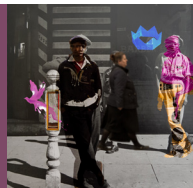


COSMOS + TAXIS

Studies in Emergent Order and Organization

Symposium on Mikayla Novak's
Inequality: An Entangled Political Economy Perspective





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Introduction to Symposium on Mikayla Novak's *Inequality: An Entangled Political Economy Perspective*

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Abstract: Mikayla Novak's *Inequality: An Entangled Political Economy Perspective* is a valuable contribution to the public debate on one of the single most important issues confronting society today. She is to be congratulated for her contribution to positive economic theory insofar as she applies the perspective of entangled political economy to understanding the causes and effects of inequality within an economic order which emerges from an entangled set of institutions. Her contribution to revealing inequality to be a non-exotic phenomenon, and to providing a criterion whereby we can distinguish the deleterious effects of inequality on the functioning of the economic system is to be admired. We have collected a wealth of commentary on her important contribution for a special issue of *Cosmos + Taxis* in the belief that this is a contribution to be savoured, considered at length, and engaged with.

Keywords: Inequality, causes, effects, entangled political economy, institutions.

"We are the 99%" is a catchphrase which continues to dominate the public sphere seven years after it was adopted as the slogan of the Occupy Wall Street movement. A smouldering, resentful tension continues to permeate politics the world over among the discontents of neoliberalism and globalisation. Especially when coupled with the potent tonic that is identity politics, it won't be going anywhere any time soon.

At the heart of the spectre which haunts our political discussion is the rising inequality of income and wealth within economic systems. Outside of Joseph Stiglitz's *The Price of Inequality*, and of course Thomas Piketty's *Capital in the Twenty-First Century* economists have tended to be relatively quiet on this particularly salient social problem. In particular, what has been to my mind lacking (with a few exceptions—for instance Bertola et al. 2006; Rajan 2010; and Dutt 2012) has been an attempt to provide a compelling, coherent and complete theoretical statement on the causes and effects of inequality on the socioeconomic system absent (to the extent that is possible) the motivation of a particular political philosophy. Studies such as Stiglitz's tend to be pretty openly motivated by a political agenda, while studies such as Piketty's or the late Tony Atkinson's (surveyed in his 2015 contribution) have tended to be more fo-

cussed on the empirical definition, measurement and decomposition of factors in inequality.

I have thought for some time that we are in need of a compelling, coherent and complete theoretical framework for understanding inequality so that we may better ground our political discussion in a better scientific narrative about the facts. The importance of this discussion for society at large is overwhelming, and demands that we raise the standard of debate beyond the histrionic exchange of banal platitudes typical of discussions in the modern public sphere. Dr. Mikayla Novak, with her *Inequality: An Entangled Political Economy Perspective* has substantially addressed that lacunae.

I am very grateful to Dr. Novak for this contribution, not least because it goes well beyond my own rudimentary early attempts to address this problem (about which she is far too lenient in this volume). Dr. Novak has, simply put, achieved what it was that I had set out to do in those studies. For this I think we who are interested in the economics underlying this most prescient social problem must be very grateful. I think that it is therefore very fitting that we take this opportunity to discuss and debate her work in a special issue of *Cosmos + Taxis*.

In the rest of this introduction, I shall first take the opportunity to wholeheartedly abuse my privilege as guest ed-

itor of this special issue to offer my personal perspective on what Dr. Novak has achieved, for I have to admit that I am very excited by her work. I shall then offer a brief overview of the commentary we have assembled in this special issue from a range of authors across the globe on this book. I hope that readers of *Cosmos + Taxic* will be assured that Dr. Novak's is a major statement on the economics of inequality and one to be ruminated upon and debated for some time yet.

WHAT DOES *INEQUALITY* ACHIEVE? A PERSONAL PERSPECTIVE

This book will be particularly satisfying to readers of *Cosmos + Taxic*, focussing as it does on offering a theory of inequality as a phenomenon arising within the emergent order of economic systems. Dr. Novak is open about her adherence to the political philosophy of classical liberalism in this book, but I think that her major contribution in this work is positive rather than normative. Her major achievement is to provide a positive, theoretical account of the origins and effects of inequality within economic systems.

Dr. Novak adopts the perspective of entangled political economy to analyse the origins and effects of inequality within economic systems. To those who aren't familiar with this perspective, it has been pioneered by Richard Wagner of George Mason University, particularly in his *Mind, Society and Human Action* (2010). One might almost say that it is a mirror of the "Brisbane Club" perspective on socioeconomic systems pioneered by Jason Potts (2000), John Foster (2005), Kurt Dopfer (see Dopfer, Foster and Potts 2004; Dopfer and Potts 2008), Stan Metcalfe (see Foster and Metcalfe 2012) and Peter Earl (see Earl and Wakeley 2010) in particular and formalised, I might gratuitously say, by myself (Markey-Towler 2016). The Brisbane Club adopts the perspective that economic systems are complex evolving networks formed by individuals interacting within their socioeconomic environment as a result of the interaction of their psychology with that environment. From these interactions emerge the social institutions which dominate the psychology of individuals as rules for proper thought and action in society. Entangled political economy adopts a similar perspective, which we might say is more intensely grounded in the contributions of the Austrian school of thought, where the Brisbane Club is more intensely grounded in the contributions of Nelson and Winter (1982) in the first instance.

Entangled political economy, at least to my mind, emphasises the entanglement of the various institutional systems from which socioeconomic networks emerge and evolve through individual interaction. In particular, it emphasises alongside others, an aspect of that entangled institutional system which I will admit we have tended to leave somewhat implicit in the Brisbane Club perspective. That is political institutions, by which the government affects the formation of economic systems. As interactions form as a result of individuals acting out the underlying entangled institutional structure of society, socioeconomic systems emerge and evolve, and as those structures evolve as a result of those very interactions, they create evolutionary pressures in the economy.

As a mode of economic analysis, entangled political economy is almost uniquely suited to understanding inequality in socioeconomic systems compared with neoclassical economics. Attempts to model the causes and effects of inequality using neoclassical perspectives in which a system of utility-optimising agents (typically one representative agent) respond to prices to decide their behaviour in a fully connected network (Mirowski 1989) can feel clumsy and unsatisfying. The results are often, albeit useful enough, variations on the equi-marginal principle—"differential human capital creates inequality", "Brownian motion in production functions yield inequality", "unique skills can create 'superstar' effects"—and reveal no immediate relation to one another. Entangled political economy allows us to incorporate these insights as elements of a broader entangled institutional system which includes the particularly salient effects of politics and that gives rise to the systems in which economic inequality manifests.

In what I (personally as a theorist) find to be the most satisfying portion of Dr. Novak's work, her remarkable chapter 3, she shows this to be the case by applying entangled political economy to arrive at a succinct and compelling analysis of the origins and effects of inequality in economic systems. In no more than 20 pages! I can do no better than to simply quote her conclusion to chapter 3:

Entangled political economy is an ideal framework to study economic inequality because the distribution of income and wealth is, ultimately, relational and dynamic in nature. Inequality is commonplace throughout society as heterogeneous agents interact with each other across the associational, commercial, and political divides, developing relationships embodying

structures that bear the hallmark of unequal distributional patterns (Novak 2018, p. 74).

One almost feels the desire to add “QED” to this statement.

What Dr. Novak shows (consistent with the data) is that economic inequality is no exotic state of affairs which results from “market failure”. It is perfectly natural *and to be expected* as individuals act within the particular portion of the entangled institutions which applies to them. Inequality will naturally manifest within a spontaneous, emergent economic system due to the different talents and knowledge people develop and apply to the interactions they form with others within it, and the different interactions which are acceptable to them within the prevailing system of entangled institutions. How could it not?

So much for the causes of inequality. Now what of the effects? Again I can do no better than to simply quote Dr. Novak in her conclusion to chapter 3:

Voluntary activities undertaken in the pursuit of mutual gains may give rise to ‘good inequalities,’ in the sense that the underlying activities, let alone the resultant dispersion of income and wealth, do not necessarily hamper the ability of others to copy or modify them. Other inequalities, however can emerge as the result of successful efforts by special interests to lobby and pressure governments to reallocate and redistribute economic resources so that they can enjoy advantages and benefits at the expense of all others (Novak 2018, p. 75).

So, in essence, Dr. Novak provides us with a straightforward, economic criterion for distinguishing between the effects of inequality. Inequality which is a simple reflection of voluntary interaction within economic systems it does not necessarily impede the ability of others to coordinate voluntary interaction, and thus the functioning of the economic system. Something more is needed before inequality has a deleterious effect on the economic system itself, and that something is the use of surplus resources inequality may make available to influence the design the political institutions entangled within the institutional structure which creates the economic system so as to impede the ability of others to coordinate voluntary interaction. And of course, as Dr. Novak makes clear using the micro-meso-macro framework, such political institutions can rapidly spread to shape others within the entanglement which un-

derlies the formation of economic systems to become firmly entrenched and impede the ability of others to coordinate voluntary interaction.

In 20 pages, Dr. Novak has given us a more compelling, complete, coherent yet also succinct perspective than any number of equations could ever give. On the basis of this alone, and the clarity of understanding she offers on the causes and effects of inequality I congratulate her and recommend her book to any and all who feel they would like to comment on inequality. If you want to comment on inequality either in academic or public debate, you need to read this book.

Dr. Novak then goes on in Part II to apply the insights gained in the core chapter 3 to analyse the ways in which inequality can begin to have a deleterious impact on the functioning of the economic system—and it’s not the way that one might think were one only to pay attention to the banal platitudes spouted by the members of the political system. Entangled political economy, recognising that economic systems emerge from an underlying institutional structure in which political institutions in particular are entangled, recognises that inequality begins to have a deleterious impact on the functioning of the economic system through the actions of the government. Counterintuitively, entangled political economy reveals to us that the very institutional system meant to *address* the effects inequality is in fact the primary progenitor of them. It is really rather simple: the state provides the sole means of legitimate coercion in society, so any attempts to prevent voluntary interaction must originate within the political institutions entangled into the system from which the economic order emerges. Dr. Novak shows that where inequality has deleterious effects on the functioning of economic systems, this is achieved by the use of spare resources made available by inequality to impact the design of tax and expenditure (chapter 4), regulation (chapter 5), and social policy (chapter 6).

In Part III of her work, Dr. Novak provides us with a fascinating extension of her arguments over the preceding chapters, as they naturally suggest a means by which the deleterious effects of inequality on the functioning of the economic system may be mitigated. As inequality impedes the function of the economic system wherever it facilitates the dedication of resources to designing exclusionary political institutions, what is needed is a constitutional system which precludes the design of political institutions in this manner. The constitutional system must be written, difficult to change, and multipolar so as to make it difficult to obtain control over the design of the political institutions

entangled within the set from which the economic system emerges. But it must also be fundamentally liberal, precluding the design of political institutions which prohibit what would otherwise be voluntary interaction from becoming entangled within the institutional system from which the economic system emerges. Should these principles be ignored, it is very easy for inequality to facilitate the perpetuation of exclusion and discrimination as the political institutions designed to exclude and discriminate become social institutions too. That means that liberalism, constitutionalism and federalism are crucial for mitigating the negative effects of inequality on economic systems.

At the conclusion of *Inequality: An Entangled Political Economy Perspective*, I closed the book with a feeling of immense intellectual satisfaction. Here at last is a contribution to the study of inequality which provides a compelling, positive theory of its origins as a natural phenomenon within an emergent economic order. But not only that, it provides a compelling, positive theory of the effects that inequality has and a criterion for determining when those effects impede the functioning of the economic system. And, finally, that analysis presents us naturally and with ease a basic attitude toward the problem and its solution which is a vital starting point for this most important of political discussions in the modern era. I congratulate Dr. Novak for her contribution, commend her work to the reader, and trust you will find it equally satisfying.

WHAT DOES *INEQUALITY* ACHIEVE? AN OVERVIEW OF OUR COMMENTARY

It should be apparent now that Dr. Novak's is a major statement on the economic causes and effects on inequality, and one which ought to be very satisfying for readers of *Cosmos + Taxis*, and therefore is very much deserving of an extended examination and commentary. The remainder of this symposium is intended to serve just this purpose. The reader ought to find themselves well satisfied by the conclusion of this symposium and keen to find out for themselves how Dr. Novak's contribution will stimulate their thinking on this vital issue.

We begin, as would only be appropriate, with commentary from Professor Richard Wagner, whose entangled political economy perspective provides the basis for Dr. Novak's contribution. Professor Wagner examines how, by recognising that political and economic institutions are entangled rather than separable, allows Dr. Novak to neatly disentangle the tension between fact and value which is

here so very pointed, and discern the perhaps counterintuitive importance of *liberty from* government intervention to mitigating deleterious inequality. Dr. Marta Podemska-Mikluch continues in this vein, discussing how Dr. Novak's application of entangled political economy to understand the origins of inequality gives us a perspective on how it comes to have negative effects on economic systems through the interaction between the entangled institutions which order society and entrepreneurial ventures. Professor Steven Horwitz then provides a discussion of what scholars of classical liberalism can take from Dr. Novak's book. Though somewhat sceptical of the value-added by the entangled political economy approach can offer relative to traditional modes of analysis, he argues that her contribution is valuable for bringing inequality to the attention of classical liberal scholars as a topic worthy of study, and substantially beginning the process of that study. Associate Professor Laurent Dobuzinskis continues this discussion of the contribution of Dr. Novak to the normative debate on inequality by considering how classical liberal scholars can draw on *Inequality: An Entangled Political Economy Perspective* to renew a dialogue with "liberal egalitarian" thinkers such as Rawls, Dworkin and Sen who emphasise the importance of *fairness* in the organisation of social affairs. Professor Vincent Geloso, finally, pushes back against the taking of a normative approach to inequality to suggest that, while Dr. Novak's is an important contribution, taking a more purely economic approach to the problem of inequality free of the normative content of a classical liberal approach would yield more value for the public debate due to its more universal appeal.

CONCLUSION

Inequality won't be going anywhere anytime soon. Even Christ said "the poor you will always have with you". And while it exists there will be smouldering discontent and resentment haunting our political discourse. So we would do well to get our understanding of it straight, so that we can rise above banal platitudes to have an informed debate about the causes and effects of inequality.

Dr. Novak has done us a great service with her *Inequality: An Entangled Political Economy Perspective* in this regard, and I congratulate her for it. It is a book which is exciting for the intellectual satisfaction it brings, and the clarity of vision it offers around this most important of economic problems. It shows us that inequality is a natural phenomenon in economic systems using a view of the economy as an

emergent order from an underlying entangled institutional system. It offers us a compelling criterion for identifying when the effects of inequality on the economic system become deleterious by impeding its function. It is a book to be read, contended with, savoured, and incorporated into the public discourse as a major achievement.

It is our hope that this special issue of *Cosmos + Taxis* will do justice to this achievement, and serve as a valuable symposium for commentary on Dr. Novak's work.

