The politics of inequality: Atkinson, Piketty and Stiglitz at the LSE's International Inequalities Institute

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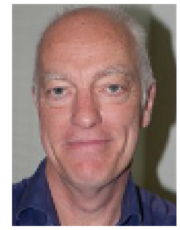
*The LSE's new International Inequalities Institute has hosted three major thinkers on inequality: Tony Atkinson, Thomas Piketty and Joseph Stiglitz. In this article, **Mike Savage** and **John Hills** discuss what emerged out of these events, writing that the politics of inequality will undoubtedly become increasingly central to public debate.*



It is clear that the politics of inequality and redistribution is a defining theme of our times. In an era of rapid accentuation of wealth differences, especially between the top few per cent and the rest, fundamental questions are being posed about the possibility for global capitalism to benefit the many, rather than the few. Social movements such as Occupy have put the burgeoning fortunes of the super-rich under unprecedented scrutiny. Proposals to subject the wealthy to increasing taxation are now being discussed more widely than at any time in recent decades.

Yet the results of the 2015 British general election revealed that the politics of inequality plays out in complex ways. On the one hand, the success of the Green Party and (especially) the SNP showed how a redistributionist politics could draw off a significant numbers of voters from a much more timorous Labour Party, and especially from the Liberal Democrats whose claims to a redistributionist politics have been tainted by their record in the coalition government. On the other hand, an absolute majority of voters supported either the Conservatives or UKIP who proposed relaxing taxation on the wealthy even further.

It is in these remarkable times that the LSE's International Inequalities Institute (III) opened on May 1st. Remarkably, in the first three weeks of our life, we have hosted public events by the three leading world economists – Tony Atkinson, Thomas Piketty and Joseph Stiglitz – who have placed the question of inequality at the heart of their work and we are therefore already able to draw some threads for us to follow in the future.

The first point is clear. This is a remarkably fertile time in which the economics of inequality is showing astonishing creativity and embracing increasingly wide audiences inside and outside academia. Atkinson is the doyen of the discipline – the mentor to whom Piketty pays court and Stiglitz reveres. Yet, whilst in many ways he is very much an economist's economist, in his new book *Inequality: what can be done?* , he shows a steely determination to appeal to a wider public who want concrete policy suggestions to tackle escalating inequality. Atkinson brilliantly shows how certain specific proposals – ranging from introducing national pay policies through enhanced progressive taxation – might nonetheless make a tangible difference. Many of these hark back to what may seem an earlier, social democratic era but he shows that these policies have lost none of their relevance: indeed his is fundamentally a highly contemporary account of their need in order to address inequality and social justice without damaging economic prosperity in general.

Thomas Piketty's appeal is somewhat different. His great and unique achievement is to find a means to engage social scientists across different disciplinary divides. Setting out his stall very clearly as critical of narrow approaches to economics, he presents himself as a historian as much as an economist. Whether people agree with all steps in his analysis, there is near universal assent that his rich descriptive accounts of changing volumes of capital and their relationship to national income over two or more centuries will be perhaps the most fundamental empirical contribution to have been made to social science in recent decades. Its painstaking and exhaustive detail, reminiscent of the best historical work, will be the essential platform for anthropologists, sociologists, political scientists and others to use in future research.

Within six months of his book appearing, the *British Journal of Sociology* ran a special issue devoted to interdisciplinary engagements with his work. Not since Marxist debates infused the social sciences in the 1960s and 1970s has such astonishing cross fertilisation been seen. It became clear during his day long engagement that the empirical richness of *Capital in the 21st Century* raises fundamental questions about spatiality, time and temporality; about the relationship between quantitative and qualitative analysis; gender, households, demography and inequality. What also emerged very strongly during his LSE visit was Piketty's refusal to play the economist's card of being more 'rigorous' or 'knowing' than other disciplines, and his remarkable generosity to embrace insights from across the social sciences. Even in areas where his work needs to be extended, such as around gender and ethnic inequalities (as discussed by Seguino, Kabeer and Mackenzie during the Piketty engagement on May 11th), he is receptive to further analysis. In this way, his contribution may be fundamental in challenging social scientific compartmentalism with which we are currently beset.

