Inequality: what we think, what we don't think and why we acquiesce

Jamie Morgan[1] [Leeds Beckett University, UK]

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Introduction

An interest in great inequality and rising inequality have become prominent features of our times. According to Oxfam in 2019 the 26 richest people on the planet had equivalent wealth to the 3.8 billion who comprise the lower 50% of the world population. The previous year it required the top 43 to create this equivalence. The 2020 Oxfam report adds a series of statistical claims: the world's richest 1% have more than twice the wealth of 6.9 billion of the world's population, the 22 richest men have more wealth than all the women in Africa (and the estimated value of the unpaid work of women in the world is $10.8 trillion); a report from the Institute for Policy Studies, meanwhile, highlights that US billionaire's tax obligations as a % of wealth reduced by 79% between 1980 and 2018 (Collins et al., 2020). According to the UK High Pay Centre, the median pay of CEOs in the UK FTSE 100 was £3.9 million in 2017 (11% higher than 2016) and it would take a worker on median pay 125 years to earn this (and the equivalent figures for the Dow in the US are far greater). According to the Equality Trust, FTSE 100 CEO "compensation" as a ratio to their own employees' pay averaged 145:1 in 2017 (rising from 30:1 in 1970 and 50:1 in 1990).

Great wealth and income both fascinates and outrages us and this is not new. Susan George's *How the Other Half Dies* was an early reminder that we live in a world of consequence, whilst Thorstein Veblen's *The Theory of the Leisure Class* reveals how display and conspicuous consumption have always been part of social hierarchies. Public evidence that feeds our modern interest, meanwhile, can be dated back to the annual Forbes 400 rich list, first published in 1982. There are now many equivalents or derivatives (such as the UK *Sunday Times* Rich List) and a variety of databases and sources. Equally there are problems over how to adequately calculate wealth and income, since the wealthy are not necessarily keen to have their full wealth and all their income sources disclosed (even if there is some competition involved in being the "richest"). There are, however, fundamental issues at stake, and the various other essays in this collection highlight many of them. What I am interested in is how our capacity to think through the problems and issues of inequality, and by extension poverty, globally and locally, have been shaped both by what we are encouraged to "think" and what we are discouraged to think about. This is not because I am of the opinion inequality, poverty etc. are merely epiphenomena, rather the opposite, much of modern thought on the problem is muddied because dominant ways of theorizing the world "pre-persuade" us to accept inequality, even as we think of it as problematic. And clearly, the use of "we" in "we think" may seem presumptuous as a device (who are "we"?), but it seems an appropriate way to make the contrast between different threads of public discourse informed by different academic resources. You may interpolate as this "we" or not. In any case, I begin from noting the role of Thomas Piketty's work in bringing inequality to public prominence in the aftermath of the global financial crisis, and then move on to discuss various features of the measurements that are made, the questions that are asked, and the issues that are

[1] Professor Jamie Morgan, School of Economics, Analytics and International Business, Room-520 The Rose Bowl, Leeds Beckett University Business School. j.a.morgan@leedsbeckett.ac.uk

foregrounded or absented by the concepts we apply. The material is intended to be wide-ranging and indicative rather than comprehensive.

What we "think" about inequality

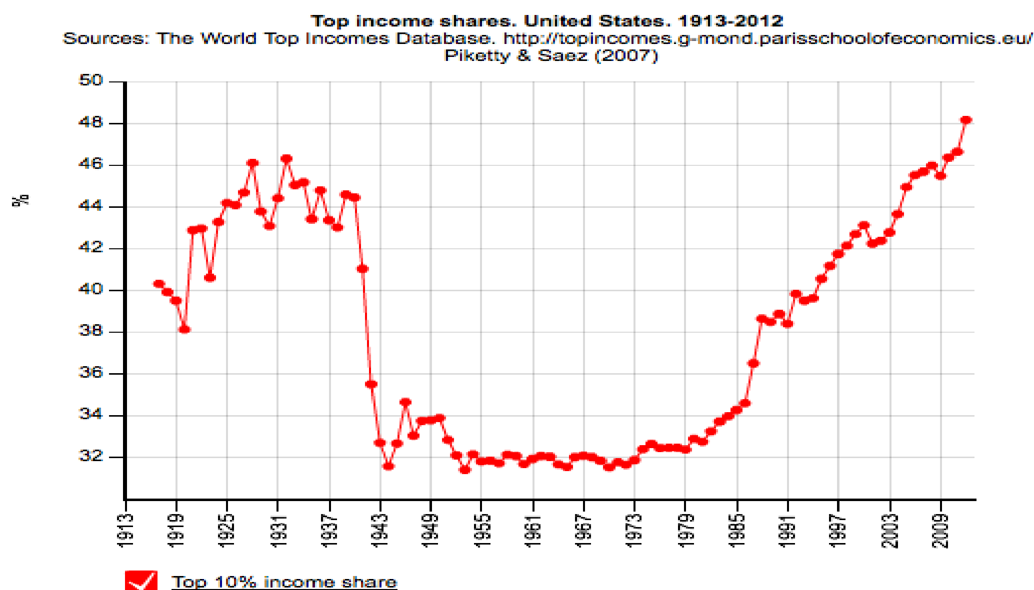
When exploring what we think about inequality today a convenient place to start is with Thomas Piketty's *Capital in the Twenty-first Century* (2014). *Capital* appeared at an opportune time because the lived experience of inequality in the wake of the global financial crisis 2008+ had intensified and the media were looking for something to hang stories about discontent on in that wake. It is odd now to think that the global financial crisis was over a decade in the past. To new university students its causes, form and consequences are "adult history" that they originally have a child's recollection of. However, it's legacy lives on and greater interest in inequality is a constituent of that legacy, not least because events in the following decade exhibited a distinct change in policy and public mood. For example, by the time *Capital* was published in 2014:

