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BOOK REVIEW | NONFICTION

# It's Not Just Unfair: Inequality Is a Threat to Our Governance

By ANGUS DEATON MARCH 20, 2017

## **THE CRISIS OF THE MIDDLE-CLASS CONSTITUTION**

### **Why Economic Inequality Threatens Our Republic**

By Ganesh Sitaraman

423 pp. Alfred A. Knopf. \$28.

President Obama labeled income inequality “the defining challenge of our time.” But why exactly? And why “our time” especially? In part because we now know just how much goes to the very top of the income distribution, and beyond that, we know that recent economic growth, which has been anemic in any case, has accrued mostly to those who were already well-heeled, leaving stagnation or worse for many Americans. But why is this a problem?

Why am I hurt if Mark Zuckerberg develops Facebook, and gets rich on the proceeds? Some care about the unfairness of income inequality itself, some care about the loss of upward mobility and declining opportunities for our kids and some care about how people get rich — hard work and innovation are O.K., but theft, legal or otherwise, is not. Yet there is one threat of inequality that is widely feared, and that has been debated for thousands of years, which is that inequality can undermine governance. In his fine book, both history and call to arms, Ganesh Sitaraman argues that the contemporary explosion of inequality will destroy the American Constitution, which is and was premised on the existence of a large and thriving middle class. He has done us all a great service, taking an issue of overwhelming public importance, delving into its history, helping understand how our forebears handled it and building a platform to think about it today.

As recognized since ancient times, the coexistence of very rich and very poor leads to two possibilities, neither a happy one. The rich can rule alone, disenfranchising or even enslaving the poor, or the poor can rise up and confiscate the wealth of the rich. The rich tend to see themselves as better than the poor, a proclivity that is enhanced and even socially sanctioned in modern meritocracies. The poor, with little prospect of economic improvement and no access to political power, “might turn to a demagogue who would overthrow the government — only to become a tyrant. Oligarchy or tyranny, economic inequality meant the end of the republic.”

Some constitutions were written to contain inequalities. In Rome, the patricians ruled, but could be overruled by plebeian tribunes whose role was to protect the poor. There are constitutions with lords and commoners in separate chambers, each with well-defined powers. Sitaraman calls these “class warfare constitutions,” and argues that the founding fathers of the United States found another way, a republic of equals. The middle classes, who according to David Hume were obsessed neither with pleasure-seeking, as were the rich, nor with meeting basic necessities, as were the poor, and were thus amenable to reason, could be a firm basis for a republic run in the public interest. There is some sketchy evidence that income and wealth inequality was indeed low in the 18th century, but the crucial point is that early America was an agrarian society of cultivators with an open frontier. No one needed to be poor when land was available in the West.

The founders worried a good deal about people getting too rich. Jefferson was proud of his achievement in abolishing the entail and primogeniture in Virginia, writing the laws that “laid the ax to the root of Pseudoaristocracy.” He called for progressive taxation and, like the other founders, feared that the inheritance of wealth would lead to the establishment of an aristocracy. (Contrast this with those today who simultaneously advocate both equality of opportunity and the abolition of estate taxes.) Madison tried to calculate how long the frontier would last, and understood the threat to the Constitution that industrialization would bring; many of the founders thought of wage labor as little better than slavery and hoped that America could remain an agrarian society.

Of course, the fears about industrialization were realized, and by the late 19th century, in the Gilded Age, income inequality had reached levels comparable to those we see today. In perhaps the most original part of his book, Sitaraman, an associate professor of law at Vanderbilt Law School, highlights the achievements of the Progressive movement, one of whose aims was taming inequality, and which successfully modified the Constitution. There were four constitutional amendments in seven years — the direct election of senators, the franchise for women, the prohibition of alcohol and the income tax. To which I would add another reform, the establishment of the Federal Reserve, which provided a mechanism for handling financial crises without the need for the government to be bailed out by rich bankers, as well as the reduction in the tariff, which favored ordinary people by bringing down the cost of manufactures. Politics can respond to inequality, and the Constitution is not set in stone.

