

A Different Road to a Fair Society

Paul Starr

The Society of Equals

by Pierre Rosanvallon, translated from the French by Arthur Goldhammer. Harvard University Press, 376 pp., \$35.00

The sharp rise in inequality since the 1970s has created two puzzles. The first is an intellectual puzzle concerning the root causes of the widening gap in income and wealth, its social consequences, and its moral significance. The second is a practical and political puzzle, at least for those who are disturbed by increased inequality. What can and should be done about it? Depending on the answer to the first, the second may be more or less difficult. If rising inequality is primarily the result of economic changes brought about with new information technology, returning to a more equal distribution of income poses a daunting, perhaps impossible challenge. The global transformation of contemporary capitalism is not about to be undone. But if the causes of rising inequality lie chiefly in government policy on such matters as taxes, the remedy is at least clear, though certainly not easy.

According to the received wisdom of the mid-twentieth century, the recent increase in inequality was not supposed to happen. In 1955 the economist Simon Kuznets proposed that income inequality rises during the first long phase of industrialization and then falls, a view that corresponded to the evidence at the time. In the United States, after earlier increases, economic inequalities declined significantly during the 1940s (“the great compression,” Claudia Golden and Robert Margo call it). France and other industrialized countries also saw reductions in inequality between 1914 and 1945. Then, for the three decades after World War II, wages rose in line with increased productivity, governments expanded social programs while maintaining progressive tax rates, and a growing majority of people achieved a middle-class standard of living.

This, it seemed, was the destiny of democratic capitalism: disparities in income and wealth would remain, but they would be substantially smaller than in the past and they would be of diminishing moral significance as economic growth lifted incomes for nearly everyone. Poverty, once a mass phenomenon, came to be seen as a problem of minorities in both the arithmetical and ethnic senses of that word. To improve conditions for poor, stigmatized blacks and other minorities was to solve what remained of the old problem of social class. So closely was inequality identified with poverty that the two terms were often used as if they were interchangeable.

That understanding of inequality has now broken down in the United States and to varying degrees in the other economically advanced democracies. Inequality today refers not just to the divergence of the poor from the middle class, but also—indeed, especially—to the outsized gains of the rich in an era when middle-class incomes have stagnated. In the United States, according

to the economist Emanuel Saez of the University of California, Berkeley, the richest 10 percent increased their share of total pretax income from about 33 percent in the late 1970s to 50 percent by 2012. The top one percent alone now capture more than 20 percent of total income, double the share they received before the Reagan years.¹

Meanwhile, public policy, particularly tax policy, has become less redistributive. The marginal rate on the top federal income tax bracket, which was 70 percent during the 1970s, has been reduced below 40 percent. In



Leonardo DiCaprio in Martin Scorsese's film *The Wolf of Wall Street*, 2013

the same period, most workers' wages have stopped growing in line with productivity. Between 1973 and 2011, productivity increased 80 percent, but median hourly compensation rose only 11 percent.²

The political response to these changes has been muted despite the financial crisis and Great Recession of 2008–2009. The economic trends may even have intensified. After losing some ground in 2008, the top one percent have since seen their incomes soar, capturing, according to Saez's estimates, 95 percent of all gains from economic growth between 2009 and 2012, a period when incomes for the bottom 99 percent have hardly budged. Finance executives have reaped the biggest bonanza. According to Steven Kaplan and Joshua Rauh, the average pay (in 2010 dollars) for the twenty-five highest-paid hedge fund managers climbed from \$134 million in 2002 to an astonishing \$537 million in 2012. In every year since 2004, those twenty-five hedge fund managers alone have received more income than all of the chief executive officers of the Standard and Poor's 500 companies combined—and, of course, those CEOs haven't

¹Emanuel Saez, “Striking It Richer: The Evolution of Top Incomes in the United States (Updated with 2012 Preliminary Estimates),” September 3, 2013.

²Lawrence Mishel, “The Wedges Between Productivity and Median Compensation Growth,” Economic Policy Institute, Issue Brief #330, April 26, 2012.

been doing badly.³ But if people are angry about so much wealth going to so few, they are keeping quiet about it nearly everywhere.

