Inequality: what can be done?

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Triggered by Thomas Piketty's English version of the book *Capital in the Twenty-First Century*, published in 2014, many recent academic, political, and public discussions have focused on the growing income and wealth inequality in developed countries, particularly among the wealthiest 1%, who are accumulating an ever-increasing share. However, authors such as Saez, Piketty, Davies, and particularly Anthony Atkinson, have been analysing this tendency for many years. Coming as it does from a pioneer in the analysis of inequality and poverty, the 71-year-old Atkinson's book is an excellent summary of his lifelong research on this topic. The "added value" of the work is twofold. Firstly, the author's experience in this topic is reflected in the historical overview of changes in tax and social policy – primarily in the United Kingdom (UK), but in other European countries as well – since the early 20th century. Secondly, Atkinson clearly sets out 15 proposals and five ideas that, if pursued, would reduce inequality. Even though most proposals are either taken from UK history or aimed at making changes in the UK, they can easily be transferred to other European countries (EU members) or even worldwide.

The book is divided into three parts. First, Atkinson sets the scene by analysing the available global data, showing that the "inequality turn" of the 1980s has made increasing worldwide inequality inevitable. The UK and US have experienced a more rapid growth of inequality than have most EU countries, particularly those in Scandinavia. Atkinson is careful to examine the comparability of the data and highlights two important features: the comparability of the data sources (e.g., household budget surveys, income tax data, data on wealth); and that inequality should be quantified by more than one indicator but should be analysed using no more than twenty different variables. He concludes that inequality declined after the Second World War, during the period in which most of today's social policies were introduced, but started to rise in the 1980s. Atkinson proposes a set of mechanisms that could be used, in combination, to reduce the UK's Gini coefficient – a standard inequality measure – by some 3 per cent.

The second part of the book analyses and suggests 15 sets of proposals to reduce inequality. Each chapter deals with a specific topic, such as technological change, progressive taxation, social policy, and sharing of capital – the resulting sets of proposals are specific for each topic analysed. Some proposals are related to the reintroduction of UK policies that were abolished in the 1980s and 1990s. Interestingly enough, eight of the 15 proposals are related to UK taxation and social security policy and, in the final part, are analysed in terms of distributional analysis, using tax-benefit models. The suggestions include: (a) the reintroduction of a top progressive rate at 65 per cent, accompanied by a broadening of the tax base; (b) introduction of a progressive lifetime capital receipts tax for taxation of inheritance and gifts *inter vivos*; (c) introduction of proportional or progressive property taxation based on up-to-date property assessments; (d) introduction of an earned income discount; (e) introduction of a participation income for any citizen defined as "participating in society"; (f) renewal of social insurance and (g) broadening of child benefit to all children. At the global level, Atkinson proposes: (h) an introduction of official development assistance of 1 per cent of gross national income of rich (developed) countries.

Some of these sets of proposals are UK-specific, but Atkinson believes that they can be applied to other countries, particularly those in the EU. The remaining seven proposals include: (a) the need to focus the direction of technological changes s on the encouragement of innovation, especially in terms of employability of workers; (b) the introduction of a distributional dimension into competition policy and the establishment of a legal framework for active support of trade unions and the establishment of a social and economic council; (c) the government adoption of a mechanism to reduce unemployment, if necessary by providing public employment; (d) the identification by national policy of a statutory minimum wage (set as a living wage) as well as a code of practice for pay above the minimum; (e) the offer, via national savings bonds, of a guaranteed positive real rate of interest on savings, with a maximum holding per person; (f) a capital endowment paid at adulthood (or later); (g) a public investment authority should be created.

Furthermore, Atkinson proposes five ideas that ought to be pursued. These are: (a) an ongoing review of the access of households to the credit market for borrowing not secured by housing; (b) re-examination of the case for an annual wealth tax; (c) a global tax regime for personal taxpayers based on total wealth; (d) an "income-tax based" re-examination of contributions to private pension schemes; (e) a minimum tax for corporations.

The final part evaluates the proposed measures in terms of their feasibility. Some proposals are statistically evaluated as far as they relate to the UK. The most interesting part examines the ability of countries, especially those in the EU, to carry out these measures in the light of the current Europe 2020 strategy. Atkinson carefully highlights the possibility of EU regulations constraining national governments, and discusses the affordability of the measures proposed as well as the significance of globalisation in this context. Sceptics might fear that globalisation would impede successful application of his sets of proposals, but Atkinson disagrees, arguing that most social policies in the early 19th century were created in the midst of globalisation.

The whole book is very optimistic – reforms *can* be successfully made, and *we* are solely responsible for making them. Atkinson targets the whole population, from politicians and governments to individuals (in their roles as voters or lobbyists). He strongly believes that inequality can be reduced, but highlights the significance of institutional factors as well as that of investment in education and training. The two most significant proposals with an institutional dimension are the establishments of a social and economic council and a public investment authority at the national level (UK). Furthermore, he proposes greater inter-country institutional cooperation (e.g., tax administration, social and economic councils, etc.) that should benefit all.

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What can transition countries learn from this book? There are no explicit suggestions or recommendations for them, but some aspects of this book are applicable to all EU members, some of which are former transition countries. Atkinson states that even though EU members differ in their historical backgrounds and political standpoints, they all managed to agree on a set of objectives for the EU. These especially relate to reducing poverty, eliminating social exclusion and diminishing inequality.

Overall, this excellent book gives a valuable insight into the tendency of inequality to grow in the world's developed countries. Its most notable contribution is a move from a political debate on inequality towards a more economic and pragmatic evaluation of what we can all do to reduce both inequality and poverty. Furthermore, Atkinson uses the results of a complex statistical and mathematical analysis in a very simple way in order to show the applicative nature of his proposals, using the UK as an example. He also promotes international cooperation – and optimism – with his proposals of measures to reduce worldwide inequality and poverty.