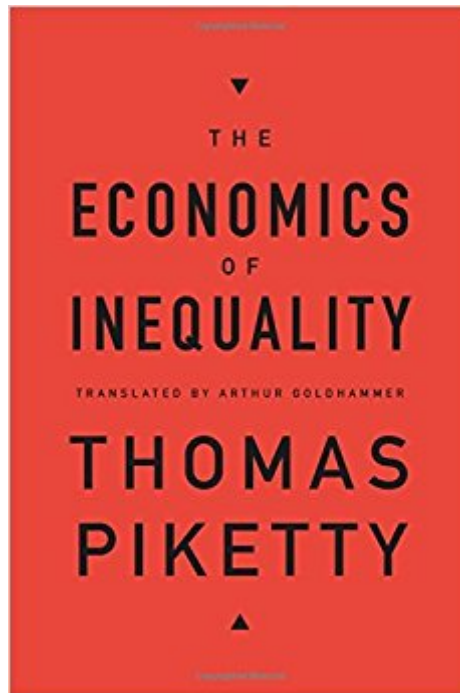




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# The Economics Of Inequality



## Synopsis

Thomas Piketty's whose *Capital in the Twenty-First Century* pushed inequality to the forefront of public debate wrote *The Economics of Inequality* as an introduction to the conceptual and factual background necessary for interpreting changes in economic inequality over time. This concise text has established itself as an indispensable guide for students and general readers in France, where it has been regularly updated and revised. Translated by Arthur Goldhammer, *The Economics of Inequality* now appears in English for the first time. Piketty begins by explaining how inequality evolves and how economists measure it. In subsequent chapters, he explores variances in income and ownership of capital and the variety of policies used to reduce these gaps. Along the way, with characteristic clarity and precision, he introduces key ideas about the relationship between labor and capital, the effects of different systems of taxation, the distinction between "historical" and "political" time, the impact of education and technological change, the nature of capital markets, the role of unions, and apparent tensions between the pursuit of efficiency and the pursuit of fairness. Succinct, accessible, and authoritative, this is the ideal place to start for those who want to understand the fundamental issues at the heart of one of the most pressing concerns in contemporary economics and politics.

## Book Information

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## Customer Reviews

In a work that is aligned with but antecedent to his grand synthesis, *Capital in the Twenty-First Century*, French economist Piketty examines the structural causes of inequality | A discussion

worth having and a book worth reading. (Kirkus Reviews 2015-06-01)Piketty's The Economics of Inequality is an excellent book and a great companion to Capital. This book is a remarkable mix of extensive data, attention to theory, and concern for policy. (Axel Gosseries, Fund for Scientific Research (FRS-FNRS) and University of Louvain (UCL))If Piketty is right, inequality is increasing and cannot be cured by the free market; we must understand the problem to understand how to address it. This should be required reading for every concerned citizen. (Publishers Weekly 2015-06-29)Even a brief guide to basic concepts in Piketty's field of study can remind you, at every turn, that something profound is going on within the global economic system. The data, especially the data from recent decades, does not conceal the tale. Avarice and plunder play no part in the language of economics, but they too are causes and consequences of the phenomena Piketty describes. In some respects, his work is an assault on the kind of cult thinking that these days passes for economic and political analysis. (Ian Bell Glasgow Herald 2015-07-25)Piketty's The Economics of Inequality, which acts as a primer, provides a useful starting point for a wide audience. (Tom Healy Irish Times 2015-09-05)Translated into English for the first time, it offers an exceptionally clear, cogent, and coherent discussion of economic inequality. (Richard N. Cooper Foreign Affairs 2015-11-01)

Thomas Piketty is Professor at the Paris School of Economics.

Piketty further explores inequality with this "prequel" volume. Many of the 1-star reviews of his earlier volume claimed Piketty was a "Marxist" when, in fact, Piketty is an avowed free-market capitalist (Social Democrat), and reserves very harsh words for Marx in both volumes. Apparently, someone on a far right media outlet told their viewers to "give this communist book a bad review" -- which is why so many one-star reviews occurred in a one-week period of time. Piketty admits that there is no "single reason" for wealth and income-growth inequality. But he does point to a "primary factor," which is a nation's fiscal and tax policies. As many economists have noted, American wealth and income-growth inequality has been worsening since the enactment of "supply side" tax and fiscal policies in the early 1980s. As Piketty and his researcher's note from FED data, the period 1950 to 1980 exhibited a far healthier socioeconomic balance, both in class-wealth and class-income-growth. By the mid-70's, the "99%-class" had amassed roughly 75% of all U.S. wealth. But today, the 99%-class owns less than 55% of all U.S. wealth. Where did all that wealth go? It trickled UP into the hands a few ultra-wealthy families and trusts (much of it into dark, tax-free offshore accounts, which Piketty estimates between \$30T and \$50T). Piketty notes that it's not just