This passive consent to inequality is the point of departure for the French historian and political theorist Pierre Rosanvallon in his new book, *The Society of Equals*. As Rosanvallon writes, there is “a generalized sense that inequalities have grown ‘too large’ or even become ‘scandalous,’” but that sense “coexists with tacit acceptance

of many specific forms of inequality and with silent resistance to any practical steps to correct them.” The crisis of equality therefore involves more than widening economic disparities: “it reflects the collapse of a whole set of old ideas of justice and injustice” and “must be grasped as a total social fact.” Rosanvallon would like his book to provide a comprehensive understanding that would help overcome the general sense of resignation and revive equality as a moral ideal and political project.

In the territorial division of the Anglo-American academy, the study of the past and philosophical inquiry are usually kept separate. *The Society of Equals*, in contrast, is a work of both history and political philosophy: a sweeping historical analysis of equality since the American and French Revolutions and an effort to reconstruct the understanding of equality for a new “age of singularity” when “everyone wants to ‘be someone.’”

By my count, the book is the sixth by Rosanvallon translated into English from a large body of scholarship primarily about the French political tradition and the history of democracy. Drawing on deep historical knowledge and long reflection on democracy's difficulties, he has an uncommon gift for concisely identifying central tendencies, principles, and paradoxes.

³Steven N. Kaplan and Joshua Rauh, “It's the Market: The Broad-Based Rise in the Return to Top Talent,” *Journal of Economic Perspectives*, Vol. 27, No. 27 (Summer 2013).

Whether in exploring the sources of egalitarianism in the eighteenth century or of widening political distrust in recent decades (as he does in his 2006 book *Counter-Democracy*), he tries to stay close to the world that people experience. “The past has to be envisioned on the basis of the experience of those who participated in it,” he said in a 2007 interview. “The historian's role consists in giving the past back its present.”⁴

Similarly, rather than propose a moral ideal detached from experience, Rosanvallon wants to renew the egalitarian tradition in line with the changed circumstances of our time. “We live today in an individualist age and must reformulate things accordingly,” he writes in his new book. Does he solve the contemporary puzzles about inequality? I don't think so. But he analyzes them in so illuminating a way that anyone interested in understanding and reversing the surge in inequality should read his work.

Rosanvallon's history is mainly about France and the United States, with occasional reference to Britain and other European countries. Rather than focus on the differences among nations, he emphasizes the similarities, suggesting that the same waves of change have driven developments on both sides of the North Atlantic. These choices enable Rosanvallon to tell a story with a simple and convincing structure and to cast the present crisis as a new but not unprecedented situation.

The history of equality, as Rosanvallon conceives it, has unfolded in two great arcs since the eighteenth century. In each one, there first developed a social and intellectual model of equality, which was then undercut by changes in political economy. In the first great arc, the American and French revolutions introduced visions of a “society of equals,” but the advent of industrial capitalism in the nineteenth century exposed the limits of those ideals, leading to a crisis characterized by a series of “pathologies of equality.” For example, nationalist and racist movements attracted support from groups that previously had supported a more inclusive egalitarian ideal.

In the second great arc, beginning around the turn of the twentieth century, European countries and the United States overcame the crisis through new ideas and policies, including the progressive taxation and redistributive social policies we identify with Roosevelt's New Deal and Truman's Fair Deal. Today that welfare-state vision of a society of equals confronts a crisis of inequality parallel to the earlier one, also generated in part by changes in capitalism and accompanied by some of the same pathologies—but requiring a new answer.

Identifying the American and French revolutions with the aspiration to create a “society of equals” may seem an overstatement. The more common view is

⁴“Intellectual History and Democracy: An Interview with Pierre Rosanvallon,” *Journal of the History of Ideas*, Vol. 68 (2007).

that those revolutions primarily sought to advance political rights, not economic or social rights, and that they fell far short of including everyone, most obviously American slaves. In Rosanvallon's telling, however, eighteenth-century egalitarianism was bolder than it appears to many people who judge it by today's standards and cannot see anything radical in a vision of equality that left out women and nonwhites.