- "Affluent" states had explicitly turned to "austerity" politics. e.g. the UK (formally by coalition government in 2010 to address a "structural deficit"). Wage freezes, welfare cuts and an increase (since these already existed in flexible labour market systems) in the prevalence of precarious and insecure work forms was occurring and household debt, after a brief collapse, had started to rise again (use of debt had already embedded in many societies during the previous decade as a necessary facet of growing personal consumption in an era of loose lending conditions, but had now turned more towards hard necessity and increasing debt distress, epitomised at the extreme by the rapid expansion of alternative credit providers such as "payday lending" organizations).
- Various tensions between the members of the European Union had begun to manifest based on fiscal and monetary differences, some of them exacerbated by membership of the Eurozone (which very clearly had not conformed to the idea of an "optimal currency area" and which increasingly invoked issues over "sovereign currency issuer" status).
- Beginning in 2010 Greece, via the "Troika", had become a high profile target of structural adjustment policies that the IMF had previously only applied outside the centres of power.
- The "Occupy movement" began in mid-2011. This followed high profile bank bailouts and a wave of house foreclosures in the USA and elsewhere and, by contrast, few prosecutions in the finance sector, despite widespread gross exploitation, mis-selling, fraud and malpractice; by mid-decade the reputation of bankers (as former "Master's of the universe") and the discipline of economics were both low. In the case of economics this was because it was the discipline that had not only abjectly failed to anticipate the crisis, it had provided support for the role of bankers ("efficient monitors") and of structured securities ("risk dispersal") and had asserted that a severe financial crisis was, as a "sigma event", diminishingly unlikely to the point of practically impossible. Moreover, subsequent economic orthodoxy essentially amounted to an endorsement (as a "there is no alternative") of "privatising gains and socialising losses" from the crisis, which returns us to the shift to the incremental effects of austerity policy on populations, of which "Occupy" is one prominent consequence, Occupy made the connection to inequality, trust and a broken system. Occupy's organizing slogan was thus "we are the 99%"…

In any case, the cumulative experience of the subsequent decade after the events of 2008-9, created scope for the issue of inequality to come to the fore. As such, Piketty's work in 2014 was timely. The previous lack of public prominence of inequality as an issue had begun to

look suspect. The simple assumption that "all boats rise together" and so inequality is either not an important issue or not a long term concern seemed to contrast sharply with the times. *Capital* provided an attractive way to make sense of discontent through a focus on not just the immediate aftermath of the crisis but the *long term* development of inequality in a world lurching from one problem to another.

Capital's key features were an easily absorbed core graphical presentation (its long term u-curve of falling then rising inequality with a pivot in the late 1970s) and conjoint focus on both asset wealth and income trends. For example:



Capital makes use of an extensive and still evolving database and this was (is) a collective work: the World Inequality Database (WID).[2] Both *Capital* and the database draw on an innovative use of tax records to provide new long term data for an initial selection of countries, which is then extended to others (see Pressman, 2016: 19-27).[3] However, just as important as the "evidence" were Piketty's three laws of which the third "tendency" for r>g grabbed the headlines, in so far as r>g suggests that inequality is built into capitalist systems.

As most readers will know, "r" is the rate of return earned by "capital" and "g" is the growth of national income. According to Piketty, if the average % of r is greater than g then by a simple process of compounding (expressed via the previous two "laws") more of national income will flow to capital in general as time passes and if "capital" is initially held unequally then the proportion going to some will rise faster than others, causing inequality to also rise. For Piketty, in the absence of war or institutional restraints (which are difficult to maintain), r>g is a "fundamental force" reflecting the power of the wealthy to promote their interests and this promotion of their interests is a "deep" "structural" feature of capitalism. Concomitantly,

[2] See: https://wid.world The "World Inequality Lab" (hosted from Paris School of Economics) now publishes an annual "World Inequality Report". WID absorbed the prior World Top Incomes Database in 2015. WTID launched publicly in 2011 and was built as part of projects leading to *Top Incomes over the XXth Century* (2007) and *Top Incomes: A global perspective* (2010).

[3] Piketty's oldest and most continuous sources are Britain and France beginning from around 1700, followed by Germany, the USA, and Sweden from around 1800, the rest of Europe, and Japan from the early 20th century, and extending to other nations of the world through the second half of the twentieth century; within a broader database that tracks and estimates other metrics over two millennia (see Morgan, 2015).

Piketty notes that r tends to be higher for the very wealthy (with access to legal and financial advice and opportunity that others do not have) and that inherited wealth is more of a phenomenon than contemporary narratives of new wealth might lead one to expect (though he acknowledges the systemic scope for super managers to become wealthy based on opportunity).[4]

So, the initial point I am making here is simply that Piketty's *Capital* formed part of a renewed interest and focus on inequality and thus had some influence on its prominence and how we think about it. This is by no means to suggest Piketty was first or was unique in highlighting inequality. The prominence of his work did however influence the subsequent discourse in at least two ways. First, *Capital* became a media phenomenon and bestseller and so mainstream economists and business school academics in general began to take note. The American Economic Association, via its influential journals, solicited essays on *Capital* in particular and inequality-relevant argumentation became a notable aspect of journal articles across business and management studies. Second, non-mainstream scholars with a longstanding interest in inequality or related issues started to incorporate critique of Piketty into their own work. It is important not to be reductive about this, I am not suggesting *Capital* became the sole gravitational centre of a new discourse of inequality, but I am suggesting that it became something one could not ignore if claiming some degree of informed interest in inequality (for something more sophisticated see Rieder and Theine, 2019; Grisold and Silke, 2019). As was also widely reported, however, *Capital* was widely bought, but not often finished.

So, if we look to the subsequent mainstream of economics and of academic business literature, these responded by embracing the newly discovered prominence of inequality whilst drawing its sting. This has had several facets. One facet of the response has been to focus counter evidence on the *rate* of change in inequality in rich countries, drawing attention to data that suggests inequality is little changed in recent years across most of the distribution and may in some cases and some periods have reduced. So, inequality is not the "problem" that Piketty and others might suggest. Another facet has been claims about global trends, specifically that there is a bigger picture of the global poor "catching up", whilst also acknowledging a growth in the number of very wealthy outside the USA. China features prominently in both the "catching up" and the "new wealth outside the USA" claims and both have been deployed to undermine the focus on structural preservation of generational wealth. The latter "new wealth" claim in particular implies there is systemic dynamism – a churn of the wealthy through "creative destruction". This theme of creative destruction has also re-emerged as a way to recontextualise entrepreneurial claims on income and wealth in all countries including the USA. "Disruption" and "disruptors" have become common concepts conjoining great income and new wealth with themes of wealth creation.