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Entangled Inequalities: Even More Complex than We are Led to Believe?

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INTRODUCTION

There has been much talk in recent years about not only income inequality but other forms of inequalities as well. The most often cited explanations of the (re)emergence of populism in almost every country are variations on the theme that an increasing number of people resent what they perceive as a widening gap between the “elites,” whatever this term is supposed to mean, and the mythical “people”. Depending on whether the current populist rhetoric originates on the left or the right of the political spectrum, the dreaded “elites” stand for the wealthy (the “1%”) or for the cosmopolitan urbanites (the “anywheres” as opposed to the “somewheres”). As Mikayla Novak (2018, p. 15) notes, some classical liberals consider inequalities to be a normal state of affairs and, therefore, not a problem that needs to be addressed. But—and I would argue quite rightly so—Novak claims that classical liberals ought not to turn away from on-going debates, and indeed they have something important to say. Should such debates get out of hand, thereby fueling illiberal populism, the socio-political conditions for the fulfilment of the classical liberal ideal would be considerably undermined. Novak’s intuition in that regard is quite apt: the voices of classical liberal need to be heard. The introduction to her book leaves the impression that her primary motivation is to prevent egalitarians from dominating the debate. However, the rest of the book is much more concerned with the articulation of a sensible classical liberal position on the issue of inequalities than with refuting the views of egalitarians. Her goal consists in sorting through “liberty-consistent” and “liberty-inconsistent” inequalities. (Novak 2018, p. 16). I find this to be a refreshing move. However, I want to suggest that her being silent on what the likes of John Rawls or Ronald Dworkin, or Amartya Sen, among other prominent voices, have contributed so far prevents her from confronting the question of whether liberty-consistent inequalities could potentially be unfair

or welfare-reducing, which would make them problematic. More generally, I want to raise the question of which values lie at the core of the classical liberal doctrine. Evidently, liberty ranks very high and trumps most other considerations but even if it does, it still is the case that liberty must often be made to work with other criteria. Fairness is arguably the most significant of such norms.

Novak’s discussion of inequalities is grounded in her deft use of Richard E. Wagner’s (2016) concept of “entangled political economy”. This lens brings in focus the complex causes and effects of inequalities. Government failures and other instances of political pathologies play a central role in her analysis of how inequalities emerge and endure, but the entangled political economy perspective allows her to underline the extent to which inequalities are rooted in practices that span the conventional divide between the political and the business spheres. This is a profound insight. However, I wish to take this concept of entanglement a little further by also taking into account the extant literature on “policy networks” in disciplines other than economics. While the entangled political economy is an incisive perspective for revealing the depth and reach of rent-seeking strategies by multiple actors in a variety of networks, the policy network literature highlights other implications of the development of such networks over the last two or three decades. Not all these aspects are quite as liberty-inconsistent as the rent-seeking tendencies that Wagner is so concerned about.

The next section is an attempt to elucidate Novak’s normative premises by comparing them with the somewhat more explicit norms and theoretical assumptions underlying the works of Mark Pennington (2012) and John Tomasi (2012). All three authors explore overlapping themes from a clearly classical liberal perspective. They complement each other but also bring up interesting tensions. The third section examines how the concept of entangled political economy can be meshed with the literature on policy networks.

The concluding section attempts to tie these points together by arguing that complexity is both a justification for and a challenge to the classical liberal vision.

A PLURALIST PERSPECTIVE ON INEQUALITIES

Liberal egalitarians have largely dominated the debates about inequalities. This can be attributed, of course, to the immense influence of John Rawls ([1971] 1999, 2001) but many other prominent philosophers (e.g., Dworkin 2000) and economists (e.g., Sen 1992, 1999; Stiglitz 2013; Piketty 2014) have played their part. Classical liberals have not been completely absent: Mark Pennington (2012) has claimed that market-based solution to inequality would be more efficient and “robust” than those favoured by social democrats (i.e., less likely to fail because of the limitations of the human mind), and John Tomasi (2012) has forcefully argued that Rawls’ idea of “justice as fairness” can best be achieved by putting in place the institutions of a “market democracy” that stand at a considerable distance from Rawls’ “property-owning democracy”. Novak’s (2018) contribution consists of making the case that the reason why classical liberals must care about inequalities is that often, albeit not always, inequalities pose a threat to freedom itself. She traces the origins of inequalities in rent-seeking behaviours, especially with respect to taxation, regulatory policies, and discriminatory practices which are often legitimized by the state.

Although it is something of an oversimplification, I would like to suggest that the works of the three authors I wish to compare can be examined along two axes. One such axis is a contrast between consequentialist and deontological moral commitments; the other dimension contrasts libertarianism in a strict sense with more pragmatic or pluralist views. Pennington is located closer to the consequentialist end of the first spectrum: his “robust political economy” is an efficient one—that is its principal merit. But as an ardent defender of classical liberal values, he is also committed to individual liberties for their own sake. Tomasi follows in Rawls’ footsteps by moving closer to the deontological opposite end; neither Tomasi, nor Rawls for that matter, avoid making concessions to consequentialism but their main goal is not to build a more efficient economy—it is rather to move toward a fairer society. As can be expected from an economist, Novak leans toward consequentialism. She devotes a great deal of attention the dysfunctional and welfare-reducing consequences of rent-seeking practices. However, she also demonstrates a more deontological orientation by unequivocally making liberty her ultimate eval-

uative criterion, and by offering a firm defence of the value of tolerance. In this way, she avoids being too dogmatically committed to a particular ethical theory but, in common with Pennington and many classical liberals and/or libertarians, she seems to skip over some unavoidable dilemmas. To put it blankly, most economists intent on defending economic freedoms want to have their cake and eat it too. They are attracted to such freedoms because of their liberal belief in essential human rights but they also conveniently assume that freedom is never costly. I hasten to add that, in the long run, it would be true that the sort of reforms of the taxation laws and regulatory regimes that Novak advocates would be welfare-enhancing. It is not obvious that they would be in the short run. Not everyone would be advantaged by the elimination of regulation and subsidies, of the sort, for example, that sustain small family farms, keep renewable energy start-ups afloat, etc. This criticism is even more germane in the case of the far more radical reforms proposed by Pennington and (in an admittedly more nuanced manner) by Tomasi which, evidently in Pennington’s case, would amount to the complete dismantling of the welfare state and even more firmly entrench than is the case at present the free movement of goods, capital and people. That there would eventually be efficiency gains to be reaped is a reasonable assumption. But the number of “losers” could be very damaging to political stability. In fact, we are witnessing this development at this time: the rise of right-wing and left-wing populist parties and movements all across the liberal democracies of North America and Europe is a matter of great concern to classical as well as progressive liberals. There are many reasons for this development and not all commentators agree on which ones are the most significant, but it is generally thought that discontent has been growing among males without a college degree and living outside of the major metropolitan areas. While the anti-establishment rhetoric of the leaders of these movement often denounces the excesses of the administrative state in the form of high taxes and regulations that, for instance, are purportedly enacted to fight climate change, and would, therefore, lead one to believe that the trimming down of the state would satisfy their aspirations, the situation is far more complex. It is not uncommon to observe a push for lower taxes and support for higher spending (e.g., on the health system, pharmaceutical drugs, etc.). Moreover, it is sadly obvious that whatever steps were taken to promote the idea of the free movement of people are being increasingly resisted. In other words, it is rapid socio-economic, technological and cultural changes and the transition to a more open and competitive world

that is being resented—exactly the sort of changes that our authors feel comfortable with. As for inequalities, it is depressing to note that the sort of discriminatory practices and even legislative rules, mostly directed at “immigrants,” regardless of their actual status, that Novak rightfully condemns are of late finding renewed support in many if not in fact all countries. For a long time, classical liberals have wisely criticized progressive liberals and social democrats that the proverbial road to hell is paved with good intentions, but the same could be said of the idealist reforms the three works advocate (albeit less evidently so in Novak’s case). I would certainly not describe the trend toward the somewhat mythical “globalization” that populists denounce as being the outcome of policies that meet with the complete approval classical liberal or libertarian theorists or policy analysts. All the same, that association is commonly made by critics of the dominant economic trends throughout much of the world. As Wagner and Novak insist, what goes on in “market economies” looks more like an “entangled” political economy than truly free and open markets. But if even the less than complete demise of the Keynesian administrative state together with opportunistic positioning by a variety of business and political elites who are more prone to talk about free markets than willing to accept the consequences of their actual functioning has provoked such a debacle, it may not be time to push for an immediate dismantling of these entanglements. The design of needed reforms—something of a paradox for Hayekians—needs to be very carefully thought out in order to ensure that they rest on democratically convincing justifications. Inspired in that respect by Rawls, Tomasi pays a great deal of attention to the need for political deliberation and *justification*, although his conviction that public opinion would rally to his classical liberal utopia is questionable in the deleterious political climate prevailing today. Nevertheless, his intuition that fairness is key here is correct. Fairness is deeply ingrained in the human psyche. There is by now a vast literature at the crossroads of evolutionary psychology, behavioural economics and philosophy (Kahneman et al. 1986; Fehr and Schmidt 1999; Bowles and Gintis 2002; Dieckmann 2004; Binmore 2005; Fleurbaey 2008; Kauffman 2014). Any political economy project that neglects this existential reality is bound to be unconvincing and any attempt at implementing it would be unsuccessful.

Novak’s insistence that liberty is the touchstone may not pass mustard in that respect. I suggest that defending liberty cannot be done abstractly. Fairness is a criterion that must be integrated into any strategy aimed at promoting

liberty; removing the sources of liberty-incompatible inequalities must also be shown to be a way of making social relations more just. This requires a willingness to act pragmatically, by which I do not mean an absence of principle, but a commitment to testing one’s preferences against what is consistent with the practical experience of moral subjects.

I now come to the second axis which extends from a strict libertarian distrust of *any* state action rooted in a suspicion that liberty is never compatible with such interventions, and a pragmatic acceptance of trade-offs and of a plurality of norms, goals and ways of meeting people’s expectations about “the good life”. Classical liberals cannot be found at any of the extreme poles: they are not anarcho-capitalists, on the one hand, but neither are they wishy-washy opportunists since they could not compromise on prioritizing liberty (including economic liberty). There is some space, however, between these two polar opposites within which I would argue different varieties of classical liberalism can be located. Pennington comes much closer to the libertarian end than the other two authors. He displays an eagerness to discuss the advantages of doing away with practically all the social functions of the modern state and to turn to private firms or civil society organizations to deliver services in the fields of education, health, environmental protection, etc. Novak and Tomasi are somewhat more pragmatic, in two ways: they do not entirely rule out a role for government, and they consider a plurality of norms, including not only liberty but also “dignity” (in Novak’s case) or fairness and democratic justification (in Tomasi’s case). Novak’s (2018, p. 196) concept of “polycentricity” (but see also Tomasi 2012, p. 92) is closer to Hayek than to Pennington: Hayek was not opposed to government’s role in many areas, as long as government agencies were not allowed to have a monopoly and, therefore, as long as a healthy competition could be maintained. Note that a pragmatic liberal could also promote the delivery of public goods by civil society organizations and yet also argue in favour of a monitoring or regulatory role by the state. Robert Taylor (2018), for example, argues that when benefactor-recipient relationships become too skewed in favour of the benefactor, putting the recipient in a position of degrading dependence (e.g., “the spiritual blackmail of using charity as a means of pressuring the poor in particular religious faiths,” p. 445), the enforcement of regulatory measures aimed at making the “charity market” more competitive and transparent would be appropriate.

Perhaps even some liberty-consistent inequalities need to be seriously examined—that would be true if they are unfair. I agree with Novak that classical liberals ought only to

be concerned with unacceptable inequalities, and that there are many instances in the economic realm where inequalities are not objectionable—classical liberalism does not entail egalitarianism. The *pursuit* of happiness and the freedom to use one's property to that effect inevitably results in justifiable inequalities.¹ Some people prefer wealth to esteem and may become richer, albeit not necessarily more respected; other people chose esteem over wealth and may be content with more ascetic living conditions (see Brennan and Pettit 2004). Such inequalities merely reflect the exercise of the freedom to chose one's preferred path in life. The definition of happiness varies, of course, from individual to individual. While many people will seek wealth and might well be rather self-centered, others might be more philanthropic and altruistic. But even well-meaning philanthropic entrepreneurs do create inequalities. For example, making a large donation to a prestigious research-intensive university will benefit everyone in some measure (e.g., by contributing to technological advancement), but by further enhancing the prestige of this institution, it will confer a "rent" on students who graduate from it, and comparatively lower the value of degrees issued by less research-intensive colleges. All the same, as I proposed above, some liberty-compatible inequalities are arguably unjustifiable because they are unfair, and may, therefore, need to be rectified. Note that I say "may" because the trade-off between freedom and fair dealing is not one for which there is an obvious formula. But we should never ignore the importance of luck—or lack thereof—in human achievements. Individuals who act responsibly and attempt to use their talents as best as they can may actually be so lacking in resources that they are very likely to fail to raise above poverty. Access to education, health, nutritious food, and so on, is generally not strictly correlated to efforts, intelligence, moral rectitude or any other criterion one may think of as being relevant to the exercise of someone's capacity for freely making appropriated choices in competitive markets. Admittedly, poorly conceived regulations, often the result of rent-seeking, if not even more malevolent motivations on the part of public officials, can be the cause of such inequalities; in which case, they would indeed fall in the "liberty-inconsistent" category and such state interventions should be eliminated. But there are many examples of unfairness that are not so obviously due to state interventions. Indeed, state intervention might be necessary to alleviate the problem. An example would be the extremely high cost of tuition in most American universities and colleges which, combined with the widely disparate opportunities for receiving a good sec-

ondary education, grossly advantages the children of affluent families, especially in the United States. Another would be, more controversially, the effects of Artificial Intelligence on the job market (today's generation of non-college educated young people cannot expect to find the sort of stable and reasonably well-paying jobs that earlier generations had access to). But lack of luck can also strike specific individuals more randomly, as is the case with rare diseases, natural calamities, and so on. The insurance market does not always meet the needs of such unlucky individuals or families, and civil society organizations may also not always be up to the task. Again, Novak's "polycentric" approach is germane here: limited government does not mean complete renunciation from public involvement.