What of today, when inequality is back in full force? I am not persuaded that we can be saved by the return of a rational and public-spirited middle class, even if I knew exactly how to identify middle-class people, or to measure how well they are doing. Nor is it clear, postelection, whether the threat is an incipient oligarchy or an incipient populist autocracy; our new president tweets from one to the other. And European countries, without America's middle-class Constitution, face some of the same threats, though more from autocracy than from plutocracy, which their constitutions may have helped them resist. Yet it is clear that we in the United States face the looming threat of a takeover of government by those who would use it to

enrich themselves together with a continuing disenfranchisement of large segments of the population.

Sitaraman reviews many possible correctives, including redistribution to reduce inequality; better enforcement of antitrust laws; campaign finance reform to break the dependence of legislators on deep pockets; compulsory voting; and restrictions on lobbying, including the possibility of “public defender” lobbyists to act on behalf of the people. I would add the creation of a single-payer health system, not because I am in favor of socialized medicine but because the artificially inflated costs of health care are powering up inequality by producing large fortunes for a few while holding down wages; the pharmaceutical industry alone had 1,400 lobbyists in Washington in 2014. American health care does a poor job of delivering health, but is exquisitely designed as an inequality machine, commanding an ever-larger share of G.D.P. and funneling resources to the top of the income distribution.

Perhaps the least familiar and most intriguing policy proposal that Sitaraman discusses is the idea of reviving the Roman tribunate: 51 citizens would be selected by lot from the bottom 90 percent of the income distribution. They would be able to veto one statute, one executive order and one Supreme Court decision each year; they would be able to call a referendum, and impeach federal officials.

Such a proposal seems fanciful today, but so is campaign finance reform, or greater redistribution. Yet we do well to remember Milton Friedman’s dictum that it takes a crisis to bring real change, so that our job in the meantime is to develop alternatives to existing policies that are ready for when “the politically impossible becomes politically inevitable.” There will surely be no lack of crises in the days to come.

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They fear it could have an effect on global financial markets. Miller's campaign has received a good deal of publicity. trying (circumstances). annoying or difficult circumstances. They do the best they can in trying circumstances. sticky.Â the issue of welfare reform. a highly plan to flood the valley in order to build a dam. He is a figure in the art world. thorny. issue. complicated and difficult. the question of immigration policy. memorable. Meritocracy is not only wrong; itâ€™s bad. The â€˜ultimatum gameâ€™ is an experiment, common in psychological labs, in which one player (the proposer) is given a sum of money and told to propose a division between him and another player (the responder), who may accept the offer or reject it. If the responder rejects the offer, neither player gets anything.Â The â€˜even playing fieldâ€™ is intended to avoid unfair inequalities based on gender, race and the like. Yet Castilla and Benard found that, ironically, attempts to implement meritocracy leads to just the kinds of inequalities that it aims to eliminate.Â Its ideological alchemy transmutes property into praise, material inequality into personal superiority. It licenses the rich and powerful to view themselves as productive geniuses. For others it is the inequality in opportunity â€“ the opportunity to achieve good outcomes â€“ that is unfair. But the point of this text is to say that these two aspects of inequality are not separable. Tony Atkinson said it very clearly: â€œInequality of outcome among todayâ€™s generation is the source of the unfair advantage received by the next generation. If we are concerned about equality of opportunity tomorrow, we need to be concerned about inequality of outcome today.â€2.Â The fact that these transformations improved the living conditions of entire societies so dramatically, means that itâ€™s not just where you are born that matters for your living conditions, but also the time when you were born. Children with a good chance of survival are not just born in the right place, but also at the right time. Itâ€™s important to remember that, as we figure out ways to combat inequality, that there are three separate (but related) ideas. First, the idea that people should have equal opportunity in society, regardless of their background, race, sexuality, gender and so on. The second idea is fair distribution, which says that benefits or rewards should be distributed fairly based on merit.Â Harry G Frankfurt is a professor emeritus of philosophy at Princeton University. In his book *On Inequality*, he argues that the moral obligation should be on eliminating poverty, not achieving equality, and striving to make sure everyone has the means to lead a good life. A resident walks in the Cantagalo shantytown in Rio de Janeiro, with the wealthy Ipanema seen in the distance (Credit: Getty Images).