The point I want to emphasise here is that there has been a mainstream pushback regarding inequality and this has been ideational, repositioning or de-emphasising inequality by reasserting or modifying other themes in which it might play a part. There are many other strands of argumentation one might draw attention to here. For example, the continued rise of stakeholder theory as a companion to shareholder value theory in business literature; or the headlines that accompanied Jonathan Ostry and others acknowledgment at the IMF that "neoliberalism" *might* have gone too far and *may* have some negative consequences. This you may recall occurred within the context of the institution reasserting – via Christine

[4] For other evidence corroborating family wealth transmission see Korom et al. (2017).

Lagarde – a standard claim that markets and education remain fundamentals of a mutually beneficial process of growth. In any case, what these examples illustrate is a series of modifications and acknowledgments in academia and influential organizations that have bled through into public discourse in multiple ways. So, one might say that how we think about inequality has some complexity of context based on mainstream modifications, and I will return to this theme later and in the next section.

This brings us to the second strand of influence of *Capital*, non-mainstream scholars with a longstanding interest in inequality or related issues started to incorporate critique of Piketty's *Capital* into their own work (see Fullbrook and Morgan, 2014). This critique ranges from:

1. Arguments regarding the merits of different data sources and data bases (notably tax versus survey data, especially for issues of wealth).
2. Debate over the technical construction of different measurement systems for inequality, notably the relative merits of Gini coefficients and various alternatives.[5]
3. Argument regarding the merits of different measurement and representation systems of data ("what" to contrast with "what" and how to measure that "what").
4. Criticism that despite Piketty's initial critique of mainstream economics methodology and attitudes (its formalism etc.) and his claim on "political economy", *Capital* is not as radical as it first appears, in so far as its background theory makes use of Cobb-Douglas production functions and has various "neoclassical" commitments (fixed elasticities of substitution etc.).
5. Criticism that its first law is simply an accounting identity, its second requires a lack of genuine interdependency between savings, investment and growth (a non-Keynesian position), and that its third law is incoherent if one approaches r and g more realistically based on differences in each rather than aggregates of both.
6. Criticism that Piketty's concept of "capital" is misleading - no more or less than an adjusted market measure of asset value, rather than, as traditionally conceived, as "produced means of production"; and that Piketty misunderstands the concept and meaning of capital and relevant theory of its constitution (notably via a misrepresentation of the Cambridge Capital Controversies).
7. Criticism that, following 6 (and invoking critique from Marxists, post-Keynesians, Regulation theorists and sociologists with an interest in Polanyi etc.), despite Piketty's claims to have uncovered the "deep structures" of capitalism his main point is not an explanation of real mechanisms of economies but rather a simplistic truism (the powerful

[5] The Gini coefficient is based on a calculation of the area between a Lorenz curve and a perfect equality line and the entire right angle below the perfect equality line. The perfect equality line shows the distribution if everyone received exactly the same income (the first 1% receive 1% of total income, the first 2% receive 2%, so cumulatively this grows to 99% receiving 99% and then 100%). The Lorenz curve shows the actual income distribution (to the first 5%, 10% etc.). If the two curves coincide then the area is zero and income inequality is 0. The more they diverge as Lorenz bends away then the greater the measured inequality up to a coefficient of 1 (all income goes to the top household). As Pressman notes (2016), since the coefficient is a single number to represent a distribution its abstract expression is a barrier to explanation and understanding. It is not clear what it decomposes to and it lacks intuitive or observable meaning: a graph or table of which decile etc received what % of income, wages or wealth is more immediate and makes more sense, as well as immediately makes clear how wealth assets become income, which increases income inequality compared to wages – something Gini simply disguises. Moreover, mathematically the coefficient is more sensitive to changes in the densest (typically middle) part of the distribution. See also Hickel later on the relative measurement problem.

seek to reproduce and exploit their power), as such *Capital* reduces to a superficial (if exhaustive) data exercise.

8. Criticism that his preferred solution to long term inequality (a global wealth tax) is a consequence of measurement scale (if it is by aggregation of "capital" that the problem seems uniform and universal then it is at scale the problem is solved, but the solution follows from the aggregation rather than necessarily the different causes) and is, in any case, infeasible (if "capital" has "power" to influence institutions then tax reform is liable to be undermined or captured by Piketty's own "deep structure", so something more fundamental seems to be required by internal coherence of claim).
9. Criticism (mainly in ecological economics) that his projected trends for the future of inequality (continual growth of it) depend on impossible assumptions about institutional inertia and also technological production frontiers and continued exploitation of carbon resources (constituting measured future wealth assets, even as he positions himself as a champion of ecological issues and emphasises that carbon exploitation must change).[6]

Piketty's work has evolved since (see Piketty, 2020) and in drawing attention to this list I by no means wish to denigrate the important *role* played by Piketty's work and that of his fellow travellers at WID (perhaps most prominently the now deceased Anthony Atkinson and more latterly Emmanuel Saez and Gabriel Zucman).[7] Amongst other things, the prominence of Piketty's work placed pressure (as we have already begun to note) on mainstream economics to reconsider inequality; it challenged the basic claim that development and market liberalism (and, especially democracies) were necessarily meritocratic in a sense related somehow to a "Kuznet effect" (typically understood as "inequality reduces as a socio-economy evolves" – though this is reductive in terms of Kuznet's own work). Moreover, by decomposing income and wealth into groupings (the top 10%, 5% 1% etc.) and highlighting the compounding effect of proportion of national income in his second law and the role of returns on capital (wealth assets etc.) in his third law, he created a renewed focus on economic "rent" and the potential difference between wealth creation and wealth capture. This created scope for broader public discussion of the "return of the rentier".