Novak took a decisive step in the direction I recommend. Her concept of "dignified equals" (pp. 217-248) implies a plurality of norms. After all dignity is a multi-layered concept. But the only value that Novak explicitly associates with the realization of this ideal is toleration (pp. 237-242). There is no doubt that toleration is a quintessential liberal principle and that it is a corollary of liberty: my freedom means that you must tolerate the choices I make. But I would suggest that dignity also implies reciprocal fairness: even if I may be entitled to certain societal resources, I deprive others of their dignity not only, of course, if I deprive them of their fair share of said resources but even if I am indifferent to the conditions that may render them unable to access said resources. Dignity means not having to beg or be placed in a demeaning situation; conversely, it implies an obligation of fair treatment on the part of those who have the freedom to use their talents to remedy injustices. At the very least, public action could play a decisive role in making such injustices transparent. Once better informed, individuals and groups can be motivated by their "enlightened self-interest" to follow the advice of Smith's "impartial spectator"; Smithian sympathy can be expressed in a variety of ways which do not necessarily rely on the use of coercive force to enact specific measures. But surely it implies a willingness to engage in discussions about how unfair inequalities can be addressed and, in the end, the solution may sometimes require prudent use of state powers rather than simply eliminating bad regulations (although there may indeed be room for such reforms). Homelessness in large metropolitan area is such an example—the point is definitely not that direct public intervention is the *only* way to deal with the problem, but charities alone can only do so much on their own. (I hasten to add that some causes of homeless

are indeed traceable to bad policies, such building restrictions, zoning by-laws, and so on).

But the problem of fairness is not just a moral one. It is very real and political. Homeless people represent a moral failure, but they are powerless politically. Rural communities, underemployed males, traditionalists, religious groups and, generally speaking, the supporter of populist movements perceive themselves as having been treated unfairly by the “elites” are flexing their political muscles. The means they advocate for addressing their issues are often illiberal. Eliminating liberty-inconsistent regulations is not high on their agenda and may even, in some instances, be perceived as aggravating their predicament or benefitting urban minorities or some other social category they resent. What I am trying to say is that inequalities pose a dangerous political problem when they are ignored for too long. As both Rawls and Tomasi correctly sensed, the principles used for allocating societal resources must be justifiable in a democratic society. Fairness is the touchstone. Classical liberals will want to ensure that making social relations fairer is not done at the expense of liberty. But evaluating inequalities only through the prism of liberty without keeping an eye on how people affected by the proposed reforms perceive these measures through the prism of fairness is politically naïve. Novak’s “polycentric” approach leaves room for more politically astute arrangements than she explicitly lays out. For example, charitable organizations may be delegated a number of tasks presently carried out by state agencies in ways that may be liberty-inconsistent but, as previously mentioned, there may still be a need for accountability mechanisms and/or financial assistance (e.g., vouchers, or even a guaranteed basic income) which only the state could provide. The need to enforce rules that preserve fairness and provide for transparency or even, as would indeed be desirable, opportunities for *all* participants to express their views and be heard, remains very salient. Viewed in that light, the “entangled political economy” is not objectionable *per se*, even if it admittedly can have perverse effects.

IN DEFENCE OF NETWORKS

Reading Richard Wagner’s *Politics as a Peculiar Business*, upon which much of Novak’s analysis rests, has been a rather disconcerting experience for me. On the one hand, Wagner’s use of the metaphors of entanglement and of ubiquitous networks brings to line the *actual* complexity of state-markets relations. Hayekians are, of course, well aware of the conceptual association between spontaneous

orders, such as markets, and complexity. But it is refreshing to encounter an analysis of societal complexity that does not oversimplify the contrast between “pure” markets and a distant, poorly informed interventionist state prone to make mistakes. The two spheres are, for better or for worse, “entangled”. Novak and Wagner deploy public choice theory to make the case that entanglement results in inefficiencies and liberty-inconsistent inequalities. This being said, I wish to build a somewhat more nuanced interpretation. Complexity is, after all, never reducible to a single causal linkage.

On the other hand, as a political scientist, I am puzzled by Novak and Wagner’s complete neglect of the vast literature on policy networks in the policy studies literature (for a good overview, see Keast et al 2014). Outside of economics, this concept would be hard to ignore since it “can be regarded as being one of the major analytical concepts in the field of public policy partly competing [with], partly complementing other [commonly used] approaches” (Raab and Kennis 2007, p. 187). The metaphor of intellectual and cultural silos comes to mind immediately: economists do not read the policy studies literature, and policy scholars rarely use public choice, which leads them to welcome the development and extension of policy networks a little too enthusiastically from my standpoint. (The latter point is not meant to imply, however, that policy scholars do not have their own reservations about, and criticisms of, networks, “clusters,” and other such concepts which are have given rise to, as mentioned, a continually expanding literature.) All socio-political relations and institutional settings can provide incentives for rent-seeking; the more intricately woven are the channels of communication are in a network, and the more interdependent the agents become over time as they collaborate on various projects, the more likely it is that the informal rules can be tweaked in ways that provide undue advantages to some at the expense of the greater good of society. The more closed or the less transparent a network is, the more like it is work in ways that benefit a relatively small group of industry representatives or other narrow interests whose dealings with governments officials are facilitated by the very existence of the network(s) to which they belong. Networks, however, come in many different shapes and function in ways that can actually be counter-intuitive or that contradicts the hypothesis that they are nothing but mechanisms for rent-seeking.

Policy networks may be little more than a variation on the theme of triadic relationships between business, government and the public; Wagner (2016, p. 75) sees these triads

as being typical of “political catallactics,” whereas market catallactics is typically dyadic. But Wagner and Novak are rather vague on what takes place in these triadic relations, and how they originate. It seems incontrovertible that these triadic relations have a long history in American politics, for reasons that have to do with the unique characteristics of the American political system. Governmental actors include members of Congress who can often pursue their own priorities because of relatively weak party discipline and because of their constitutionally protected autonomy vis-à-vis the executive branch; they also include many more or less independent regulatory agencies over the daily operations of which Congress or the Administration have little control. This gives lobbies, organized groups and occasionally even dedicated individual citizens many points of entry into the political system and creates opportunities for the circulation of information between all the parties. Described in such terms, the American system is highly democratic and efficient. Of course, it is only one side of the coin. The other side, which Wagner and Novak are mostly if not exclusively concerned with, is far less positive. Political triadic relationships generally create winners and losers: in many instances, the public experiences a loss as a result of mutually beneficial arrangements between industry and regulators or legislators (e.g., agricultural subsidies or quotas in exchange for votes); in arguably rarer cases, industry suffers from regulatory measures advocated by activists and “public interest groups”.

But one can draw a contrast between the American system and parliamentary systems, especially Westminster-style democracies. In the latter, opportunities for access to the decision-making centres are typically—or at least have been until relatively recently—far more restricted. Because of a strictly enforced party discipline, which leaves Members of Parliament little power over government affairs and legislative priorities, power is concentrated into the hands of the Prime Minister and his or her immediate advisors. Not only does this create serious obstacles for members of the public (albeit not necessarily for a few well organized and well financed groups) who may be seeking to change the course of public policy, but this also limits the amount of information to which policy-makers have access (even though in more recent years advanced polling techniques, monitoring social media, etc., has provided rather effective remedies to this problem). Indeed, it is precisely this requirement for improving the two-way flow of communication between the interested publics and government officials that explains the formation of policy networks in many Eu-

ropean and Westminster-style democracies. Officials gain valuable inputs and feedback about their policies but also are able to propagate news about their accomplishments; organized interests as well as more ad hoc coalitions, local governments, aboriginal nations, and other groups, which in a more or less distant past were rarely or never consulted, gain a chance to be heard and even in some cases to be involved in the delivery of services. This form of “horizontal governance” in which government actors are supposedly interacting in a more collaborative than coercive manner with a variety of entrepreneurs and “stakeholders” has to some extent reduced economic and political inequalities.² It would be naïve, of course, to pretend that rent-seeking never occurs in this sort of network.³ But it is also unwarranted to assume that an entangled political economy always results in a less equal or fair treatment of citizens or consumers. The very complexity of its organization makes it difficult to predict exactly how decisions will be made and whether more or less equitable outcomes will emerge. Indeed, as Ken Binmore (2005) has argued, amending the implicit social contract that has taken shape in the very long period during which liberal democracies have evolved requires an astute understanding of strategic thinking and of the multiple games that are played simultaneously by myriads of participants in competitive markets, civil society and politics.

There is, however, a downside to all this complexity. Even though many newly formed networks—some of them purely “virtual” while others are more institutionalized—provide opportunities for hitherto powerless groups and interests (ethnic minorities, environmentalists, etc.) to bring their concerns to the table, as it were, there still are unrepresented individuals and communities. These are people who do not identify with either the “elites” nor with the newly empowered groups that have benefitted from new forms of consultation or human rights protection. In fact, they tend to resent the attention given to groups whose values they find to be too distant from the conventional mainstream. The outcome of this feeling of exclusion—the inequality which they perceive to work to their disadvantage—is the fuel that powers the rising populist movements and parties in almost every corner of the world today, from the United States to Brazil, from Britain to Italy, France or Poland, to mention only a few salient examples. Even though, again, the entangled political economy of today encompasses many more interests and voices than the cozy relationships that have always existed between big business and the politicians who are happy to side with moneyed interests (but

one could also mention the cozy relationship that has for long time prevailed between trade unions and progressive parties), and even though, as I explained, new voices are being heard and have become influential, these networks tend to operate in the large metropolitan cosmopolitan centres. Rural communities are rarely included. Now that technological change undermines the economy of these communities in a more profound way than ever before, new inequalities are becoming more evident, even if they often are over-hyped by demagogues. The solution that populist leaders are proposing are a mixture of disentanglement and re-entanglement. Neither of these projects seems particularly conducive to replacing liberty-inconsistent inequalities with liberty-consistent ones. The disentanglement project consists in a reaffirmation of national sovereignty and a disengagement from international organizations, a renunciation of global trade treaties, and a withdrawal from globalized production networks, with a parallel refocusing on domestic markets and bilateral agreements with a small set of preferably culturally compatible and trustworthy trading partners. Leftist populists might even contemplate more autarkic scenarios, although the tragic outcome of such policies for Venezuela should dissuade more moderate leaders from going down that road. The re-entanglement project, as it were, is fuzzier but appears to be a longing for an age when small communities were successfully self-governing and were able to build and sustain a considerable amount of “social capital”. This is perhaps an echo of the civic republican tradition that used to be central to the American experience (Maynor 2003) but seems to have been eroded in recent decades. A more sophisticated of this utopian vision has been proposed by Patrick Deneen (2018) who, however, remains disappointingly vague about the boundaries and organizing principles of the “communities” around which his alternative to cosmopolitan liberalism is meant to be structured. While classical liberals may welcome such a project which evokes Alexis de Tocqueville’s praise of township local democracy in New England, and while classical liberals are indeed justified in opposing political or administrative centralization, not to mention the “high liberal” intolerance toward traditionalist ways of life, I would suggest that this project is potentially quite harmful. It is just as likely to exacerbate liberty-inconsistent inequalities as it is to eliminate them. Contemporary advanced liberal democracies are very different from the United States of the 1840s which, in any event was far from being a bastion of virtuous civic republicanism from the stand point of the African-Americans in states where slavery was prevalent. Although I do not in-

tend to tar sophisticated defenders of a radical decentralization projects by accusing them of being complicit with the racist undertones of contemporary right-wing populism, it is clear that the longing for a time when smaller communities were more vibrant is also an expression of fear and distrust of the multicultural character of large urban centres. It is difficult to imagine how ethnic and cultural minorities which have strived in big cities where inter-cultural dialogue has made significant progress, would fit in this project. Cities are also centres of innovation, in large measure because they are in fact globalized and exchanging ideas as well as goods and service with the rest of the world; the revitalization of local communities, albeit desirable, could be welfare-reducing if it is carried out too aggressively.

So, what is the answer to this challenge? I do not pretend to possess such an answer! But I would suggest that some ingenious approach to entanglement is a good start. The goal here is to find ways of making room in functioning networks for those who, rightly, feel excluded. The key here is to do so in ways that can be publicly justified as being fair. This does not at all imply adding new layers of bureaucracy and much care should be taken to avoid creating new opportunities for rent-seeking, but there could be more virtuous forms of entanglement in which the concerns of alienated groups could be heard. Some aspects of his approach could include:

- making higher education more accessible to the working poor and middle-income families;
- creating new avenues for enabling well-performing civil society organizations (e.g., climate change activists) as well as the leaders of the new knowledge economy to be better informed about the effects of their strategies on “ordinary folks,” and adopt more balanced approaches that would be more attuned to the aspirations and needs of marginalized rural communities and smaller urban centres;
- and, more controversially, institutionalizing a guaranteed basic income by simultaneously doing away with many of the intrusive welfare programs.

Finding ways for the “winners” of globalization and technological progress to compensate the “losers,” without burdening the state with responsibilities it probably cannot entirely fulfil, is definitely the challenge for the next decade. Paradoxically, the former are excessively “entangled,” while the latter are insufficiently so.

CONCLUSION

Novak has made a welcome and original contribution to contemporary political economy by advancing a new set of criteria for making sense of inequalities and by offering some insightful proposals for alleviating injustices resulting from these inequalities. My comments have focused on two themes: the need to pay closer attention to the fairness of any reform intended to promote liberty; and the reasons why an entangled political economy is not always detrimental to liberty, so that in some instances the solution to inequalities may entail finding more innovative and fairer patterns of entanglement rather than thinking that entanglement, albeit impossible to completely eliminate, ought as a rule to be minimized. I have not tried to present a radically different perspective, and I should note that occasionally Novak herself recognizes that there are several facets to the complex issues she raises. To ensure that such issues are not resolved *a priori* either by politicians and bureaucrats (as is Novak's fear) but also, I would add, by overzealous libertarians, it is indeed advisable to start from the premise that:

All options for deregulation should be investigated to enable people to craft their own reputations for performance-oriented competition in the service of others. If regulation cannot be relaxed, then it is incumbent upon government to justly compensate people and groups for the expropriation that regulatory policies generate (Novak 2018, p. 209).

In the end, constitutional or informal rules are never immutably perfect. Amending them as we go along must be done in ways that provide the best opportunities for deliberations, ensuring that everyone can trust the fairness of the outcomes. This is best done through a bottom-up process that begins in local communities and neighbourhoods and should be allowed to unfold over some considerable amount of time. In this way only can the transition away from liberty-incompatible patterns to more liberty-compatible ones be enacted in ways that are not dictated by either vested interests or ideologues in a hurry. But it is a challenging game (or more properly speaking, set of games) as Binmore (2005) reminds us.

NOTES

- 1 Raymon Boudon (2004) has argued that one of the reasons why so many intellectuals tend to adopt egalitarian views is that they believe that their intelligence and educational achievements entitle them to as much money and power as entrepreneurs who typically earn more than them, and yet so obviously lack intellectual sophistication! In other words, it is resentment, not moral indignation that motivates intellectuals. Boudon might have overstated his case for rhetorical reasons but I believe "he is on to something," as the saying goes.
- 2 For a balanced assessment of this type of argument, and an analysis of the methodological differences between the American and European literatures, see Klijn (2008).
- 3 On the risk of fostering rent-seeking behaviours in so-called public-private partnerships, see Scribner (2011).