Here as elsewhere, Rosanvallon grounds his analysis of political thought in political experience. At a time when rank and privilege were sources of power and personal domination in colonial America as well as prerevolutionary France, the promise of democratic equality was an electrifying departure. "The idea of democracy," he suggests, "introduced a much more significant intellectual break in the concept of humanity than did the idea of socialism." To be sure, socialism did not emerge as a movement until the nineteenth century. But the socialist aim of leveling wealth was an old dream and did not necessarily imply an equal share in government; what socialism demanded was "a social community of brothers rather than a political society of equals."

According to Rosanvallon, the eighteenth-century democratic understanding of equality—the understanding of Paine and Rousseau—aimed to eliminate hierarchies of rank, posited a basic "similarity" of human beings, and elevated the concept of citizenship. It sought to make men independent in the sense of not being subordinated. While the cause of democratic equality faltered in France under Napoleon and the restored monarchy, it continued to advance in the United States in the early nineteenth century. By the 1830s, not only Alexis de Tocqueville but many other European visitors to the United States were impressed by what seemed to them a remarkable "democracy of manners" in daily life in America.

Nevertheless, this tradition of democratic equality was unprepared for the industrial revolution and the immense differences in wealth and poverty that came with it. Condorcet, Rosanvallon suggests, was typical of the tradition's eighteenth-century thinkers in optimistically assuming that without laws perpetuating privilege, fortunes would "tend naturally toward equality." Unable to account for the changes emerging under capitalism, the old egalitarianism with its vision of basic human similarity gave way to alternative ideologies and political movements that "perverted" the idea of democratic equality.

For example, a degraded, conservative liberalism under leaders such as François Guizot in the 1820s and 1830s "whittled down" the vision of a common humanity to a "mere equality of rights," venerated the competitive struggle, and rationalized the poverty of workers as being due to their moral failings and inborn deficiencies. Beginning in the 1840s, the Communist movement veered in the opposite direction, blaming competition "for everything that had gone wrong." Ultra-nationalism, colonialism, racism, and anti-Semitism, Rosanvallon argues, offered redefinitions of equality as membership in a homogeneous community. Although these "pathologies" varied from one society to another, he highlights parallel European and American currents. Rosanvallon's great insight here is that even the most poisonous of

these movements promised a kind of equality; American racism, for example, he sees as a distinctly democratic ideology, linking whites across class lines.

With one more degree of nuance, this account of equality in the nineteenth century would be more persuasive. The same era, after all, did see the abolition of slavery, expansion of primary education and literacy, extension of the franchise, and substantial gains in health and longevity for large populations, all of which ought to count as steps toward equality in a liberal and democratic sense. When the cause of equality loses out in some dimensions, it may nevertheless gain in others, as we have seen in recent decades when equality for women and gays has advanced even as economic inequalities have increased.

The second arc of Rosanvallon's history consists of the rise of the redistributive state from the late 1800s to the early 1970s and its decline since then. In recounting these long waves of change he again emphasizes similarities among industrial societies. The turn toward redistribution, as he describes it, emerged from both political and intellectual developments—the egalitarian challenge from socialists and a reformed liberalism—rather than changes in the economy. With militant trade unions and radical movements of anarchists and Communists posing a genuine threat, "many governments realized that reform was necessary in order to avoid revolution."

Rosanvallon calls this the "reformism of fear," the principal impetus, for example, behind Bismarck's adoption of social insurance. In the same era, the old conservative liberalism of such leaders as Guizot, with its emphasis on individual moral failings as sources of poverty, gave way to a progressive liberalism that emphasized social causes and conceived of inequality as arising in part from risks such as accidents, ill health, and unemployment. A new statistical concept of risk lay behind new policies that spread those risks across the wider society.

Change followed the same course on both sides of the Atlantic as governments introduced the central elements of the modern welfare state: progressive taxation, social insurance, and regulations protecting labor. As a result of the two world wars, a reformism of national solidarity complemented the reformism of fear, and the three decades after World War II "essentially perpetuated and fulfilled the 'spirit of 1945.'" Influential writers of the era such as Karl Polanyi and John Kenneth Galbraith drew the conclusion that "the book had been closed on nineteenth-century capitalism and the type of society it created."