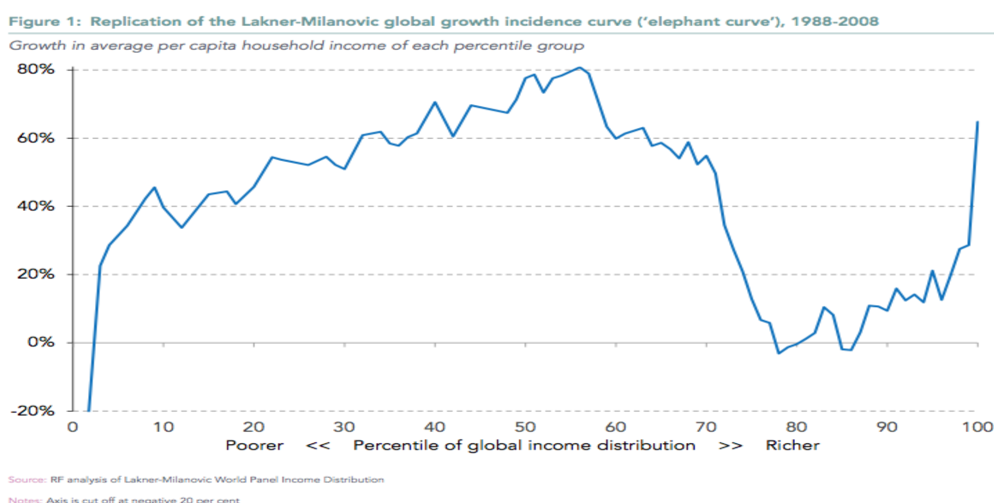
The point I want to make, however, is that in becoming an important thread in how we think about inequality, Piketty's work has also provided a perceived need and opportunity for others to respond. So, the sociological significance of *Capital* extends to responses from others on inequality, creating both space for their work but also challenges from their work. Approaches to Piketty's work have been more and less critical in many fields. Where it has been critical this has not been mere carping from detractors, who are simply irritated that he has become famous in a field they have spent years working in (broadly interpreted; see, for example, James Galbraith, Thomas Palley, Dean Baker, Ozlem Onaran, Engelbert Stockhammer, Malcolm Sawyer, Yanis Varoufakis, Ben Fine etc. etc.). Critique, as the list 1-9 indicates, has raised important issues. Equally, where his work has been embraced, and this has mainly been appropriation of data drawn from the WID database, important work has also been done (e.g. Sayer, 2015). Responses, of course, reaffirm, draw attention to and elaborate different ways to think about inequality and this too is important for our purposes, since from an analytical point of view it suggests that perception of inequality is related to how and what is

[6] Summarized in Morgan (2017). For context see Gills and Morgan (2019).
[7] Atkinson was a research assistant to Robert Solow at MIT, taught public economics with Joseph Stiglitz at Cambridge and started work on tax and the income distribution in the UK at the LSE in the 1980s; he thus pioneered the modern study of inequality at the margins of the mainstream and his *Inequality: What can be done* (2015) was published just after *Capital.*

conveyed. *Capital* may have helped to bring the issue of inequality to the fore, but different themes and issues can be revealed or emphasised.

So, amongst other things, it matters that inequality *is* measured, but equally it matters *how* inequality is measured. James Galbraith, for example, distinguishes between WID and other data sets on inequality: the World Institute of Development Economics Research (WIDER) using survey data, the World Bank World Development Indicators (WDI) dataset (provided by member states) and the University of Texas Inequality Project (UTIP), using category data. Galbraith, of course, is closely associated with UTIP and his work on income inequality is longstanding and multi-faceted (e.g. Galbraith, 1998; 2012; 2016).[8] As Galbraith notes, WID's use of tax data solves some problems but creates others; income tax data is only available where income tax is applied, evasion may occur and changes to law change the dataset, but not the underlying reality. According to Galbraith, one of Piketty's key findings, the mid-1980s acceleration of rising inequality in the USA, is a product of change to reporting and not of changes to income. So, whilst the USA may have *high* inequality, its difference to other wealthy states is likely overstated (at this point at least). Collaborators at UTIP by no means condone or downplay inequality, but they have quite a different perspective than Piketty on global mechanisms and relations that underpin inequality.

Jason Hickel is another who makes much of how differences in measurement affect how inequality appears to us (Hickel, 2017). Previously I noted that there has been a mainstream pushback regarding inequality and this has been ideational, repositioning or de-emphasising inequality by reasserting or modifying other themes in which it might play a part. I also noted that a significant aspect of this has been a claim on a bigger picture of the global poor "catching up", whilst also acknowledging a growth in the number of high earners and the very wealthy outside the USA. This is essentially an appropriation of Branko Milanovic's work, best known from his book *Global Inequality: A New Approach for the Age of Globalization* (2016), but also widely publicised by the World Bank, beginning with its *Taking on Inequality: Poverty and Shared Prosperity* (World Bank, 2016) report. The key finding of both is that the period of accelerated globalization (increasing capital mobility, out-sourcing, extension of supply chains and increasing trade as a proportion of global GDP) from the late 1980s has coincided with a *fall* not rise in the *global* Gini index. Perhaps the most prominent aspect of Milanovic's work has been the "elephant curve", one version of which is:



[8] For UTIP go to: https://utip.lbj.utexas.edu/about.html.

The elephant curve suggests that the *relative* growth in income of households has mainly occurred in the mid-to-lower part of the *global* income distribution and at the very top, but not the upper part of the distribution below the very top. Given that the ordinary middle classes of wealthy capitalist countries are the upper echelons (but not top of the distribution) of a global distribution, the implication is that the curve mirrors the problem of deindustrialization, outsourcing, automation and global labour competition that have hit the incomes of the upper or skilled working class and lower and middle management of wealthy countries. In a sense, it implies a partial success story from "globalization" for great swathes of the world other than these. This general proposition ought to be familiar to any informed reader and has clearly created an important context or consideration for how we think about inequality. Hickel, however, argues that this "counternarrative" is misleading for various reasons:

1. The main data representation treats the world as a single country (and in related representations as anonymous units) which then conceals the difference between real countries.
2. Aggregation to a single global distribution thus disguises that much of the positive change is China (and some of East Asia). However, though the main data representation de-emphasizes China's exceptionalism, the approach also implies China is in general a success story *for* globalization.
3. If one removes China from the Gini calculation then global inequality increases not decreases on the main World Bank measure.