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Inequality, (Transaction) Costs & Choice

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There is such a thing as “good inequality”. After all, a Benedictine monk and a hedge fund banker have important income differences (and the differences are probably growing over time). Yet it is unlikely that the monk would be willing to accept the banker’s job at the level of income the latter earns. While this is an extreme example, it suggests that the maximization of one’s well-being may not be perfectly expressed by the maximization of income. In fact, the more it becomes possible for individuals to seek satisfaction on other, more heterogeneous, planes of existence, income inequality will speak less efficiently of inequality in well-being. One should consider the following fact if one is skeptical of the relevance of this *reductio ad absurdum*: while income inequality has been increasing in western societies, inequality in life satisfaction has been *falling* (Stevenson and Wolfers 2008; Clark et al. 2014; 2016). Elsewhere, I have pointed out that there are other forms of “good” or at the very least “neutral” inequality such as immigration and demographic changes (Geloso and Horwitz 2017).

However, if there are “good” inequalities, there must also be “bad” inequalities. In her book, Novak (2018) is concerned with the “bad” inequalities of which there are two kinds. There are those that result from birth—the “sticky” inequality as Corak (2013) puts it. There are also those that result from institutional decisions which either weigh down the poor or push up the rich. The latter kind of inequality is the one that Novak deals with.

Essentially, she uses the rich approach developed by Richard Wagner (see Smith, Wagner and Yandle 2011 for a good summary)—the entangled political economy approach—to explain that inequality *must* be decomposed by sources. Each source of inequality is the result of a particular institutional setting which reverberates with other institutional settings. In a way, she argues that we ought to study the ecology of inequality where the word ecology refers to institutions. All these efforts are undertaken to provide a classical liberal answer to the daunting topic of inequality.

There is much to commend in this approach, namely for the fact that it actually pays (much) more than the usual

lip service to the role of institutions. For that reason alone, the book should be considered an important contribution to the debates on inequality. This does not make the book flawless. There is the need to differentiate the analysis made by Novak from the classical liberal answer to inequality she wishes to provide. To be transparent, I am a classical liberal. However, this only comes third in the ranking of what I believe defines me, after being an economist and being a cliometrician. As such, I feel the urge to separate my view of inequality as a classical liberal and my view of inequality as an economist and cliometrician. The two are not necessarily antagonistic, but they are dramatically different.

This symposium article argues that an economics case should be made separately from the classical liberal case. The main reason is that the economics case is superior on three fronts.

The first is that measurements matter inasmuch as they affect the stylized facts regarding inequality. In her book, Novak accepts too readily the existing state of empirical evidence. The second is that transaction costs, which have often been ignored in the economics of inequality literature, are crucial to understanding inequality and the institutions that generate it. The third is that inequality *does* bear real economic costs—something which is not sufficiently emphasized by Novak.

All of these advantages provide make the economics case superior to the classical liberal case. This is because the economics case can *serve* the classical liberal *as well* as it can serve other ideological worldviews.

I. ON MEASUREMENT AND THEORY

I feel that Novak accepts too readily the inequality figures proposed by many. On many pages, she casually refers to the evidence available and mentions timidly works like those of Auten and Splinter (2017) who show that the increase in inequality since the 1970s has been over-estimated in seminal papers such as Piketty and Saez (2003).

However, there are a great array of reasons to question the state of the empirical evidence. This is because inequality is a topic like no other within the field of economics. Generally, economists start from axioms which are invariably true and thus lead to a predominantly inductive approach. What applied economists do is assess the relevance of a particular axiom (which may be competing with another) to a given situation. For example, the theory of asymmetric information is axiomatically true. The prediction is that this should lead to a “market of lemons” (Akerlof 1970). However, theories about signaling suggest that this issue can be easily overcome making it more or less irrelevant to the real world (Bond 1982). Inequality is not like those topics as most of the theorizing is deductive. Patterns and levels of inequality are observed and *then* theories to explain them are derived. In a predominantly deductive field, all discussions must start with data.

One of the most heralded “facts” of the economics of inequality literature is that there is U-Curve of income inequality over the 20th century (Piketty and Saez 2003; Piketty et al. 2017; Lindert and Williamson 2016). While that pattern appears shared for many countries, it seemed more pronounced in the United States. From high levels in the early 20th century, inequality fell in “great leveling” (Lindert and Williamson 2016) up to the 1970s. From that lower level, inequality has surged to the present day, reaching levels equal to those in the beginning of the 20th century. On this empirical narrative, many have grafted political theories. The 1920s were decades of limited income redistribution and regulation. Thus, inequality was high then. Up to the 1970s, the growing arm of the state led to increased redistribution, more regulation (notably those allowing unions to bargain for better working conditions) and higher taxes on the wealthy. Thus, inequality fell in that period. Thereafter, with deregulation and tax cuts, inequality rose again. The empirical evidence serves a political economy argument rather than the reverse.

Yet, there is evidence that the shape is not as pronounced for the United States. Indeed, Mechling et al. (2017), Auten and Splinter (2017) and Magness (2018) have shown that the sources used to measure inequality have important biases. The most-used sources come from tax records which are, evidently, responsive to tax policy. The latter two studies show that when corporate taxes were lower than income taxes, individuals shifted income sources to the former. When tax reforms inverted this relation, the opposite movement was seen. This meant that, when income taxes became inferior to corporate taxes, individuals shifted their

incomes to the less-taxed avenues and would have meant an artificial increase in “individual income”. Correcting for this effect, the two studies show a dramatically lower level of inequality post-1970 and a more timid increase. The right side of the “U-Curve” is not too robust. Then, on the left side of the U-Curve (pre-1945), Geloso et al. (2018)—echoing Smiley (1983; 2000)—have shown that there are similar data issues leading to an overstatement of inequality in the 1920s and to a less pronounced fall from the 1920s to the 1970s. When the two critical literatures are mixed, inequality does seem to follow a curvilinear function over time, but it looks more like a tea-saucer than it does a U-Curve.

Why are these elements relevant? Because the smaller movements can be interpreted with basic economic theory. For example, between the late 19th century and the mid-20th century, the different regions of the United States became more economically integrated so that income differences across regions lessened importantly (Michener and McLean 1999; Lindert and Williamson 2016; Ganong and Shoag 2017; Klein 2013; Geloso 2018). This convergence, which is also observed in countries like Canada (Emery and Levitt 2002) and the United Kingdom, can be explained within a simple Solow-growth model: capital moved from the rich northeastern states to the poorer southern states (Turner et al. 2013) and workers, most notably African Americans (Boustan 2016), moved in the opposite direction. This simple mechanism, given that the fall in inequality is much smaller than previously believed (assuming one believes the findings of Geloso et al. 2018), explains a large share of the reduction in inequality to the 1970s. It also explains a small share of the increase since the 1970s as there has been widening income differences *between* states since the 1970s. (Ganong and Shoag 2016; Geloso 2018).

The more modest the shape of the U-Curve becomes, the more potent alternative explanations of its evolution become. Consider two examples for the increase: aging and the prison population.

With regards to an aging population, it has long been known that because income is in part a function of age (and so is wealth), a changing demographic structure will *by definition* affect the level of inequality even though all incomes may increase equally (Paglin 1975). Some studies, although they do not consider the American case, point out that aging explains a sizable share of the evolution of inequality (Almas and Mogstad 2011). Taking this empirical fact into account alters the deductions to be made from the facts, making it harder to graft a political narrative on the empirical facts.

The case of the war on drugs is also telling. As a growing share of the American population is either in a correctional facility or in the wider American judicial system (probation etc.) and that criminal records flatten the evolution and the level of one's income, it is logical to say that a growing segment of the American population boasts a scar from prison. As this segment is growing, it is also a logical conclusion that inequality must be growing. If the increase in inequality as measured by tax data (generally the norm) is more modest, then the effect of incarceration may boast a stronger role in explaining it than re-distributive policies. In fact, simple data sampling may be at play (but which means that we are *understating* inequality). The population who goes to jail is not randomly distributed. The likelihood of going to jail is highly correlated with low socioeconomic status. As such, when surveys of workers are taken whilst the prison population grows, the surveys are "cream-skimming" the richest workers. When scholars like Bruce Western and Becky Pettit (2005) corrected for this sampling bias issue, they found that the gap between Black Americans and the rest of Americans is wider and growing wider. It stands to reason that this means greater inequality.

All these are merely examples in order to show how important empirical issues can be. As the inequality debate is largely a deductive one, the quality of the empirical facts matters considerably in assessing explanations. This is why the economics case has the upper hand, it can serve to *interpret* the movements. The classical liberal case made by Novak is unconcerned by the level and trends, it is merely concerned with explaining them and takes them for granted. While this may be a conceptually richer approach to develop a theory, it will most likely fail to engage those who are engaged in the current discussions of inequality.

II. (TRANSACTION) COSTS & CHOICE

The second advantage to an economics approach is that the deductive nature of the economics of inequality debates can be assailed by simple deductions drawn from economic theory. One such theory is that of transaction costs. Simply put, transaction costs are the costs we bear to make exchanges. They prevent us from seeking enrichment through trade with another. Anything that reduces them leads to improvements in living standards. However, all costs are purely subjective (Buchanan 1978). This is because the transaction costs are specific to individuals *and* specific exchanges. There is not *one* transaction cost. There are many different transaction costs as there are exchanges available

to each individual. Transaction costs associated with a particular exchange may be higher for individual A than it is for individual B.

This seemingly benign observation is rife with implications regarding inequality and institutions. The most important one is that since *all costs* are subjective, individuals may maximize their well-being in a variety of ways. In fact, the more heterogeneous and numerous the options to maximize subjective well-being become, the likelier it is that inequality as measured by income will increase. Rich societies offer more heterogeneous ways to life a satisfying existence in ways that incomes are poor synonyms. This would explain why income inequality is increasing while life satisfaction inequality is falling as noted in the introduction. It is hard to frown upon such inequality within the framework of the most elementary principles of microeconomics.

Another implication is that individuals similar to A (those with low transaction costs) will find it easier to truck, barter and exchange. Those individuals will be better off and there are no implications for individuals who are like B. As such, there may be higher and growing levels of inequality in that setting, but it is hard to defend the claim that inequality is harmful.

The most important implication however is that individuals who are akin to A may associate to lobby for institutional settings that redistribute from the Bs to themselves. Their lower transaction costs enable them to trade as much as it enables them to organize politically and request edicts and laws that benefit them at the expense of others.

Randall Holcombe (2018) has provided a simple (but rich) elaboration on this insight. Those whose comparative advantage, because of lower transaction costs, lay in political action will engage in rent-seeking and redistribution of income towards themselves. The institutional rules are shaped by *their* transaction costs (under the premise that the returns to trade are inferior to the returns from rent-seeking). This will unavoidably lead to inequality. However, this inequality is noxious because it results from a specialization in rent-seeking. It is not the inequality per se which is noxious.

To be fair, Novak gets this logic as observed by her chapter on constitutions and constraints that exist to prevent political exchanges from occurring between those rent-seekers and those whose transaction costs (note: the answer always involves transaction costs, regardless of the question asked) make them comparatively better in the world of politics. In words different than those used here, she makes the same point. To be even fairer, her point is one that few econ-

omists properly appreciate. Embedded inside the entangled political economy framework, its analytical potency is so great that it boggles my mind that so few economists have not realized this value. However, she enlaces this strong point within her view of liberalism. This, as we will see below, leads to a) an understatement and incorrect analysis of the costs of inequality and b) a reduction of the ability to convince those inimical to classical liberalism.

III. THE COSTS OF INEQUALITY

The individuals who organize to extract rents from individuals less able to overcome the costs of organizing will generate inequality. This inequality *can be* heavily detrimental to growth and development because it changes the costs of exchange in the process.

Consider the argument made by Samuel Bowles (2012) who provides the most interesting proposal for why inequality is hurtful to growth. Because inequality drives individuals further apart in socioeconomic conditions, it creates social distance between such individuals. Lack of trust is, in Bowles' logic, likened to a principal-agent problem. Because they are so different, the richer individual is unable to conceive the behavior of the poorer individual who happens to work for him and, as such, he mistrusts him. He expends resources to supervise this worker. He either hires an accountant to make sure he does not swindle or a supervisor to monitor his activities. He may also hire security guards to protect his assets. This why, in a related paper, Bowles and Jayadev (2006) argue that "guard labor" (supervisory workers, security guards, forensic accounts, private detective, police officers, judges—anyone who serves to supervise others) is heavily related to inequality. These are, Bowles argues, the costs of inequality.

Elsewhere, I have disagreed with Bowles (Geloso and Kufenko 2017) on whether or not this applied to the United States (which is what he argued). But this does not make his point necessarily invalid. It is axiomatically true that the cost of guard labor is a cost we bear to exchange and if institutional settings make this cost greater, then growth is hindered. The low-wage citizenry may not be aware of the policy hurting them, but they may come to see the income differences between them and the rich as unfair if they see no way of increasing their standard of living. The inequality thus translates into mistrust which then fuels a greater demand for guard labor. This is the cost of inequality—the cost we incur after the rent-seeking to continue exchanging but which, progressively dilapidates (partially) the rents.

This cost of inequality is a direct implication of the transaction costs logic laid above. Few economists have followed this insight to its logical end. The one exception is Finis Welch (1999) who, in the American Economic Association's Richard T. Ely lecture, made a "defense of inequality." In it, he argues the following: "inequality is destructive whenever the low-wage citizenry views society as unfair, when it views effort as not worthwhile, when upward mobility is viewed as impossible or as so unlikely that its pursuit is not worthwhile." (Welch 1999 p. 2)

Not only that, but Welch also identifies the example of inequality where only low transaction costs individuals trade together. Imposing no negative externalities upon others. In fact, he even identifies that income inequality sends a signal about where returns are greatest. In other words, he says inequality sends the signal of which transaction costs are the most noxious in blocking exchanges. As such, he identifies the "benefit" of inequality. Yet, Welch is one of the very few who argues for this very rich and potent view of inequality—his *American Economic Review* article is cited a scant 226 times according to google scholar and five of these come from myself. A classical liberal argument, even if it has no inconsistencies such as Novak's, holds even less potential than that of Welch. This is in part because a classical liberal argument downplays the true costs of inequality. It is far more likely that, if advanced rigorously, an expansion upon Welch's argument may convince more.

IV. LIBERALISM AND OTHERS

I am back against the classical liberal angle because it prioritizes destination over direction. As I confessed earlier in this article, I consider myself part of the classical liberal tradition. However, I do wish to speak to those who do not share my inclination since they may want to go in the same direction as myself. The economics argument, by virtue of being universal, speaks to them and may serve to create a common path.

If social-democrats adopt portions of the economics argument made here and push for policies that ease constraints upon the upwards mobility of the least well-off, then they will walk in the same direction as classical liberals. If multiculturalists adopt the view that the heterogeneity of preferences spawned in a rich society mean that inequalities of income are bound to exist but be meaningless in terms of human well-being, they will tolerate higher aggregate levels of inequality because they reflect the true diversity of society. As such, they follow in the same direc-

tion as the classical liberals. If conservatives accept that “natural” (Kirk 1953) inequalities are not so “natural” but sometimes the outcome of rent-seeking individuals who have a comparative advantage in shaping rules to their advantage, then they will push for measures that will make them walk in the same direction as the classical liberals.

