmatic work on the possibilities of policy, not a work of philosophy.

This book will raise what seem to be important questions, and offer tentative answers. If successful, this is sufficient to establish that the questions are answerable. If this should lead on to further discussions in which the details are superseded with quite different and better answers, that would be splendid, and I could hope for no greater success.

The next chapter will address the two bulleted questions above in more detail, drawing on some recent, very influential economic writing but also on some older ideas. The following chapter expands on the reasons why we should be concerned about inequality of wealth. The following three chapters discuss three distinct approaches to the construction of an equalitarian social economy, drawing variously from recent and earlier economic writing and from popular political thought, again both recent and earlier. The concern for these chapters is the extent to which these ideas may be complements and, on the other side, the extent to which they may be exclusive alternatives. To give away the ending, they will be treated mostly
as complements. The ideas from these three chapters are then restated and extended in Chapter 7. The remaining chapters take up other issues in relation to the program in Chapters 4 to 6: the role of distribution according to need; followed by a discussion of the microstructure of the productive economy, including corporations and alternatives to corporations. The last chapter returns to the old dichotomy of market mechanisms as against planning, and again does not assume that they are exclusive alternatives. Instead, an attempt is made to sketch a mechanism that incorporates elements of planning and market processes as complements. This draws not only on economic thought but also on some observations of political-economic mechanisms already operating in modern social economies. One does not want too much originality here. To the extent that a mechanism is proven and understood within a narrow scope, we can have the more confidence that it will function well when given a broader scope.