For Hickel, several points follow. First, the use of a relative measure, like the Gini index, obscures absolute changes. Absolute gaps can grow even if a Gini coefficient shows a decline (as he states, a 10% increase in the income of the poor from $5,000 to $5,500 compared to a 9% increase for the wealthy from $50,000 to $54,500 will register as declining relative inequality, but the gap has grown by $4,000). Second, China's intrinsic significant influence on the figures disguises the continued existence of a Global North and Global South distinction for inequality *whilst* also, by anonymizing the role of China in the main metrics, downplaying the significance of both state development strategy and state-specific characteristics (neither of which fit a standard universal globalization narrative). Fundamentally, the global representation both disguises and depoliticizes the causes and consequences of inequality as geo-political economic issues. One consequence of this is that it makes us comfortable with a world of great difference on the basis of global progress that is not actually happening, if by this we mean "catch-up". Different metrics, contrasting specific countries and regions using absolute figures and ratios reveal a quite different picture:

> "In 1960 the per-capita income in the richest country was 31.8 times higher than in the poorest country; by 2010, it was 118 times higher, and the absolute gap between the two had more than doubled. We see a similar divergence if we look at the gap between developed and developing regions…since 1960 the gap between the per-capita GDP of the US and that of Latin America has grown by 206%; the gap between the US and SSA has grown by 207%; the gap between the US and the Middle East and North Africa has grown by 155% and the gap between the US and South Asia has grown by 196%. From this perspective, global inequality has roughly tripled during the period [1960-2014]" (Hickel, 2017: 2217).

Within this period some ratios did shrink for a subset of the whole in the 21st century, but this was based on Chinese production and infrastructure expansion, which inflated commodity prices (a transfer to commodity producing countries) and this not only appears to have been temporary, it is decisively *not* rooted in a structural change to the dynamics of global economies. In any case, the key point here is that what we think about inequality prevents us asking *why* is inequality not narrowing between rich and poor countries? It tacitly supports globalization whilst discouraging us from thinking about geo-political structures.

January 2005 to July 2018

Figure 9: Great Britain average weekly earnings at constant 2015 prices, seasonally adjusted

January 2005 to July 2018

The point, of course, is not unequivocal; dissent over globalization is now widespread and populist reactions in wealthy countries are a well-recognized issue. And to be clear, I am not suggesting inequality and its problems reduce to mere perception. Nor am I dismissing problems of inequality within otherwise wealthy countries. When, for example, the UK Social Metrics Commission (including members from the IFS, Royal Statistics Society and Rowntree) introduced a new more broad-based set of poverty and inequality indicators in 2018 (partly in response to the UK government ceasing to officially use the standard relative and absolute poverty measures for policy in 2015) this was targeted to more adequately "express the reality" of poverty and inequality in the UK.[9] According to the SMC, 14.2 million people were in poverty in 2018 (22% of the population) and 7.7 million in persistent poverty. These included 5.5 million in some kind of work and this is indicative of the rise in working poverty in a country where flexible working practices have proliferated and social welfare systems have been eroded. These are associative indicators rather than inequality itself and inequality and poverty are not necessarily the same thing, but the latter is more likely in societies of low pay, wage stagnation, poor social security and enduring debt dependence issues, all of which subsist in unequal societies (see SMC, 2018).[10] According to both the UK Office for National Statistics (ONS) and the Resolution Foundation, average weekly earnings in the UK at the end of 2017 were 3% lower than in 2008 (£12 less at £489), and this decade of austerity was the worst period for change in real pay since the mid-1800s (Gregg and Clarke, 2018; see also Blyth, 2013).

[9] This paragraph is taken with minor adaption from Morgan (2019a).

[10] A Resolution Foundation report highlights that after taking into account housing costs 40% of low to middle income households (40% of 8.1 million households and 19.1 million people, about a third of the population) were living in relative poverty at the end of 2017, an increase of 10 percentage points since 1994-5 – and this, amongst other things, tracks a fall in home ownership for the group by 25% and a 15 percentage point increase in private renting from 12% to 27% (Corlett et al., 2018: 21 & 23). Relative poverty is defined in the UK as 60% of the median household income. Figure 9 is from: ONS, 2018: 17.

I am not suggesting this work is mere fiction. On the contrary, I am suggesting it is extremely important because what we focus on and how matters. The Covid-19 pandemic is a stark reminder of this. Amongst other things, Covid-19 has exposed the fragilities of our societies based on the structural inequalities that developed within them. Inequality is not just stocks and flows of wealth and income, it vests in work conditions, life chances, insecurity, restricted choices, forced choices, reduced social and economic mobility, poorer quality of life and lower life expectancy (and this too is an important range of issues, as Angus Deaton's work or Wilkinson and Pickett, 2010, indicates). In the case of Covid-19, we count and report deaths and this can be differently measured and more or less accurate, but death is not a discursive event. It is not a text, but it is a rebuke and indictment. And then there is George Floyd…

So, what I *am* suggesting here is that reality becomes more or less visible to those the problem is being conveyed to and this in turn influences how we think about inequality. This, in turn, surely affects reality based on our understanding of the world, the reasons we hold, what makes us passive, what makes us angry, and thus how we act and how we vote. And as this indicates, we live *in* the world, it is not just conveyed *to* us. So, there can be a dissonance between what we experience (our phenomenology) and what we are told. None of which means evidence ceases to matter or ceases to refer to something. The appropriate inferences here are that evidence is corrigible, and that questioning evidence and maintaining an open mind are necessary aspects of contingently improving our accounts of the world, of accepting one explanation, one justification or another for how the world currently is and how it might be in the future. A key feature of this is an awareness of how we are persuaded. This is not just about what we are encouraged to "think", but what we are discouraged from thinking and how we are socialized to acquiesce.

What we don't think about inequality and why we acquiesce

Jason Hickel's work is an important reminder that what we "think", what we are encouraged to think, about inequality is a problem field that can be reversed, in so far as how the world is presented to us can discourage us from thinking about inequality, at least in so far as we have a clear idea of its problematic features. Inequality is not a thing per se, it is a measured consequence of processes, a facet of systems, it is caused and its existence is consequential. But its existence, its causes and its consequences can all be more or less difficult to focus on. This can be confusing and disempowering. And this is not just about how the world is measured and cut up, it is also more fundamentally a matter of theory that shifts emphasis through the way concepts are included or excluded, and ultimately it is a matter of degrees of ignorance created by what we otherwise think of as knowledge. So, it can be important to remind ourselves of the many different resources we have to draw on in thinking about inequality.