The point is that an economics explanation, while it speaks to liberalism, has a universal appeal. It is not antagonistic to the classical liberal view, it is merely a good servant for all views.

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Some Thoughts on Inequality from a Classical Liberal Perspective

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Mikayla Novak's new book is a welcome addition to several ongoing conversations in the intellectual world. First, it brings some important ideas and perspectives to the debate over inequality. Second, it makes a strong and ultimately persuasive case that classical liberal scholars should not be simply dismissing concerns about inequality and should, instead, be finding ways to explore its causes and effects using our set of analytical tools. Finally, she attempts to add to that set of tools by discussing inequality using Richard Wagner's "entangled political economy" framework. One of the strengths of the book is that she is an excellent interpreter of Wagner's framework and offers some concrete examples of how it can be applied to the theoretical and policy issues surrounding inequality. I believe it is the first attempt to engage in this sort of extended and detailed application of Wagner's ideas. All three of these are valuable endeavors and Novak mostly succeeds in making her case.

What I would like to do in this essay is two things. First, I want to address a few minor concerns I have about the book itself. I then want to use the book as a launching point to talk about four issues related to inequality that are not treated in depth in the book, but are ones I believe are crucial for classical liberals to address if we are going to make real contributions to the broader discussion. Specifically, I will have more to say about:

1. the role of fairness with respect to inequality
2. the importance of considering the regressivity of various forms of inequality
3. the way in which income mobility is relevant for our concerns about inequality
4. whether consumption inequality is a better metric than income or wealth inequality.

My comments on those four areas do not provide any easy answers to questions about just how much inequality has grown in recent years, nor what, if anything, classical liberal scholars might suggest we do about it. Rather, I raise them as issues that need to be a significant part of any dis-

cussion of inequality and that classical liberals are well-positioned to address.

THOUGHTS ON NOVAK'S APPROACH

As I suggested above, perhaps the most important strength of the book is that it takes inequality seriously from a classical liberal perspective. And it takes both the problems of inequality and the possible growth in inequality seriously not just as myths that need to be busted by classical liberalism, but as real issues that classical liberal scholars should be confronting. Too often, classical liberal treatments of inequality either attempt to deny that inequality is growing in the way that critics of that growth claim or they argue that all changes in inequality are benign. Both positions are unlikely to be persuasive to those who think inequality is, in fact, growing, and that either that growth or inequality *per se* are socially problematic. They should be unpersuaded by both arguments because there are good reasons to believe that at least some sorts of inequality are problematic and that some of those sorts of inequality are growing. Novak is to be complimented for starting from the premises that inequality of some sorts might be getting worse and that some of that worsening inequality is a problem.

Though Novak does not always phrase it this way, one of the themes running through her argument is that concerns about inequality have to be addressed within the larger context of economic growth and, especially, how such growth affects the least well-off. From the start, she grapples with the distinction discussed at some length in my work with Vincent Geloso (Geloso and Horwitz 2017) between socially beneficial (or at least benign) and socially harmful causes of inequality. For example, demographic factors such as divorce might explain some of the growth in measured inequality, as more frequent divorce means more two-income households splitting into two households each with less income. Similarly, an increase in low wage workers via immigration would increase measured inequality, as would increasing returns to innovation. The question is whether

those causes of inequality are problematic. To the degree that immigrants earn better wages here than in the countries they left, and that the benefits of innovation are widely dispersed in better living standards, including and often especially for the least well-off, then these sources of inequality should not trouble us. Any policies we might undertake to offset those changes in inequality would do much more harm than good because of their negative effects on growth and other desirable economic changes. By contrast, socially harmful causes of inequality are ones that are the focus of Novak's attention. Are there causes of inequality that also undermine economic growth? Are there causes of inequality that are regressive in their redistributive effects? Would eliminating these sources of inequality be consistent with maintaining the institutional framework associated with classical liberalism? In other words, are some of the causes of inequality because modern entangled political economies have strayed from the principles of classical liberalism?

Note that this last question does not imply that a classical liberal world of limited government, the rule of law, respect for private property and markets, and sound money would be one in which various forms of inequality did not exist. To the contrary, as our good/bad distinction above suggests, many of the desirable things we expect from market economies (e.g. innovation) will bring inequality in their wake. The question is a very Rawlsian one: under what sorts of economic systems will inequalities work to the benefit of the least well-off, or at least promote generalized economic growth that all can partake in? Disentangling the benign or beneficial inequalities that emerge from generalized economic growth or demographic changes from those inequalities that undermine growth or harm the least well-off is the key to a sophisticated understanding of the economics of inequality. Novak gets this distinction and much of her book is devoted to trying to understand what sorts of policies cause the problematic growth in inequality and what we might do to reverse those forms of inequality while not undermining the processes that produce benign changes in inequality. I believe this is the best way to approach inequality from a classical liberal perspective.

The critical question for Novak's book in particular is how helpful the entangled political economy perspective is in forwarding the classical liberal analysis of inequality. I am a fan of Wagner's work, and I think the notion of "entanglement" is useful as a way to distinguish really-existing economies from models in which the analyst assumes that the political sector acts independently and exogenously

on the economy. Seeing political action in markets as arising endogenously from actors within the larger nexus of exchange has always been at the core of public choice theory. It forces us to rethink a number of things at the conceptual level, e.g., whether describing government action as "intervention" doesn't just assume away the entanglement that Wagner emphasizes.

What I am not totally persuaded by is that the entangled political economy approach adds real value over traditional market process and public choice perspectives on inequality. Two examples from Novak's book illustrate the strengths and weaknesses. I think the language of "dyadic" and "triadic" exchanges is very helpful for understanding what's happening when we use the political process as a means for advancing our interests. Market exchanges are dyadic in that they involve two parties, while the essence of political action is that they involve three parties: taxpayers or others providing resources, those who receive those resources, and the party that forces the transfer to happen. Unlike dyadic exchanges, triadic exchanges are not assured to benefit all parties for reasons that traditional public choice theory has laid out. This language enables us to see more clearly what is ultimately happening when the political process is invoked, and nicely captures the endogeneity of political action as well as the long-standing insight that politics is also a form of exchange. Novak puts this to good use in examining the ways in which poor public policy has exacerbated inequality.

What was less helpful, I would argue, are the Wagner-style diagrams. I found myself working pretty hard to understand what those nodal-network diagrams were trying to illustrate, and I'm not sure it helps to clarify the issues Novak is addressing to make readers work that hard. I don't think this was a problem with her explanations of the diagrams, but more a problem of the diagrams themselves. I am skeptical of whether the benefits here are worth the costs, but perhaps other readers found them less of a barrier.

I do have one final complaint about the book that I raise somewhat hesitantly, but that concerns me about how influential the book will be. I found this a difficult book to read for another reason. The writing style is full of passive voice expletive constructions, often with one or more per paragraph. It makes sentences unnecessarily long and forces the reader to have to figure out who or what the subject is in ways that detract from the argument. This is particularly important when Novak is dealing so well and so thoroughly with so many sources. Sentences that begin "It is

argued by many that..." force the reader to wait until the end to find out who is doing the arguing, and by that point, the meat of the sentence has faded into the past. Perhaps this too was not a problem for other readers, but it was so pervasive throughout the book that I worry it will raise the costs of dealing with the very important arguments Novak is making.

These small concerns aside, Novak has given us an excellent overview of the literature on inequality and has offered a way of approaching these issues that enables us to separate the benign and desirable forms of inequality from the problematic ones. She has laid down a path for classical liberal social scientists to follow, even if we do not find all of the pieces of the entangled political economy framework the most useful way to do so. Her careful and thoughtful work also raises a number of questions for future research. She also did not have the space to pursue several strands of the inequality argument in additional detail. In the next section, I want to point to the issues I think need further consideration as people build upon the work she has done here.

SOME QUESTIONS FOR FURTHER RESEARCH

One of the first things a classical liberal approach to inequality is going to need to do is to clarify the distinction between the "good" and "bad" kinds of inequality. As my use of quotation marks suggests, those are not the ideal terms to use given their lack of precision about what is good or bad about either kind of inequality. One option is to emphasize the role of liberty in either option, as Novak does by using "liberty-consistent" and "liberty-inconsistent" in a few places. Although that is more specific, I do think that it suffers from being normative in a way that might not be persuasive to those who would see "liberty" in a variety of alternative and complex ways. One option that might capture the same idea is to distinguish good from bad in terms of their regressivity. The "bad" forms of inequality are those that harm the absolute material well-being of the poor, especially when those same trends toward inequality also benefit the rich. Upward absolute redistribution of income or wealth is the marker of "badness". To the extent that classical liberalism is right that liberty-consistent policies lead to a general increase in wealth, including for the least well-off, then those policies would be fine as the growth in inequality they might generate will not involve an absolute loss for the poor. By the same token, policies that attempt to substitute triadic exchanges for dyadic ones through po-

litical action will often cause the sort of regressive redistribution that might characterize "bad" growth in inequality.

One advantage of the emphasis on regressivity is that it gives classical liberals a way to judge good and bad without equating it to a specific set of policies or ideological position. If it turns out that a particular piece of political action does not generate regressive inequality growth, then classical liberals would have no reason to reject it, at least in terms of concerns about inequality. (They might have other reasons for wishing to do so.) This consequentialist approach that focuses on the effects of policies and inequality on the poor avoids the need to make *apriori* judgments about particular policies. It is very much consistent with the "bleeding heart libertarian" approach that has grown in influence in recent years, e.g. Tomasi (2012). An explicit attempt to bring together the bleeding heart libertarians' combination of Hayek and Rawls with an entangled political economy approach to inequality might prove to be very fruitful. Linking the concerns about inequality to other work by classical liberal scholars might also prove to have important synergies. Two that first come to mind are the Hayekian emphasis on economic coordination as the criterion of success, and Deirdre McCloskey's (2006) work on the bourgeois virtues, especially her history of the way "trade tested betterment" has improved the lives of the middle class and poor.

A second line of research that could be explored more deeply is the relationship between inequality and fairness. Novak touches on this in several places, including citing the fascinating study by Starmans, Sheskin, and Bloom (2017) that found experimental evidence that people will accept greater inequality if they believe the process that produced it was fair. Our concerns for fairness tend to trump any abstract concern for equality.

In a recent paper (Horwitz 2018), I explore some of these issues. I argue there that in economic interactions, the relevant notion of fairness might be whether or not people are equal before the law. That is, if the law treats everyone as having the same rights and opportunities, then it may be perceived as fair. If so, then whatever outcomes it produces, regardless of the degree of inequality involved, will be deemed morally acceptable. In Novak's terms, this notion of fairness is "liberty-compatible". So if it is true that people are okay with inequality as long as it was produced by a process they deem fair, and, if it's also true that the relevant notion of fairness is equality before the law, it would seem that inequality becomes a concern for people when processes aren't fair because people aren't being treated equally.

We can see this to some degree in the way in which people who claim to care about inequality often treat the CEOs and owners of companies they like. Do people think the high incomes made by executives at Apple are problematic? My sense is that they generally don't, perhaps because they understand that we have made them rich by purchasing their products, which have given us enormous benefits in return. They see that market process as being fair, perhaps because the nature of the voluntary exchanges and mutual benefit are there to be seen, even if they don't understand all that well the underlying institutional prerequisites, including equality before the law. Where this line of argument gets more difficult is when we talk about more abstract goods and services, such as the financial industry. It is easy to justify the riches of tech executives when you hold their very useful products in your hand, but it's harder to see the fairness and mutual benefit of abstract financial transactions, even if we assume an unhampered market process. One implication for classical liberals is that perhaps we want to shift our discussions of inequality to be more about fairness.

One way we could do that, and it is hinted at in Novak's book, is to engage the left's language of privilege. When economic actors use the power of the state to benefit themselves or harm their competition, they are acquiring a privilege that others do not have. We would do much for clarity in such discussions if we referred to "rent-seeking" as "privilege-seeking" instead, as that is more clearly what is happening when taxi companies ask for regulation to eliminate or handicap competition from ride-sharing companies. Framing triadic exchanges in terms of privilege allows classical liberals to take advantage of the importance of fairness by arguing for the unfairness of this sort of privilege. Such an approach is also consistent with important arguments in the history of liberalism, especially those in the 19th century who explicitly saw themselves as opponents of privilege, whether granted to capital or labor (Hart 2016). Finally, to the degree that such privileges are more easily obtained by those who already have significant wealth and power, they will tend to work against the interests of the least well-off. That is, privilege-seeking behavior in an entangled political economy is often regressive, especially to the degree it limits new entrants who have lower-cost, more convenient options for consumers, as is the case with the ride-sharing firms. If people believe that privilege is unfair and that harming the poor is unfair, then framing classical liberal objections to inequality in terms of those policies that provide privileges and thereby generate regressive redistributions of wealth

seems like it is not only good political economy but also effective rhetoric.

Too often, the common understanding of increasing inequality is that the rich are getting richer and the poor are getting poorer. Of course, rising inequality requires only one of those to be true, and not both. But this perception of what rising inequality means suggests that there are two factors related to inequality that deserve additional attention: the role of income mobility and the absolute condition of the poor.

There is not an extensive discussion of income mobility in Novak's book, but I think it is really important to raise it in the context of inequality. To the degree that the critics of rising inequality believe that the same people and households who are poor in one year are poorer in later years, raising the issue of mobility is a necessary counterweight. I cannot review the large and ongoing debate about the degree of income mobility in the US, but two things seem to be clear. First, the degree of household mobility across income quintiles does seem to have fallen a bit over the last couple of decades. Second, despite that, there is still significant mobility, as even the most conservative and recent estimates suggest that 50% or more of households who are poor in a given year are out of the lowest quintile within 6 or 7 years. The percentage of households that remain stuck in long-term poverty, while still too large, is much closer to zero than 100%. And children are able to do better than their parents in significant numbers (Winship 2015). In my experience writing and lecturing on these issues for a decade or more, there are a good number of people who think that rising inequality means that it's very difficult to get out of poverty, and they are pleasantly surprised to see even the most conservative of the mobility estimates. I think their concern is also tied to the discussion of fairness: if the possibility of starting poor and becoming richer is still attainable to a substantial number of people, then that is an indication that the system is reasonably fair and that measured inequality is less of a concern. Rising inequality that is happening alongside real "churn" in who is rich and poor is less troubling than when rising inequality is making the same people richer and poorer.

This point also suggests why focusing on the regressivity of various forms of privilege-seeking is important. Policies that limit the upward mobility of the least well-off can be framed as both unfair and contributors to rising inequality. It's a way for classical liberals to argue for a less hampered market and appeal to people's justifiable concerns about particular kinds of increases in inequality.