Stiglitz is different again. As Nobel prize winner, he writes with full academic authority and with massive respect from the economics discipline, but over the past ten years he has increasingly sought a role for himself as public intellectual, active contributor to the media and public debate. He has thus explored how the popular concept of the '1 per cent' can be identified as an increasingly distinctive economic and political agent, and insisted that political change can make a difference to inequality.

The exchanges at the III also showed some differences between these writers, especially regarding the role that policy can play in challenging inequality. In a very arresting part of his talk, Stiglitz took issue with Piketty's now famous r>g formula in which he expects the rate of return to capital to exceed economic growth in the long run, so leading to the default that capitalism tends towards increasing inequality. Stiglitz's view, echoed in some respects by Atkinson, is that in fact there is no necessity for the rate of return to exceed growth.

Another point of difference between them is whether they expect the marginal return on capital to diminish in the long-run – Stiglitz argues that economic analysis suggest that it will, but Piketty observes that this isn't what one sees in the long-run data.

Stiglitz also parts from Piketty in the latter's use of 'capital' and 'wealth' as words for the same concept, leading to a different view of how one interprets returns to personal wealth that reflect the ability to capture 'rents' in the future (but which do not get reported as matching 'negative wealth' for the others who will have to pay them).

Piketty certainly invites these criticisms given his reference to 'fundamental laws' of capitalism, but would surely resist being characterised as saying that politics is unimportant. He would see r > g as only a tendency which can be offset by effective political intervention – such as took place in the middle decades of the 20th century, and indeed *Capital in the 21st Century* has a very clear policy call in its arguments for a wealth tax. He has further spelled out in his recent paper in *British Journal of Sociology* that he sees politics as vital.

However, Stiglitz's general points also meshed with those provided by Bob Rowthorn, Wendy Carlin and David Soskice in their papers for the III engagement with Piketty (as well as in Soskice's BJS paper). They argued that much of the recent increase in capital (relative to national income) which Piketty reveals is due to wealth tied up in housing, where its increased value must be seen as due to the particular inflated valuation of asset prices in contemporary capitalism, rather than part of a general tendency for r > g. Stiglitz takes this argument up in terms of arguing for the role of rents – which depend on monopolies linked to political processes – as fundamental to understanding the enhanced fortunes of the 1 per cent.

Piketty's response to these points will be interesting to see (infuriatingly, his delayed Eurostar meant he did not arrive in time to hear the papers by Rowthorn, Carlin and Soskice!) However, there is also much to be said in defence of his appeal to a broad concept of capital, and to his indication that it has a general tendency to accumulate.

Recent work in sociological analysis (including that by Mike Savage) argues that concepts of capital, such as those used by Bourdieu, offer the potential for a much more historically attuned account of social inequality. And through this move, the possibility is opened up for a fundamental shift of focus in the analysis of inequality, in which the focus is not on categorical groups, defined cross-sectionally, but on the much more nuanced attention to temporal processes, including those which work across the life course as well as intergenerationally. This theme is one which chimes with our own recent work, with John Hills' *Good times, bad times* and Mike Savage's collaborative *Social class in the 21st century* arguing that it is the temporal sequencing and accumulation of inequalities that need to be placed centre stage.

This extension of analyses of inequality is vital if we are to understand why there is not more public opposition to escalating inequalities. One question which Stiglitz leaves hanging, is if government today is (in his words) 'of the 1 per cent, by the 1 per cent, for the 1 per cent', why do the other 99 per cent not appear more concerned to challenge this? It is here that we think that broadening our understanding of inequality to encompass cultural and social capital, the power of symbolic processes, and by being attuned to the role of space and time in shaping perceptions and experiences, we think major advances can be made in our understanding.

These debates will no doubt gather strength in the coming years, and we are delighted that the III is already a central venue for them. One thing is not in doubt. The politics of inequality will become increasingly central to public debate – and the III will be uniquely well placed to contribute to, and steer, these currents.

Note: This article gives the views of the authors, and not the position of the British Politics and Policy blog, nor of the London School of Economics. Please read our comments policy before posting.

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