That inference, it's now clear, was premature. In what Rosanvallon calls the "Great Reversal," redistribution has been in retreat and inequality on the rise since the 1970s. Here, though, his general approach slants his analysis. By portraying recent changes in broad strokes as though they were everywhere the same, Rosanvallon suggests that rising inequality is caused primarily by a general transformation of contemporary capitalism (and the styles of

thought that go with it) rather than from specific policies and institutions that vary from one country to another and are more amenable to political change.

In fact, not all countries have seen the same steep growth in income inequality as a result of breakaway gains at the top. Working with Saez and other collaborators, Thomas Piketty of the Paris School of Economics has done the definitive comparative historical research on income inequality in his *Capital in the Twenty-First Century*.⁵ From 1914 to 1945, Piketty and his colleagues show, the share of total income received by the top one percent

tal Europe and Japan. In *Capital in the Twenty-First Century*, Piketty argues that capital income has already made a comeback in recent decades and that it will continue to represent an increasing share of national income as long as the rate of return on capital exceeds the rate of economic growth. These trends point toward a growing predominance of inherited wealth, a return to what Piketty calls "patrimonial capitalism." But in the United States thus far the gains of the super-rich have come primarily from earnings, particularly from increased pay for corporate executives, as Paul Krugman has emphasized in these pages.

What explains this surge in income for top executives? The free-market position is that they are being paid their market value. In this view, the executives are comparable to superstars in entertainment and sports, and their incomes have risen because new information and communications technology has given greater scope to their talent, including the capacity to generate income from global markets.

In contrast, other analysts including Piketty argue that the variations among countries in trends in inequality indicate that changes in society and politics may be more important. The advanced societies have all adopted the same new technologies, but they vary in policies, institutions, and social norms. In the United States and some other countries, such policies as financial deregulation and sharp cuts in tax rates, as well as the long-term decline in unions, have skewed incomes toward the top, whereas elsewhere, as in Germany, public welfare policies, stronger labor organization, and social norms hostile to

extreme inequalities have served as a "brake" on top incomes. Contrary to the free-market view, the nations that have done the most to cut taxes on top earners such as the US and UK have not had more rapid growth than those that have kept tax rates at higher levels. In fact, according to a recent study from the International Monetary Fund—hardly a left-wing organization—"redistribution appears generally benign in its impact on growth," except in "extreme" cases.⁶

In discussing the recent trend toward inequality, Rosanvallon does not ask just where and why economic inequality has increased; he concentrates instead on the broad sweep of change in the late twentieth century. With the ebbing of revolutionary movements and the collapse of communism, "the fears that had once driven reform dissipated." As the world was receding into the past, "memory of the shared ordeals" faded as well.

Rosanvallon also points to the "hollowing out" of institutions of solidarity and changes in economic life and popular thought that emphasize individual competence and adaptability. The story that Rosanvallon tells here is that as new forms of knowledge and economic relations have emerged, people have come to think of their situation in less collective ways. Since the 1980s, he writes,



George Grosz: Untitled, 1919

declined throughout the industrialized world. The immediate cause of that decline was reduced capital income (that is, dividends, interest, capital gains, and business income). The top one percent saw their capital shrink as a result of the "shocks" of war, depression, and inflation and in the postwar era many of the wealthy were unable to restore their income fully because of high marginal income tax rates. That analysis fits well with Rosanvallon's general history.

Recent decades, however, are not simply a mirror image of the earlier period. The surge in income for the top one percent has come mainly in English-speaking countries. From 1980 to 2007, the top one percent share of income increased 135 percent in the United States and United Kingdom, 105 percent in Australia, 76 percent in Canada, but hardly at all in continen-

⁵Harvard University Press, 2014; reviewed in these pages by Paul Krugman, May 8, 2014. For a summary of the trends in top incomes, see Facundo Alvaredo, Anthony B. Atkinson, Thomas Piketty, and Emmanuel Saez, "The Top 1 Percent in International and Historical Perspective," *The Journal of Economic Perspectives*, Vol. 27, No. 13 (Summer 2013). Some of the data cited here come from *Top Incomes over the Twentieth Century: A Contrast Between Continental European and English-Speaking Countries*, edited by Anthony B. Atkinson and Thomas Piketty (Oxford University Press, 2007).