It is also worth noting that we should expect to see a decline in mobility as societies get richer. Increasing wealth expands the range of each quintile, and that means that it is harder for a given increase in income to be sufficient to move from one quintile to the next. Think of an expanding accordion. The same increases in income year after year as part of generalized growth will become progressively less likely to lead to increases in measured mobility in terms of quintile movements. Some of the stagnation in mobility may be a statistical artifact of rising wealth across the board.

It's also important for classical liberals to talk about the absolute condition of the least well-off. As Deirdre McCloskey (2010) and others have pointed out, the most stunning fact of the last 200 years is the incredible increase in human living standards, especially for the poor. These gains are also very clear in the more narrow timeframe of the last 40 or 50 years that are the focus of many critics of rising inequality. The first point to make is that increases in measured income inequality are completely compatible with increasing living standards for the poor. If income is growing for everyone, but growing more for those at the top than at the bottom, we have both rising inequality and rising living standards for all. If there is also a significant degree of mobility in that situation, then it is not at all clear what the degree of harm of rising income inequality really is. Discussions of inequality must include the question of the absolute condition of the poor as it forces us to confront the question of whether it is inequality per se that troubles us, or whether it is an increasing depth or duration of poverty that does. Those concerned about inequality need to answer the question of why we should be concerned about growing inequality if it is accompanied by increases in the living standards of the poor.

A second aspect of the relationship between inequality and poverty is the question of how we are measuring the material well-being of people and households. Most studies focus on income (or perhaps wealth) inequality. However, income and wealth arguably only matter because they enable us to consume the goods and services that provide our standard of living. One way of looking at inequality is to ask what a typical poor household is able to consume compared to a typical rich household and then track changes in that difference over time. In Horwitz (2015), I compare the percentages of poor American households who own various home appliances (including cars) between 1984 and 2005 and then the 2005 data against the percentage of all American households who did so in 1971. The results show that

not only have the percentages of households below the poverty line who own those items increased in almost all cases (one exception being telephones, thanks to the advent of cell phones), but that poor households in 2005 were more likely to contain those items than was the average US household in 1971. Poor Americans today are, in consumption terms, richer than the average household was in 1971. In other research, I show (Horwitz 2009) that the gap between rich and poor households in terms of their likelihood of owning those items narrowed in almost all cases during the early 2000s. More recent and broader studies of consumption inequality also indicate that it has fallen in even more recent periods (Attanasio and Pistaferri 2016).

One way to see this reduction in inequality is to realize that even relatively poor Americans have access to air conditioning, indoor plumbing, refrigeration, car and air travel, and smartphones and the internet in ways that differ from the rich only in terms of quantity and quality. Bill Gates' house and the houses of Americans below the poverty line contain most of the same things. Gates just has more of them and his are likely of higher quality. That is, we have gone from a society of a few "haves" and many "have nots," to a society of many "haves" and a few who "have more and better". This narrowing of consumption inequality is frequently overlooked in popular discussions of inequality, but classical liberals should stress it as a way of showing the real gains of the least well-off even as measured income inequality has risen. At the end of the day, what we really care about are the goods and services that people are able to consume to improve their well-being. That is the measure that should matter.

Mikayla Novak's book makes a compelling case for a more thorough and respectful treatment of inequality by classical liberals. Although I'm not totally persuaded that all the elements of the entangled political economy approach add value, I am open to being convinced otherwise. What she has done, however, is ask all of the right questions and begin a conversation that I think can go in a number of very interesting and productive directions. I also think her approach, especially if extended in some crucial ways, can allow classical liberals to enter the broader debate over inequality that continues among public intellectuals. There are solid theoretical and empirical grounds for classical liberals to be concerned about particular causes of inequality and we bring distinct insights to those conversations. Novak's book is a very good start on what I hope will be a very fruitful research program for classical liberalism.

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Inequality, Entanglement, and Entrepreneurship—the Role of Voluntary and Forced Investors

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Abstract: In her recent book *Inequality: An Entangled Political Economy Perspective*, Mikayla Novak provides a new way to understand, and analyze, income and wealth inequality. By adopting Richard Wagner's framework of Entangled Political Economy, Novak creates a connection between inequality—an aggregate outcome - and social interactions that generate it. Novak's approach highlights the crucial difference between socially hurtful and socially beneficial, or neutral, forms of inequality. Subsequently, Novak's work makes it possible to recognize the vulnerability of free societies to the emergence of socially hurtful forms of inequality, in particular, as a consequence of constitutional erosion. In analyzing the importance of regulatory constitution in preventing the emergence of socially hurtful forms of inequality, Novak recognizes the embedded public choice problems. One obstacle to counterbalancing constitutional erosion is the challenge of recognizing and anticipating which activities contribute to it. I argue that the adoption of Richard Wagner's distinction between voluntary and forced support for new entrepreneurial ventures will help scholars recognize projects that threaten the regulatory constitution and contribute to the emergence of socially hurtful forms of inequality.

INTRODUCTION

As Mikayla Novak outlines in her recent book *Inequality: An Entangled Political Economy Perspective*, concerns regarding income and wealth inequality abound in the social science literature as well as in the media and in political debates. In fact, inequality has become a focal point of scholarly disputes, public attention, and political movements. In these popular accounts, unequal distribution of income and wealth is frequently linked to the variety of social ills. Among them are the inverse relationship between inequality and economic growth, systemic exclusion of low income groups, and degradation of social capital and health indicators. However, while there is substantial literature supporting the casual link between inequality and the diverse social ills, numerous authors dispute these claims (for an overview of the literature see Novak 2018; Geloso and Horwitz 2017).

In making sense of the conflicting empirical findings, it is important to recognize that similar aggregate outcomes might result from very different social processes. By adopting Richard Wagner's framework of entangled political economy, Novak illuminates a complex relationship between inequality—an aggregate outcome - and social inter-

actions that generate it. As a result, Novak's approach furthers the scholarly understanding of the crucial difference between socially hurtful and socially beneficial, or neutral, forms of inequality. Consequently, Novak's work makes it possible to recognize the vulnerability of free societies to the emergence of socially hurtful forms of inequality, in particular, as a consequence of constitutional erosion. In analyzing the importance of regulatory constitution in preventing the emergence of socially hurtful forms of inequality, Novak recognizes the embedded public choice problems. One obstacle to counterbalancing constitutional erosion is the challenge of recognizing and anticipating which activities contribute to it. Building on this intricate foundation, I argue that the adoption of Richard Wagner's distinction between voluntary and forced investors will help scholars recognize entrepreneurial projects that threaten the regulatory constitution and contribute to the emergence of socially hurtful forms of inequality.

The paper starts with a discussion of whether, and under what conditions, inequality might be harmful to individual wellbeing. I also look at the inability of income and wealth distribution ratios to answer this question. Then the attention turns to the analysis of inequality from the perspective of entangled political economy, focusing on what processes

would generate inequality in an idealized free society, followed by a discussion of what that looks like in an authoritarian society. Finally, I focus on the susceptibility of free societies to constitutional erosion and what that means for the nature of inequality. I conclude with the discussion of Wagner's distinction between voluntary and forced support for new entrepreneurial ventures and its implications for the nature of resulting inequalities.

WHEN IS INEQUALITY A PROBLEM?

Most research on the social harm associated with income and wealth inequality focuses on the degree of inequality. Presumably, the more unequal the distribution of wealth, the worse the associated social ills. As inequality grows, so does the extent of social harm. However, this approach presumes that similar levels of inequality are associated with the same social processes. In other words, the macro-level outcome in the form of a specific inequality measure is supposed to directly map to the social interactions that generated it. Yet, it is possible that similar ratios of income or wealth distribution are generated by very different social processes. In contrast to this standard approach, Novak argues that what matters is the source of inequality, not so much its extent. It is the source of inequality that determines whether the particular form of inequality ends up being socially harmful.

Indeed, the position adopted in this book is that the decomposition of inequalities by source—interpreting which are socially harmful, especially with regard to the exercise of liberties—is a far more rigorous strategy for classical liberals to embrace when engaging with the inequality issue. (Novak 2018, p. 16)

From the classical liberal perspective, inequality is an unavoidable feature of social life. Since we all have different skills and different preferences, inequality of wealth and income is bound to emerge. This is not to say that inequality of income is never a problem for classical liberals. It becomes a problem when it imposes restrictions on individual liberty. When wealth or income differences are correlated to significant differences in access to various opportunities, or in unequal treatment of individuals, then inequality becomes a concern for classical liberals. This focus on inequality of opportunities is well illustrated by the preoccupation of classical liberals with minimum wage regulations, which is thought to destroy entry level jobs and therefore

further disadvantages those at the bottom of income and wealth distribution (Williams 2011).

There are many challenges associated with the measurement of inequality, which Novak eloquently outlines in the book. Because of these challenges, the answer to the question of when inequality is a problem is not easily supplied with the use of statistical analysis. While notions of fairness and justice have accompanied humans since the beginning of civilization, the attempts to express these notions with a single number fall short of the expectations. Measures of inequality, such as Gini coefficient, are the tip of the iceberg. They provide no information about what is beneath the surface. Therefore it is impossible to learn what has caused a particular distribution of income by looking at a single number. Similar aggregate outcomes might be indicative of very different social structures and processes.

Novak's adoption of entangled political economy approach solves this problem. The entangled political economy framework turns the attention to the nature of interactions between various entities within the economy (Wagner 2009, 2016). By using this approach, we can trace the relationship between inequality and the nature of interactions between individuals. entangled political economy builds on network theory. The adoption of the network theory allows for the analysis of the nature of individual interactions, the context in which individuals live, the opportunities they enjoy, and how these opportunities might differ between different individuals within the network. From the perspective of entangled political economy, it is not relevant who owns what at a particular moment but rather what opportunities individuals have to improve their wellbeing. Based on this approach, Novak construes of inequality as an incomplete structure of networks. As Novak explains, more equal networks are more complete. For example, standard notions of wealth distribution do not shed any light on the differences in the opportunities available to little girls and boys in low income countries. In contrast, from the perspective of network theory, girls are clearly at a disadvantage as they are the first to be pulled out of school, must take care of younger siblings, and have little control over their futures. From the network theory perspective, this would be expressed by the lower number of connections that girls can form.

INEQUALITY IN A FREE SOCIETY

In a society of free individuals, characterized by voluntary interactions between all members, those who serve others end up with a greater share of resources. Individuals more

skilled at recognizing the needs of others and at addressing these needs are rewarded for their abilities and efforts. However, inequality of this nature is self-correcting due to competition and creative destruction. At any time someone can provide a better solution to any particular problem. Concentration of wealth attracts intensified entrepreneurship and challenge. Because serving others is rewarded in a free society, there is a propensity to experiment and innovate. There is an ongoing threat to the status quo. In the 62 years between 1955 and 2017, fewer than 12 percent of the Fortune 500 companies remained on the list (Anthony et al., 2016). Moreover, two of the most dynamic of the modern startups, Uber and Airbnb, have been built in less than a decade, contributing to the displacement of well-established, entrenched industries (Stone 2017). These dynamic changes are well illustrated by a quote from Ludwig Lachman that Novak also cites in the book but that is also worth repeating here:

Market competition limits concentration of wealth. It encourages the circulation of the elites. The owners of wealth, are like the guests at a hotel or the passengers in a train: They are always there but are never for long the same people (Lachmann [1956] 2008, p. 180)

In many ways, the idea of free society being less susceptible to the emergence of harmful forms of inequality is related to the point Wagner makes regarding the turbulent nature of markets. In Wagner's view, the features of the market that make it turbulent, also make it resilient to that turbulence (Wagner 2012). Similarly, while a free society can be highly unequal, it is also characterized by great social mobility. At any one point there could be significant differences in wealth and income among individuals but individuals would also enjoy access to opportunities to change their position on the income and wealth distribution scale.

However, while in an idealized free society, concentration of wealth is never a long lasting concern. It would be naïve to ignore the possibility that those who enjoy the greater share of resources would want to secure their position. In the entangled political economy, an effort to secure one's privileged position can be viewed as an effort to turn a dyadic relationship into a triad. Dyadic relationships are voluntary in nature and occur in the world of wholly private ordering where the guardian does nothing more than maintain the ordered relationships that the participants have established. In contrast, the setting of triadic exchange differs from dyadic exchange because the guardian becomes

an active participant in the exchange process (Podemska-Mikluch and Wagner 2013)

In the network of triadic relationships, any challenge to the status quo is much more difficult than in the world of dyadic relationships. When concentration of wealth comes with the control of power, challenging it is much more difficult. Even if challenges do happen, the nature of social networks does not necessarily change. Fidel Castro might be replaced by Raul but this change does not increase the connectivity of nodes in the network. Control over the tools of coercion allows for the protection from transitional losses.

While researchers who use aggregate stats have difficulty distinguishing between socially acceptable and socially hurtful forms of inequality, the distinction is quite clear from the perspective of entangled political economy. The socially harmful forms of inequality are those that are persistent in nature. Persistent inequality occurs when some of the dyads are turned into triads because reversing this process is much more difficult. As the share of triadic relationships increases in the network, the degeneracy of the system decreases, and the harmful, long-lasting form of inequality becomes more entrenched.

INOCULATION TO THE EMERGENCE OF TRIADS

So how do we ensure that the temporary inequalities of a free society are not turned into the permanent inequalities of an authoritarian society? The omnipresent support for public work projects, agricultural subsidies, trade restrictions, minimum wage and other regulations that restrict social mobility and reinforce permanent inequality, highlights the failure of social scientists to elucidate the processes that threaten free society and that lead to the emergence of persistent, long-lasting, forms of inequality.

To prevent the drift towards the harmful forms of inequality, Novak suggests non-interference with relative prices, and more broadly, a regulatory constitution. However, Novak also acknowledges the many challenges of protecting the regulatory constitution and the susceptibility of free societies to the emergence of harmful forms of inequality. So what can social scientists do in light of this vulnerability? The first step must be to supply the tools that facilitate a better recognition of processes that lead to the emergence of triads. Here, I agree with Buchanan that the primary goal of economists is to design and maintain institutions, and provide the intellectual tools that allow indi-

viduals the opportunity to make their own choices and to engage in voluntary cooperation (Buchanan 1964).

One obstacle to counterbalancing constitutional erosion is the challenge of recognizing and anticipating which activities contribute to it. Richard Wagner's distinction between voluntary and forced investors helps recognize entrepreneurial projects that threaten the regulatory constitution and contribute to the emergence of socially hurtful forms of inequality. Most entrepreneurship scholarship focuses on the outcome based distinction of entrepreneurship: political, market, social. In organizing the inquiry around this supposedly distinct types of entrepreneurship, scholars tend to focus on the goals entrepreneurs pursue: market entrepreneurs are portrayed as seeking to make a profit, political entrepreneurs are driven by rents, and social entrepreneurs are thought to be driven by other, supposedly less venal, motivations. In contrast, Wagner offers a distinction between entrepreneurship that is based on the means; on whether new ventures are supported by either voluntary or forced investors. The latter projects are likely to contribute to socially harmful forms of inequality. Following Wagner, taxonomy of entrepreneurship should focus on means, in particular, on whether the resources that support the venture were obtained through cooperation or coercion.