Hickel's work, for example, draws some of its inspiration from Robert Wade. Over the years Wade has drawn attention to the way economics tends to render invisible the power relations that reproduce global order, including its trade dynamics, which work to the benefit of some but not others (e.g. Wade, 2017). He has a clear sense of the continued significance of developmental or interventionist states (those with a strategy) and of the problems of integration of these into a world order whose organizations and institutions maintain and exploit the vast majority of the world's countries and people (Wade, 1990). The ideational form behind this, the Washington and Post-Washington consensus, stands at odds to the

realities the ideational form produces and reproduces. From this perspective, it is significant that there are basic questions that we are discouraged from thinking about.

Why is it not more obvious to us that the world is comprised of around 200 countries, and yet less than 10 have made any meaningful transition in the last 40 years and more into the upper echelons of wealth and income, and if one looks past Japan and South Korea, none of the other possible candidates are unequivocal? Yet globalization is portrayed as mainly a success, a progressive and *convergent* roadmap for all.[11] Is it? Or is it a hierarchical system that seeks to maintain difference, even if it allows for "development"? One does not need to disparage the Millennium Development Goals or the subsequent Sustainable Development Goals to note that the goals that have been achieved and the ambition that is built into them are extraordinarily low thresholds or targets if placed in the context of how the wealthy world lives. Dragging large numbers (mainly in China) out of extreme poverty is not insignificant, but nor is it a consequence of anything the collective of countries in the world planned and nor is it (in global context) a signal of an *equalising* world.[12]

Behind Wade's work then, there is a whole tradition of work that encourages us to look at the problem differently. International Political Economy and Global Political Economy have a long tradition of exploring and explaining the dynamics of geo-political and economic power hierarchies; from the work of Immanuel Wallerstein, Giovanni Arrighi, and Andre Gunder Frank and Barry Gills on world systems theory (with core-periphery and transitional relations in a long history of capitalism) to the work on "historic blocs" and "wars of movement and position" of "neo-Gramscians" such as Robert Cox, Stephen Gill, Adam Morton and Andreas Bieler, to the "global Keynesianism" of Heikki Patomäki. And, there is work on Global Value Chains and Global Wealth Chains that explores institutionally embedded exploitation and wealth capture, as well as work in critical development studies, on issues like structural causes and perpetuation of modern forms of slavery and unfree labour (from people like Wendy Olsen, Isabelle Guérin and Genevieve LeBaron).[13] All of these invite us to be skeptical regarding the simple equation between development, globalization, progress and convergence.

By contrast, development economics tends to conform to the more problematic features of mainstream economic inquiry, even as it positions itself as an important "pragmatic" step forwards. Perhaps the highest profile instance of this recently is the project work using Randomized Control Trials (RCTs) by Abhijit Banerjee, Esther Duflo and Michael Kremer. The three were awarded the "Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel" in 2019. Banerjee and Duflo founded the *Abdul Latif Jameel Poverty Action Lab* (J-PAL) in 2003 with the aim of using RCTs to "answer critical questions in the fight against

[11] Noting that ultimately globalization is not a theory, it is a term for theories and one which tends to distract form the operation of systems (capitalism etc.).

[12] Goal 1 target 1 of the MDGs (reducing extreme poverty by 50%) was achieved five years ahead of schedule in 2010. As one report put it early in the last decade: "in 2011, 17 percent of people in the developing world lived at or below $1.25 a day. That's down from 43 percent in 1990 and 52 percent in 1981.This means that, in 2011, just over one billion people lived on less than $1.25 a day, compared with 1.91 billion in 1990, and 1.93 billion in 1981. Even if the current rate of progress is to be maintained, some 1 billion people will still live in extreme poverty in 2015 – and progress has been slower at higher poverty lines. In all, 2.2 billion people lived on less than US $2 a day in 2011, the average poverty line in developing countries and another common measurement of deep deprivation. That is only a slight decline from 2.59 billion in 1981."

[13] One might also mention Amartya Sen too, who has done a great deal to contest concepts of utility and welfare and their influence on development thinking; and perhaps also Hardt and Negri's work in Neo-Marxism which was influential on the World Social Forum early in the Millennium.

poverty". Critique of the application of RCTs use in development economics are widespread (Morgan 2019b). RCTs reduce development to a measurable contrastive outcome for some specific small scale intervention at local level, which in principle seems extremely attractive. However, this attraction is also its major defect; donors, funders and policymakers are seduced by the "data" and so development studies and development projects have narrowed down to what can be measured through an RCT. The field has thus been captured and this has had various consequences, not least a tendency for (paralleling Hickel and Wade) development choices to be depoliticised (as though that were possible) and for poverty alleviation projects to lose broader critical focus on structural transformation (a point made across the board and including figures as prominent as Martin Ravallion and Angus Deaton and Nancy Cartwright). Moreover, the method itself is considerably less successful than it first appears - an RCT requires conditions for adequacy that cannot be created in most cases.

Methodologically, the tendency to apply RCTs represents a typical instance of mainstream economic preference for quantitative and model based tests that distort the social reality they address. Again, poverty is not inequality per se, but the two can be associated in one country and in a hierarchical system of difference with some "development", contrastive poverty in one place can be a result of actions elsewhere. So poverty (and relative lack of ambition in resolving it) can be maintained in multiple ways in a globally *unequal* system. It is not irrelevant, therefore, from a sociology of knowledge point of view that development economics is an instance of the way mainstream economics has become a problem rather than a genuine solution to problems. It is "horizon-shortening" rather than merely pragmatic. Where, for example, is the *structural* macro and global critique of the financing systems that extract billions a year from poor countries or the exploitative ownership patterns of commodity extraction or the abusive conditions of "adverse incorporation" along supply chains or the asymmetries in property and land ownership? One does not need to assert Duflo, Bannerjee etc. lack good intentions in order to suggest "Nobel" Prizes convey the *public* impression that state of the art in economics is "best practice" and thus best achievable outcomes, and this is very clearly a dubious set of inferences that we are encouraged *not* to contest (and so appropriate critical questions of context, scope and progress are discouraged). RCTs represent themselves as "value free" science and Duflo and others in the field are disparaging of "political economy".

Reference to political economy and the issue of problems dressed as solutions brings us to perhaps the most fundamental and enduring way we are discouraged from thinking about inequality, and that is mainstream economic form. Mainstream economics renders invisible key features of inequality and of the socio-economic system within which it is produced. Piketty is not wrong about this, even if it is questionable that he has an adequate concept or explanation of both the process and the socio-economic system. That the system and inequality are related, is, of course, the first casualty of the shift from classical political economy (CPE) to what Marx referred to as "vulgar political economy" and to the marginalism that then followed. Though the point is not unequivocal, two main enduring features of the mainstream illustrate what I mean.