a profound shift in class-wealth percentages, but in real dollars, as well. In 1978, the average net worth of families in the bottom fifty per cent was \$29,000. In 1989, net worth had fallen to \$22,000. Today, the average 50%-class net worth is \$11,000 (these figures are adjusted for inflation.) At the very top, of course, things have been very different. In 1989, the average net worth of families in the top 5% was \$3.6 million. By 2013, it was \$6.8 million. In 1978, the bottom 50%-class owned 7% of all U.S. wealth (reasonably healthy). Today, the bottom 50%-class owns just 1% of all U.S. wealth (that's NOT a typo). This is the real tragedy – the slow impoverishing of America as a result of poor fiscal policy planning and adaptation. Some argue that net wealth has moved dramatically upward because of external events beyond our control, such as Chinese manufacturing, automation, etc. Piketty points out that such "economic externalities" should be compensated by healthy fiscal policy. Strong, well-designed fiscal policy adapts to all externalities, and keeps all socioeconomic classes in healthy proportion. But since the enactment of Reaganomics, we have done the opposite, and it is killing our national socioeconomic balance. I would point out that Reagan's budget director, David Stockman, now admits that supply side theory was "poisonous" for the American middle-class. He now calls it "crony fascism" and warns that we are headed for a socioeconomic breakdown if we continue on current trend. We're bankrupting our middle class, and at the core of this corruption is a literal handful of ultra-wealthy interests in control of government fiscal policy lawmaking, via SuperPAC cronyism, K Street revolving doors, Citizen United corruptions (money as speech), bogus "think tanks," and backwards campaign financing laws. Piketty reminds us that gross inequality is not a partisan issue. It is simply a small cadre of ultra-concentrated power and greed aligned against the common good. Piketty notes that the USA is not alone in its growing economic imbalance. Nations like Switzerland have also become greatly imbalanced, due to similar supply-side fiscal policies. He notes that, once one country starts down the supply-side path, other nations tend to follow, otherwise they risk losing their ultra-wealthy citizens to countries whose "high-earner" tax rates are significantly lower. Piketty calls this "tax competition." Piketty, as a free-market capitalist, agrees that the top 1% class requires a disproportionate amount of wealth to capitalize new businesses, assure market liquidity, and so forth. Piketty, along with most other progressive economists, peg a "healthy ratio" of 1% to 99% wealth at around 15%. It's noted that conservative economists would put that ratio closer to 25%, maybe 30%. The problem is that our 1% class now owns 45% of all U.S. wealth, and climbing year over year, while our 0.1%-class is now paying increasingly regressive tax rates (while everyone else pays progressively). It's noted that we're now at the same

level of socioeconomic inequality last seen in 1928, and trending towards 1933 levels, brought about largely by similar "Harding-Coolidge" supply-side tax and fiscal policies we tried in the Roaring 20s. He points to a number of alternative fiscal solutions, including wealth tax, etc., but admits that going back to a 1950-1980-style progressive policy will be difficult (tax competition, etc.). However, if we don't return to a fair fiscal and tax system that better balances ALL classes, we will continue to cripple the engine that drives GDP growth, which is our broad middle-class. So he leaves us with a choice, and it is up to those people who understand the issues to drive policy change, or face the eventual social, national, and international consequences. "It is not very unreasonable that the rich should contribute to the public expense, not only in proportion to their revenue, but something more than in that proportion." - Adam Smith (the father of modern capitalism)

Piketty's work is highly technical, even for a person like me with two advanced degrees in economics. He analyzes various means of securing economic equality within various scenarios, in general favoring direct government subsidies for the poor over administered or even negotiated wages. I question one point of Piketty's thesis. Piketty assumes that both conservatives and liberals agree that the poor must be protected from gross economic inequality, but differ primarily on the means of providing that protection. Since Reagan and Thatcher, I dispute whether conservatives consider economic inequality to be a social problem. Conservatives unabashedly regard poverty as the result of lack of personal virtue in an essentially just economic system--illegitimacy, drug and alcohol abuse, poor work ethics, failure to take advantage of available opportunities, and a general inability or unwillingness to compete. The problem of inequality, therefore, is not a disagreement on remedies, but a more profound disagreement on the causes of inequality.

This book is an interesting subset of Piketty's Capital. Touching on the matter of inequality with only a spattering of maths, this extended excerpt summarizes many of Piketty's core ideas. A reader curious about hardcore economics will probably not be challenged by this book, though it's certainly a great primer for more technical literature.

Lots of statistics make a compelling case. Upper marginal tax bracket in USA was about 83% for fifty years, 1930 - 1980. It is half that now. In that past we could pay for education for all in public schools, with classes in the arts and trades shop classes). The public Colleges and Universities were quite affordable then. The State and Federal government had enough money from taxes to

pay for it. Today little money from government to support education, so the burden falls on students paying high tuition and debtHaven't finished yet.

This is the nastiest and most useful, best written and terrifying description of why prejudice and inequality will remain as long as humans exist.

Good Book on a difficult subject. ã Æ Æ±Æ°ã Æ Æ±Æ,

This book outlines the patterns of the world's wealth, how it has developed over time, and how it grows over time. Essential reading for those who want to understand how the world works.

Great theoretical framework from which to evaluate the income inequality debate. Could have left out some content that is covered in his Capital tome, and made this slim volume strictly theory.

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