Wagner postulates that the shared characteristics of political and market enterprises are the reason for why we should think of political enterprises as peculiar forms of business (Wagner 2016). To be successful in either the market or politics, entrepreneurs require resources in the form of support from investors. As Wagner notes, entrepreneurial activity of any kind comes at a cost, at the very least, there is the opportunity cost of time spent on developing and testing the idea. Whether motivated by the expectations of financial gain or by any other objective, entrepreneurs need resources to launch and support their projects. The need for an operational budget is common to all types of enterprises, independent of what goals they pursue.

These resources can be obtained in the market; however, they can also be obtained in the fiscal commons. In either case, investors are attracted by a prospect of financial returns. This is true both of market and political enterprises. As Buchanan and Tullock argue, special-interest group activity is a direct function of expected gains (Buchanan and Tullock 1962). Similarly, Wagner suggests that at the most fundamental level investment in political enterprises occurs when it offers higher returns than other forms of investment (Wagner op.cit.).

However, this is where the similarities end. Working with alienable property, market enterprises engage in reciprocal, mutually beneficial, exchange. They engage in dyadic, voluntary interactions. In contrast, the value of a political enterprise to an investor lies in its ability to alter the relative prices of various market offerings. As Wagner notes, in order for that to happen, others—the forced investors—must face a worsening in the terms of exchange (Ibid.).

Forced investors are coerced to support the political enterprise through changes in regulatory or fiscal policy. There are endless examples of regulatory policies that accomplish this goal, i.e. increased safety standards that benefit incumbent firms and discourage entry of competitors. Subsidies are an even more direct form of generating returns for voluntary investors at the expense of forced investors. Since it is not always easy to identify the cause for the worsening in the terms of trade, forced investors are often ignorant of the support they provide.

It is the source of support that offers a multitude of implications for the nature of sponsored enterprise, creating a productive foundation for the taxonomy of entrepreneurship. Paying more attention to the means entrepreneurs use provides more insight into whether they are actually consensual and wealth-creating or coercive and wealth-destroying. Consider the case of state and federal contraceptive mandates. The rhetoric of gender equality and reproductive justice, combined with the religious freedom debate, hid from view the redistributive aspects of the promoted policies, in particular, the expected payoffs to the pharmaceutical manufacturers (Podemska-Mikluch 2018). Similarly, in the case of Grameen Bank, the social entrepreneurship rhetoric highlighted the benefits of micro-credit, while hiding from view the low effectiveness of the program, despite the fact that founders were successful in obtaining generous contributions from donor organizations and governments (Schreiner 2003).

CONCLUSION

Those who work outside the entangled political economy framework will likely continue to search for ways to more effectively measure inequality and its relationship to other social aggregates. But Mikayla Novak's innovative work creates a foundation for a new, more productive direction in the research on inequality and societal implications. Here I sketched out one such possibility: the adoption of Wagner's distinction between voluntary and forced support for new entrepreneurial ventures as a tool for the recognition

of projects that lead to the more entrenched and harmful forms of inequality.

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Inequality within a system of entangled political economy: Reflections on Mikayla Novak's disentanglement of fact and value

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Abstract: In *Inequality: An Entangled Political Economy Perspective*, Mikayla Novak takes the analysis of inequality in a new direction by exploring the tension between fact and value that pervades most analyses of inequality. Novak offers new insights into the entangled character of political economic systems. It is customary to treat those systems as operating independently of one another, but Novak recognizes that this customary treatment leads thought astray. Inequality is a fact of social life, and a useful one at that, though Novak also recognizes the problematic qualities that can stem from inequality, while also recognizing that some of those qualities are intensified and not softened by political action. The overall thrust of Novak's *Inequality* is to generate a deeper understanding of how it is that many of the traditional concerns about inequality are more effectively treated by an expansion of economic liberty than by a continued injection of political domination into society.

Keywords: inequality; Gini coefficient; Vilfredo Pareto; entangled political economy; choice vs. chance; material and immaterial inequality

JEL Codes: D01, D31, D63, P16

In *Inequality: An Entangled Political Economy Perspective*, Mikayla Novak takes the analysis of inequality in a different direction from where most people have gone since Corrado Gini set forth his well-received coefficient of inequality in 1912. Inequality is an obvious fact of social life, and one for which many commentators seek reduction under the presumption that less inequality is better than more. Novak stands apart from the orthodox materialist mode of thought where inequality is reduced to a measure of income or wealth. Novak recognizes that inequality is a fact of social life, but she also recognizes that inequality has multiple immaterial dimensions. These dimensions, Novak explores lucidly especially in Chapter 6 titled "Social Exclusion" and in Chapter 8 titled "A Society of Dignified Individuals and Inequality". These dimensions relate to what in the 19th century was denoted as "the social question," which concerned the integrative processes by which some reasonable modicum of societal cohesion might be established and maintained.

Besides presenting a richly multi-dimensional analysis of inequality, Novak explains that less inequality might be good in some respects but not in others. Novak recognizes

that some of the problematic qualities that stem from inequality are intensified and not softened by political action. Novak's broader consideration of inequality recognizes harmful features of inequality while simultaneously recognizing that inequality will all the same be a feature of any well-ordered society. The overall thrust of Novak's *Inequality* is to generate a deeper understanding of how it is that many of the traditional concerns about inequality are more effectively treated by an expansion of economic liberty than by a continued injection of political domination into society. Novak makes it possible to understand how the societal ills that many people attribute to inequality are often more accurately attributed to infringements on liberty, meaning that remedy requires an expansion rather than a contraction in the domain of individual liberty. In short, entanglement leads to a misattribution of many observed inequalities to a property of free markets when to the contrary they are properties of an entangled system of political economy.

I. GINI MEASURES: AS DESCRIPTIONS AND AS OBJECTIVES

Ever since Corrado Gini set forth his measure of inequality in 1912, economists have mostly used it as a canonical measure of inequality. While the coefficient has some problematical features, those features have not dissuaded economists from making the Gini coefficient the canonical measure of inequality, both of income and of wealth. Income is the more commonly used measure, undoubtedly because data are more plentiful. A Gini coefficient presents a snapshot view of a society at some moment in time. The idea behind the coefficient is simple and intuitive. The relevant population is ordered from lowest to highest with respect to their incomes for the period under examination. The coefficient constructs a measure of the divergence between the degree of measured inequality and a situation where everyone had the same income. The Gini coefficient thus ranges between zero and one, with this 0-1 property enabling convenient comparisons across time and place. $G = 0$ indicates perfect equality; $G = 1$ describes a situation where all income is received by one person. World Bank estimates of Gini coefficients throughout the world range mostly between 0.4 and 0.6, and with some modest tendency for wealthier nations to have lower Gini coefficients.

In the first instance, Gini is a factual description of an existing situation. Gini starts with creating a rank ordering of incomes received and converts that ordering into a number. A Gini is one way of describing how the world has worked for a particular population over some interval of time. Despite David Hume's well-known strictures that one logically cannot derive an "ought" from an "is," many economists who work with inequality do just that. Novak gives considerable attention to the recent concerns about inequality that such prominent economists as Joseph Stiglitz (2012), Thomas Piketty (2014), and Anthony Atkinson (2015) voice. For instance, Piketty (2014, p. 26) claims that the aggregate volume of wealth will come increasingly to be dominated by inherited wealth, due to advantages in accumulating inherited wealth relative to amassing wealth through saving labor income. Piketty reduces his proposition about inequality to a relationship between two variables that typically appear in aggregate production functions, the meaningfulness and usefulness of which will be explored in Section II. That production function portrays the growth in aggregate income, which Piketty denotes by g , as a function of the rate

of return on capital, which Piketty denotes by r , and the growth in income from wages.

The key feature in Piketty's scheme of thought arises when r grows faster than g . When this happens, income from capital grows more rapidly than the aggregate economy, which Piketty interprets as implying worsening inequality as measured by a Gini coefficient. It is an open question what proportion of people who advocate for reductions in inequality have thought about and accepted Piketty's analytical framework out of which his conclusion emerges. It is possible for people whose intuitive proclivities favor less inequality to accept Piketty's call for less inequality without accepting the framework within which Piketty sets his analysis. Section II will explore some of the issues in play on this point. For now, it suffices to note that the Gini coefficient is used by many thinkers as an objective of social policy and not just as a description of some of the properties of a society.

Numerous commentators have noted shortcomings in the Gini measure, which is not surprising for it surely taxes heavily one's credulity to think that one single measure could capture everything there is to know about inequality within a society. Even if Gini is restricted to income, there are an indefinitely large number of distributions of income that would aggregate to the same Gini coefficient. A Gini coefficient is a measure of the relative sizes of two spaces, and there are an indefinitely large number of distributions that will yield the same measure of space. Gini, moreover, is computed with data supplied mostly through the national income and product accounts, which vary in accuracy and completeness. Furthermore, and most significantly for Novak, inequality in the distribution of income is but one of the numerous dimensions along which human inequality manifests in society. Many of those other dimensions might also manifest in income inequality, but to raise this possibility is to bring into the analytical foreground questions concerning the source of income inequality, as a later section shall examine. For instance, people vary along such dimensions as height, weight, vocal timbre, and emotional disposition.

Some theorists might try to collapse such variation into measures of income through capitalizing the value of those qualities. For instance, people with sunny dispositions might be more attractive to other people than people with sour dispositions, and thus earn higher incomes. Possibly so, but people with sunny dispositions might also tend to have less interest in the material aspects of life. In short, income and wealth are the measures with which econo-

mists work because the data are there, and no useful point is served in pretending that Gini-like data convey the full story about inequality in society, either of its sources or its consequences. In the first instance, a Gini coefficient is one among several ways of developing a numerical description of the degree of inequality in the distribution of some variable. Gini coefficients are also used as objectives for public policy under the common presumption that a reduction in a Gini coefficient is superior to an increase.

Gini coefficients can be constructed for any population for which someone has useful data. For instance, one could construct a Gini coefficient for the earnings of professional basketball players, members of the Screen Actors Guild, or professors of economics, to mention but three of myriad possibilities. For any such population, members will be ranked by earnings from lowest to highest. In the event all members earn the same, the Gini measure would be $G=0$, indicating the absence of variation among the members. Mathematically, $G=1$ is also possible and would indicate that all the income earned by the group accrued to a single person. We may doubt that such a group could persist because people who earn nothing are unlikely to persist in that activity. To be sure, the data that showed $G=1$ could be defective, and it is always useful to recognize that these data are all generated from different systems of national income accounting, all of which unavoidably have various forms of inaccuracy, incompleteness, and arbitrariness. To illustrate this point, the accounting data could indeed show that all the earnings are paid by some vendor to one among the 100 members of the group. It is this variable that is collected in the national accounts and tax records. What might not be collected is the subsequent set of unrecorded payments by which this form of lord-of-the-manor disburses the payment he receives among those to whom he recognizes obligation.

This point I have just made might seem remote or fanciful, but it really isn't because it brings into play the institutionally-governed patterns of human interaction inside of which all economic activity proceeds. An economy is constituted through a dense network of contractual relationships and human interactions, and with those relationships and interactions not capable of reasonable reduction to some common pattern. In other words, reduction of complex patterns of economic interaction to a representative agent, as is common in some popular macroeconomic theories, takes us far astray in our understanding of entangled political economy, as Novak explains throughout her book. The relation of micro to macro is one of parts to whole, the

reasonable analysis of which calls for explorations of how wholes emerge out of interaction among parts, in contrast to ignoring the difficulty by reducing the whole to a representative part.

It is possible to construct Gini measures for any set of people for which useful data exists. The significance or the meaningfulness of that data is an open and not a closed question. A Gini coefficient is not just there as some autonomous observation. To the contrary, a Gini emerges as part of the myriad patterns of action and interaction that people undertake within a society. A Gini coefficient is an emergent variable and not an object of choice. Thought goes astray when an emergent variable is treated as an object of choice, as Novak explains lucidly. The normative treatment of Gini by such economists as Stiglitz, Piketty, and Atkinson raises in spades some difficult analytical questions regarding the relation between micro processes of interaction and macro portraits of the outcomes of interaction. The variables associated with the macro portraits are emergent variables, but the values of those emergent variables are generated through institutionally and socially governed patterns of interaction. Theorists commit a category mistake when they treat as chosen what are emergent variables and not objects of choice. This confounding of choice and emergence is a property of equilibrium-based theorizing that plagues many efforts by economists to treat public policy as acting on emergent variables, which leads to incoherent action. Mikayla Novak recognizes this incoherence, and sets forth an alternative analytical approach that grapples with the institutionally-governed interactions through which such aggregate variables as Gini coefficients are generated.

II. MICRO PARTS VS. MACRO WHOLE IN THE GENERATION OF INEQUALITY

The social sciences present us with two classes of object whose properties we can analyze. Those objects entail ontological differences that renders them incapable of being analyzed within some common framework. In similar fashion, the properties of a propeller-driven aircraft in flight differ from those of a jet aircraft. Different analytical models are suitable for the different types of aircraft. Similarly, different analytical models are suitable for the different types of social variables. To analyze one class of variable by models suitable for the other class of variable is to make a category mistake which can lead analysis astray.

The two classes of variable to which I refer are individual acts of choice on the one hand and the emergent consequences of interactions among choosing individuals on the other hand. For the most part, this distinction between the categories of variables corresponds to the distinction between the micro and the macro levels of societal observation. Mitchel Resnick (1994) coined the term “centralized mindset” to describe the category mistake that so often plagues societal-level theorizing, and for which the treatment of a Gini coefficient as an object of choice is a prime illustration. By centralized mindset, Resnick was referring to the tendency of numerous theorists to attribute organized patterns of social entities to some order-establishing entity. Hence, observation of the pattern of a flock of geese in flight would be attributed to a leader goose. It would be the same for observation of the foraging patterns of ants or termites.

In contrast, Resnick explained that to invoke a presumption of leaders among geese, ants, or termites was to embrace an analytical fiction in place of making a serious scientific effort to understand the source of those observed patterns. Standard theoretical efforts foundered on recognition that there was no such thing as some superior entity who possessed knowledge that no other entity possessed. Hence, to treat those organized patterns as reflecting choices made by some leader was to parade an analytical fiction as scientific knowledge. To be sure, the truth of the matter might not be understood or understood only inadequately. Operating under the presumption that a poor theory is better than no theory, the invocation of analytical fictions might be embraced as a stopgap measure, but only until better theories are developed. Modern macroeconomics as a field of study is replete with analytical fictions where variables that emerge through interaction are treated as if they are variables that someone chooses. Economic growth is one such variable, rates of employment or unemployment are another, and Gini measures of distribution are a third.