First, mainstream economics provides the ideological projection for the layperson of the fundamental framework of capitalist economy: subjective preference tied to effective demand and marginal productivity tied to factor cost of supply, jointly determine price and output in one market and all markets and when "unimpeded" these provide an equilibrating *harmonious* engine of growth through dynamic efficiency. This is interrupted by shocks, confounded (only) in the short term and subverted by crowding, distortion, inefficiency, irrationality, asymmetries

and failures – which amounts to the insight that everything works fine and to the interest of all except when things deviate from a calculative, rational, well-informed, self-interested core. Second, in so far as a market system operates harmoniously and efficiently, all factors are paid their appropriate marginally determined price, and labour, by definition is paid what it is worth on the basis of its individual productivity in relation to the overall competitive system of equilibration of prices. As such, market prices are "just" prices and market wages are "fair" wages (representing each individual's contribution to the whole, where the whole is axiomatically a "just distribution"). This argument is typically attributed to John Bates Clarke (though it is debatable what he originally meant).

The point, however is that the deep background ideational framing of capitalist market economy combines the fundamentals of a harmonious capitalist growth engine with a basic claim that the system is fair (and thus in modern theory if you want to be paid more, you should improve your productivity via skills and education and this in itself is sufficient to both facilitate growth for all and achieve higher incomes, through performance review, for each individual). The problem with this, of course, is that it is a pale imitation of reality. Education is not irrelevant, skills matter, but not reductively so, since this lacks any grounding in real societies. The framework renders every facet of real human social conduct exterior to its axiomatic focus (making real people in real societies problems that must be conformed to an impossible ideal), whilst also shunting study and research into real people and real conduct into other disciplines: politics, sociology, history and culture etc.

From the point of view of inequality, it is social stratification and social conflict over the economic product and its surplus that is eliminated. The systemic problem of both power and its expression in economic processes disappears from "distribution" and so the link between opportunity, mechanisms and the differentials in rent, profit and wages likewise cease to be a central concern. As many commentators have pointed out, it is ironic that in placing a claim on the legacy of Adam Smith via the "invisible hand" (something he only mentions three times and never as a positive central element of his thought), and his basic arguments for *contingent* mutually beneficial market exchange, the modern mainstream has eliminated almost every key aspect of Smith's *critical* thinking and that of other originators of CPE, such as David Ricardo.[14] The residue is a system where the claim that all "boats rise together" has a ready discursive scaffold. There is, as such, a long history behind Piketty's observation that the powerful seek to reproduce and exploit their power, but this is *not* what the mainstream encourages us to think about; it replaces this with an impossible model world, with an implicit moral and ethical claim on fairness, rooted in this model world, and with a basic ingrained blind spot regarding power and distribution. This in itself facilitates exploitation in the name of a distributively just system, where those able to leverage power to increase their wealth and income can claim to be "worth it" (the conceptual system favours this language and channels argument towards the role of wealth creators, rather than wealth capture, despite that this so obviously contradicts our experience of the world).

There is, of course, a long history of alternatives that *do* encourage us to think about how inequality can root in systems via distribution. Most prominently in economics, the Sraffians have reoriented economics on a struggle over the surplus. If we expand our horizon to

[14] This is by no means to suggest CPE constitutes *the* high point of economics to which economics should simply return, it merely suggests the mainstream has taken a wrong turn (CPE is a retrospective construct drawn from multiple works and has numerous debates regarding the status of Say's law, comparative advantage, the Sraffian claim on CPE, the relative status of Petty, Ricardo, Smith etc. and both Mills, and then the marginalists and so on).

encompass the theme of investment dynamics (another theme that emerges out of CPE) then Michal Kalecki's work highlights the different consequences for production, employment growth and pay that can inhere and this is a theme that returns us to the post-Keynesians. Post-Keynesians in general take an interest in endogenous path dependency in the context of a money economy and fundamental uncertainty. This is a world that cannot be conceived in terms of ideal states where everyone gets what they deserve. Money, meanwhile, invokes the role the financial sector plays in any contemporary economy and this opens up a whole array of different issues regarding the creation of inequality and the role of economic rent (as well as Nicholas Kaldor's important distinction between speculation and productive investment). Piketty may have played a role in returning the issue of rent to prominence, but Marx and the radical political economy tradition never neglected this thread and it is worth noting that modern "financialisation" theory predates Piketty's *Capital* by at least a decade (for range, see Epstein, 2005; Hudson, 2015; Soederberg, 2014; Montgomerie, 2019). Finally, old institutionalists and more recent social and cultural economists have worked to rehabilitate the role of rules, law and habit as expressions of power – a subject that feminist economics has also done much to elaborate in terms of the issue of social reproduction and (lack of) equality through the unpaid exploitation of care.

There are, then, a plurality of resources that bring different perspectives to the problem of inequality and what all of these share is a common focus on social context, power and outcomes. This is precisely what the mainstream *does not* encourage us to think about and this brings us to a final issue for inequality. I suggested at the end of the last section that a key feature of well-informed understanding of inequality is an awareness of how we are persuaded and that this is not just about what we are encouraged to "think", but what we are discouraged from thinking and how we are socialized to acquiesce. Socialization is simply another term for both what we are encouraged and discouraged to "think", but it is one with a broader canvas, since it shifts our focus towards the confluence of consequences that follow for how we act in the world, based on what we are encouraged and discouraged to think. One reason to be a pluralist is the realization that there are so many different attempts to persuade us and that often it is power rather than plausibility that dictates which dominate. As all of what I have written so far indicates economics has played a significant role in "pre-persuading" us that inequality will occur. This is not because we find extreme inequality or poverty necessarily acceptable. It is because our focus on what is in front of our faces is fractured. Globalization and convergence and harmonious economic theory without distributional struggle illustrate this. Michael Hudson, for example, refers to the role of mainstream economics as a kind of "learned helplessness" or functional knowledgeable ignorance and there is another feature one might draw attention to here. In addition to failing to articulate the realities of distributional struggle, theory can also predispose us to unequal *redistributive* consequences. Whilst both distribution and redistribution can be instances where socialization means we do not realize what we are acquiescing *to*, the latter (redistribution) is more obviously of this type.