⁶Jonathan D. Ostry, Andrew Berg, and Charalambos G. Tsangarides, "Redistribution, Inequality, and Growth," IMF Staff Discussion Note (February 2014).

capitalism has put “a new emphasis on the creative abilities of individuals,” and jobs increasingly demand that workers invest their personalities in their work. No longer assured of being able to stay at one company, employees have to develop their distinctive qualities—their “brand”—so as to be able to move nimbly from one position to another.

As a result of both cognitive and social change, “everyone implicitly claims the right to be considered a star, an expert, or an artist, that is, to see his or her ideas and judgments taken into account and recognized as valuable.” The demand to be treated as singular does not come just from celebrities. On Facebook and many other online sites millions are saying: here are my opinions, my music, my photos. The yearning for distinction has become democratized. Yet amid this explosion of individuality, equality loses none of its importance: “The most intolerable form of inequality,” Rosanvallon writes, “is still not to be treated as a human being, to be rejected as worthless.”

With this view of contemporary society in mind, Rosanvallon attempts to put equality on a foundation emphasizing three principles, which he terms singularity, reciprocity, and commonality. The idea of framing equality around the principle of singularity is provocative and appealing. Of course, even in the age of YouTube and Twitter, no society could possibly satisfy the desire of everyone to be a star, but in Rosanvallon’s conception singularity is a basis of human connection: “The difference that defines singularity binds a person to others; it does not set him apart. It arouses in others curiosity, interest, and a desire to understand.” Singularity demands recognition and acceptance:

Each individual seeks to stand out by virtue of the unique qualities that he or she alone possesses. The existence of diversity then becomes the standard of equality.

The principles of reciprocity and commonality then add a greater sense of mutual responsibility.

As attractive as these ideas are, it is not clear how well they work as philosophy or politics. Rosanvallon presents his three principles as an alternative to the theories of justice of John Rawls and Ronald Dworkin, and as a basis for mobilizing “against equality’s detractors.” But from a philosophical standpoint, Rosanvallon’s theory lacks clear criteria for judging distributive questions; it is too vague to be wrong, although not too vague to be interesting. And from a political standpoint, it is hard to see how an ideal of singularity can be the basis of a politics of solidarity, or how singularity has much to offer

in mobilizing against inequality. The top executives being paid astronomical sums claim singularities of their own.

Rosanvallon contends that we need to reformulate egalitarianism because we live in “an individualist age,” but this may be a particularly European concern. What period in American history, except perhaps in wartime, has not been an age of individualism? American justifications for public education, Social Security, and other policies that promote equality have always been framed as promoting individual opportunity and security as well.

In fact, the case for equality is easier to make in America today than it has been for a long time. When liberals were pursuing equality mainly through programs for the poor, and particularly the minority poor, justifying those programs was a political challenge. The traditional working-class constituency for egalitarian policy did not exist for minority-oriented programs in the US—and not only because of racism. Many of those with incomes just above the welfare levels resent paying taxes to benefit people only slightly worse off than they are. But today, when the gains of economic growth have gone to a small sliver of society at the top, equality-promoting reforms can be justified on behalf of nearly everyone. And if the immediate sources of rising inequalities lie primarily in public policy—for instance, tax breaks for the rich—rather than global capitalism, the objectives of change are clear.

Rosanvallon is entirely right in turning to history as a source of hope as well as understanding. We can now see that rather than being capitalism’s final destination, the era of redistribution in the twentieth century was an exceptional period when war, depression, and the threat of revolutionary change led to a more equal spread of income and wealth.

But the current era of rising inequality is also not history’s last stop. The extreme concentration of gains from economic growth in America today has not produced a stable political situation. Labor’s weakness is also not necessarily permanent. With declining population growth, especially in the advanced economies, workers may regain bargaining power. The groups with a growing share of population such as Hispanics and other recent immigrants are also generally disposed to support redistributive measures. So despite Piketty’s warning of a return to patrimonial capitalism, the balance of forces may tilt back in favor of egalitarian interests. Greater economic equality is certainly not inevitable; it will require thought and political organization to make the most of the opportunities that history affords, and Rosanvallon’s *Society of Equals* is one of the resources to carry along on that journey. □