Tax is not just a tedious domain of regulatory pedantry and accounting precision, it is a field of conflict over fundamental rights to wealth and income and those rights in turn are nested within a whole set of ideas regarding the role of and legitimacy of the state. How we think about tax is indicative of how we think about the role of the individual, the collective, society and government. Few members of the public today could name and explain the Laffer theorem, but we live in societies profoundly influenced by its logic (Berman and Milanes-Reyes, 2013; Morgan, 2020). Laffer argues that there is a trade-off between the tax rate and the tax yield and an optimal tax rate produces a maximum yield. Behind this sits the claim that

there is a substitution effect created by the tax rate and that in general lower rates induce higher levels of effort or activity (corporate and personal). Whilst the theorem does not dictate that lower tax rates increase yields, in the hands of the neoliberal right the logic provides a resource for general argument that we should *prefer* lower to higher taxes. The rationale for this is that everyone gains if lower taxes lead to greater economic activity.

However, the general direction of travel towards lower taxes is also typically towards less progressive taxation (with flatter tax bands). These relative changes can have significant absolute effects: high earners and the wealthy retain more income from work and capital and so inequality of both rises (Piketty's compounding effects kick in). This can occur even as the actual % of the total tax take in a country skews towards greater takes from high income earners and the wealthy. So, incrementally we end up with a system of greater wealth and income inequality through both unequal distribution and lack of redistribution. And yet the original argument used to create this situation is that we all gain. In acquiescing to "we all gain" (something that may also be false), we inadvertently acquiesce to an increase in inequality and this consequence has observably been the case in both the USA and UK (and the argument is a constant pressure on traditionally more social democratic states in Europe). Moreover, the cumulative outcomes lead to additional forms of argument that can be deployed to prevent the re-imposition of more progressive tax systems, since there can be a greater tax take from the rich, despite that they are keeping more of their income and wealth, and this can lead to a "dependency" argument. From the point of view of exacerbated inequality, systemic dependency is actually a signal of the *failure* of the system, rather than of the success of "wealth creators". And yet it creates scope for the political right to defend tax issues via an argumentation strategy that suggests tax changes risk "killing the golden goose".

Moreover, the ideological framework behind the argument suggests income is earned, earned income is individually deserved, wealth is deserved and the state is an expropriator. From this perspective, the relation between the individual, the corporation and the state is implicitly one of antagonism. Not only does this sit awkwardly with positive argument for the role of the state, it tends to corrode any sense of obligation to pay taxes and this in turn leads to a framing of tax evasion and avoidance, which exacerbates inequality. Again, mainstream economic theory does not help here. Economic theory treats all economic behaviour as subset cases of rationality. Treating tax evasion and avoidance as rational is treating opportunistic, unethical, anti-social and in some cases criminal behaviour as simply cost-benefit calculations (and it is arguable whether new behavioural approaches to "Tax Morale" alter this).

Calculative mindsets have socialising effects: in one of the Presidential candidate debates with Hilary Clinton in the 2016 campaign, Donald Trump responded to questions regarding his tax affairs by suggesting that paying little was the intelligent thing to do, and he was, in any case, only doing what anyone with sense would (for Trump on breaking convention see Gills et al, 2019). Whilst his comments were clearly egregious, he was also placing a claim on convention – a cultural "common sense". CEOs use this same logic when they respond to public inquiry regarding tax avoidance by suggesting "we pay all legally required taxes" (omitting to note that they employ armies of tax advisers to devise strategies of avoidance and pay millions of dollars to lobbyists to maintain a structural privilege in a global system of reporting, see Seabrooke and Wigan 2020; Christensen et al., 2016; Saez and Zucman, 2019; Zucman, 2016; Morgan, 2017b; 2016). None of this sits well with corporate social responsibility… But it does indicate how the failure of redistribution has multiple channels. In

the end, this is not just about a failure to redistribute *downwards* it is a situation of redistribution *upwards*, if and when inequality rises. In the US case, for example, Trump's tax cuts of 2017 led to extensive share buybacks and dividend effects, leading in turn to capital gains windfalls for CEOs (paid in share options over the years) and to the wealthy who own the vast majority of equity.

Socialization then, matters and again, there are those who allow us to look at this differently. For example, post-Keynesians generally, MMT advocates specifically, Tax Justice activists, and new state theorists, such as June Sekera, Neva Goodwin and Mariana Mazzucato. And tax is a particularly productive domain in which to expose themes of implicit hostility to the state. Language itself is part of socialization, affecting what we will acquiesce to. Consider the power of metaphor. The phrase "the tax burden" maps a metaphor of onerous weight onto the payment of tax. The associative meaning of "burden" frames how taxation is conceived. It is subliminally shaped based on an adverse physical experience re-expressed as an emotive monetary relation. The very connotations of the language invite hostile triggers. Tax as a "burden" translates easily into an implicit sense that tax is an appropriation, a weight to be resented. As with all such argument regarding meaning frames, of course, the issue is contextual and conditional. It might, for example, seem odd to reverse the metaphorical intent and refer to paying tax in any and all circumstances as a "privilege". And yet it *could be* if the system were to makes it so. Tax looks different in a pro-social, just and fair system (see Murphy, 2015). The problem is we do not live in that system. The way we have been encouraged to think about and discouraged to think about inequality have scaffolded a very different system, globally and locally in rich and poor countries.

Conclusion

In this essay I have ranged across a number of issues relevant to the problem of inequality. A great deal has been written on this subject over the years and the subject itself has become both academically higher in profile and publicly more prominent in recent years. There is still today a branch of opinion which is not only comfortable with great inequality, but that valorises it. And yet we live in a world where this is increasingly difficult to justify. In this context, Andrew Sayer asks an important question, "can we afford the rich?" His answer is no. His reasoning for this is not just that great and growing inequality are morally objectionable. They are economically and socially harmful through distributional dynamics. Moreover, as degrowth and steady state ecological economists note, great inequality is incompatible with a viable future for humanity. We need to be aware of this and *rethink* what we are encouraged and discouraged to think.

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Author contact: j.a.morgan@leedsbeckett.ac.uk

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