Figure 1, which I first deployed in Wagner (2012), illustrates the distinction between variables that are properly objects toward which someone acts and variables that are not objects of direct action but rather which emerge through interaction. The upper part of Figure 1 shows a standard model of aggregate supply and aggregate demand. It also depicts two different states of aggregate demand, along with corresponding differences in the price level and aggregate output. The lower part of Figure 1 shows a networked pattern of economic interaction. The aggregate representation in the upper part emerges out of the particular

pattern of interaction the participants establish in the lower part.

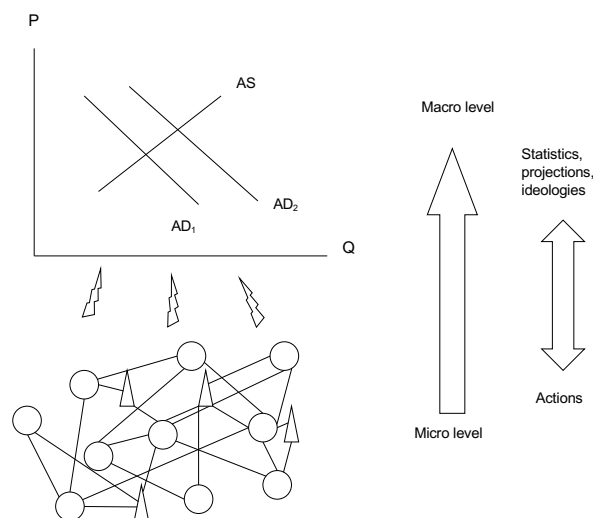


Figure 1: Emergence of Aggregate Variables within an Ecology of Plans

This relationship between the parts described by the lower part of Figure 1 and the whole described by the upper part is summarized by the two arrows on the right side of the Figure. The leftmost of the two arrows distinguishes the micro and macro levels of theoretical abstraction. The rightmost of the two arrows sets forth the different objects to which the two levels of theory pertain. The lower level pertains to the actions that people take. All action occurs on the ground level, so to speak. The upper level is not a level where action occurs, for action can occur only on the ground or action level. It is at the ground level where firms make investment decisions and political agencies issue regulations. The upper level of Figure 1 pertains to statistics, projections, and ideologies. The states of these variables can inspire people to act, as in leading a firm to open a new product line or a regulatory agency to issue some new regulation. Any resulting action, however, can occur only on the action level. It is here where the firm opens its new product line or where the regulatory agency issues a new regulation. The systemic effects of the new product line or regulation, moreover, will be determined not by macro-level projections but by emergent patterns of interaction that course through the micro level.

Gini coefficients can be constructed for any variable that is distributed among the members of some group. The value of that coefficient will typically depend on numerous considerations. With respect to the distributive variables that

are the central concern of Novak's *Inequality*, we have reason to anticipate that a society where the bulk of people are energetic and providential will exhibit a lower Gini than one where only a relatively few people are energetic and providential. It is a reasonable objective of scientific knowledge to determine how patterns of influence on the micro level might influence patterns at the aggregate level, even though it is not reasonable to determine an exact relationship between Gini and policy action because that determination would ignore all the intervening variables that lie between micro-level action and macro-level manifestations of micro-level actions.

For instance, suppose someone, like an Atkinson, Piketty, or Stiglitz, thinks Gini is too high. Such people are inclined to propose subsidies to people with low incomes while increasing taxes on people with high incomes. Such measures might lower Gini, but not necessarily. To determine the effect on Gini, it would be necessary to trace out the reactions to the taxes and subsidies as these are inserted into the lower part of Figure 1, which in turn would lead to new macro-level observations. Alternatively, and consistent with the emergent character of macro-level variables, policy might be aimed at increasing the supply of energetic and providential action within a society. This is a far more difficult challenge because it requires pursuit of a program of raising, about which we know little, in contrast to the standard program of leveling, which is easy to do by taxing high incomes and subsidizing low incomes (Wagner 2010). Novak recognizes the analytical challenge that a program of raising presents while also recognizing the disabilities that accompany the orthodox program of leveling.

III. APPRAISING GINI: TOO HIGH, TOO LOW, JUST RIGHT—OR NONE OF THE ABOVE?

Suppose someone were to take a survey among people who understand the construction and use of Gini coefficients. The survey would have but a single question. It would call upon the respondents to declare whether they thought the present Gini coefficient for the nation was (1) too high, (2) too low, (3) just right, or (4) none of the above. While I don't have any prior presumption about how opinions would be distributed, I would expect opinion among politically informed economists who incline in a progressivist direction to answer that the present Gini was too high. I would likewise expect economists who incline in a conservative direction to answer that the present Gini was about right. What I would not expect to find is much opinion holding that

the present Gini was too low, meaning that they thought increased inequality would be socially beneficial in some fashion.

I would also expect to find puzzlement over what it would mean to answer none of the above to this question about Gini. Sure, there can be imprecision and ambiguity in the construction of Gini coefficients, and this ambiguity could be reflected in answers to the question. But ambiguity does not warrant a none of the above type of response, for to offer this type of response is to deny the meaningfulness of the initial question. While Gini implies a singular measure of inequality, for which measurement might be recognized as being imprecise, the none of the above response means that Gini is not the sole measure of inequality and, moreover, that other measures might in some cases be superior. This is the orientation Mikayla Novak takes to the use of Gini coefficients. For Novak, Gini measures but one among numerous dimensions of inequality, and in many cases might not be the best measure. Gini reduces inequality to a scalar variable where inequality ranges between zero and one along the real line. In contrast, Novak recognizes that inequality is a vector of characteristics or qualities, and these cannot be collapsed onto a point along the real line.

My presentation of "none of the above" as a possible answer to the question with which this section began is meant to distinguish between inequality as a quantitative and a qualitative concept. Its use as a quantitative concept is clear. The distinction between more and less inequality is clearly measured by a Gini coefficient. This is a material notion of inequality, where people differ in their income or wealth. Novak also recognizes immaterial dimensions of equality, which she denotes by such notions as dignity and status. The principle of equality under law denotes an immaterial dimension of equality, though it must also be recognized that the immaterial and the material can have margins of entanglement, as when a wealthier person can retain better legal counsel than a poorer person. Despite such commingling of the material and the immaterial realms, it is nonetheless clear that equality has immaterial as well as material referents, and with Novak treating both.

In a paper that received significant attention when it was published, Milton Friedman (1953) distinguished between choice and chance as sources of inequality. It is easy enough to understand how the theory of competitive equilibrium could lead to this formulation. Within the context of this theory, a person's earnings can plausibly be thought to depend on effort and luck, and with luck denoting unknown factors that are not reflections of effort. To the extent choice

and chance exhaust the possible sources of inequality, it can plausibly be claimed that the existing degree of inequality reflects individual use of talents as modified by random events. It's doubtful if anyone would object to differences in earnings that stemmed from differences in the effort that different people supply. The place of random events is probably subject to some ambiguity, but even in this case it's hard to quarrel with the proposition that a competitive equilibrium reflects a reasonably just difference of income or wealth. Someone embraces this theory would probably answer "just right" when asked about the present Gini coefficient.

This formulation through the theory of competitive equilibrium is predicated on the presumption that everyone faces the same opportunities to hone their talents to earn income to the extent they choose, while also recognizing that there will be random variation in how those choices play out. Equality of opportunity is a difficult concept with which to work, in significant part because any effort to do so must touch upon arbitrary presumptions about people and their situations. A large set of people is followed from adolescence into young adulthood, by which time they have reached a position where their future prospects are reasonably clear though certainly not totally determined. Those anticipated prospects could be subjected to a prospective Gini measure. The question at issue, however, is whether that measure reflects equal opportunity in the sense that everyone developed their talents in what they recognized to be the best ways given their interests and talents. At this point we traverse into highly conjectural territory.

Without doubt, choice has much relevance for the extent of inequality in generally liberal societies where people have much say over how they will deploy their talents. We might imagine writers or composers as choosing how much time to devote to their craft. Some of those people might be highly industrious where others show but modest interest in practicing their craft. This source of inequality surely causes little difficulty for most people. Difficulties come into play when societies are conceptualized as networks which are defined by their patterns of nodes and connections. With networks comes the ability of different patterns of connection to influence inequalities. All human action occurs inside networks of relations and interactions. As adolescents, people find themselves in different networks, and with those networks differing in the types of talents they help to nurture. Here we come to what was described as the social question in the 19th century, and with the social question concerned with how societies reproduce

themselves as they move forward through time. The feudal system that preceded the liberal period operated largely by transferring positions in society by birth. In its early days, liberalism sought to dismantle obstacles to the ability of people to deploy their talents however they chose, largely by tearing down restrictions on the ability of people to deploy their talents as they chose, consistent with an institutional framework grounded in private property and freedom of contract. Over the last century or so, that institutional framework has morphed increasingly into one where political action is again prominent in society.

Novak's Chapters 6 and 8 deal particularly with the immaterial dimensions of inequality. Chapter 6 recognizes that the networks to which people belong and in which they often move into adulthood can affect their prospects going forward in life. While people might embrace the group identities with which they have become associated, their life's prospects might have differed had those identities not precluded membership in other networks and the possible paths in life those networks might have supported. Chapter 8 recognizes that social equality is often more a piece of ideology than a feature of reality. Two people might have the same level of consumption. One of them earns it through work while the other receives it from welfare. To the extent making it in the world through work contributes to self-respect while living on welfare does not, social equality is absent despite material equality, and with Matthew Crawford (2009) exploring luminously the value of work in promoting self-respect.

IV. DIGNITY, INEQUALITY, AND THE POLITICAL ECONOMY OF LEVELING AND RAISING

Novak's Chapter 8 is titled "A Society of Dignified Equals and Inequality". What inequality has to do with a society of dignified equals is not a simple matter. Earlier, it was noted that a Gini coefficient is an emergent variable and not an object of choice. All the same, a redistributive program of taxing people whose incomes are above average and transferring the proceeds to those whose incomes are below average will lower the Gini coefficient on the distribution of measured income. The preceding two sentences do not represent some claim to have squared the circle. Policy measures can influence a Gini coefficient, but to influence is not the same thing as to choose. A program of increasing tax rates on the highest incomes and providing subsidies to the lowest earners will lower the Gini coefficient, though by how much the Gini is lowered depends on the exact pat-

terns of the taxes and subsidies, and also in the various secondary repercussions to those taxes and subsidies. While we would expect this measure to lower Gini, we would also expect it to lower total income. We would expect people who face higher taxes to shift their activities in directions that entail less taxation. We would likewise expect people who received higher subsidies to reduce the energy they devote to earning income. This is the policy program of leveling, which is easy to implement.

A Gini coefficient could also be lowered through a program of raising, only this is a program that no one knows in great detail how to implement (Wagner 2010). A program of raising seeks to increase the supply of competitive energy and providential conduct within society. What makes this program so difficult to pursue is that it runs afoul of some widespread institutional practices and moral sentiments. A similar situation was in play, for that matter, in the ancient debate between Plato and Aristotle over the rearing of children. Plato supported the state taking over the rearing of children to prevent children who had particularly loving and provident parents from being given advantages in preparing to embark on their lives. Aristotle responded that Plato's scheme would lead all parents to being equally indifferent to all children. Plato's program was one of leveling, and it would be relatively easy to implement such a program. Aristotle's program was one of raising, about which no one truly knows much about, as against having glimpses.

In most instances, though, people think inequality beyond some degree saps dignity from people who live on small fractions of what wealthy people live on. The European feudal systems that preceded the emergence of liberal democratic and republican regimes that followed the collapse of feudalism had a caste-like character. There were lords of the manor, so to speak, and governance of the manor was their affair alone. They were born to their positions. The rest of the society occupied their various stations in life, some working the fields or tending animals, some practicing crafts and trades, and some serving as merchants. The feudal theory of political economy was grounded in the inequality required to sustain feudal relations.

While economists recognize that collective planning cannot wholly replace market exchange as a process for generating coherent economic order, collective planning and socialism receive much support these days all the same. This support reflects a continuation of long-standing arguments that liberalism enables excessive inequality as market success multiplies itself while market failure multiplies itself in the opposite direction. What results from this scheme

of thought is a form of two-cultures model where success breeds success and failure breeds failure.

But is this common claim accurate? Suppose for purposes of argument that a free-market economy and a collectivized economy were to generate identical economic results. Aggregate income would be identical in the two economies, as would the Gini coefficient. In this setting, there would be no tradeoff between liberal and collective economies, for they produced identical outcomes. Most realistic expositions hold that a liberal economy would generate higher aggregate income while a collectivist economy produces greater equality in the distribution of income and wealth, meaning a lower Gini coefficient. The usual interpretation of this tradeoff is that free-market liberalism generates a higher material standard of living, but a collectivist economy produces a greater measure of justice and other immaterial conditions of life. With respect to Charles Dickens's *Christmas Carol*, a liberal economy enables Ebenezer Scrooges to multiply within society while a collectivist economy promotes the Bob Cratchits of the society.

This comparison might make for a nice fairy tale, but it is a fairy tale all the same. It is a fairy tale that can be depicted on an economist's classroom whiteboard, but it has no counterpart in reality. Suppose, however, for purposes of argument, that collective planning can duplicate the outcomes of a free-market economy. Within this situation, material standards of living are identical under collectivism and free-market liberalism. Is this all there is to the comparison between the two distinct systems of social order? Not at all. We must also ask what these divergent systems imply for the quality of life inside the two systems. How do people conduct themselves within the two systems? How do these systems relate to human dignity?

The liberal system is one where people choose and pursue their courses in life. It would not be far fetched to describe people as writing their biographies as they pass through life. They are the authors of their life's histories. In contrast, people do not choose their paths through life within the collectivist system. The collectivist system necessarily operates as a two-level system. One level contains the many people who are assigned the tasks necessary to fulfill the plan. The other level contains the fewer number of people who form and monitor the plans that the larger number of people carry out. This society is a form of caste society, as feudal society was. It's imaginable that such a society would have a relatively low Gini coefficient, though the record from the Communist period suggests the opposite, with those who

direct labor having significantly higher standards of living than those whose labors are directed.

V. CONCLUDING RUMINATION: FROM FEUDALISM TO LIBERALISM—AND BACK?

Henry Maine (1864) explained that the direction of movement within British society for the preceding century or so had been a movement from status to contract as the basis on which social relationships were formed. The feudal system was governed mostly by status relationships. For instance, someone who owned land could not sell it in whole or in part but had to bequeath it to his eldest son under primogeniture. Alternatively, a married woman could not own property in her name because the husband held title to what property she brought with her to the marriage under coverture. Liberalism emerged as feudalism was dissolving. One of the prime features of the liberal theory of political economy that Adam Smith (1776) set forth was explanation for how a society where people directed their own activities could be peaceful and prosperous without direction from lords of the manor.

With the disintegration of the feudal system, contract expanded as a basis on which social relationships were formed. The next century or so saw the peeling away of restrictions and limitations on the ability of people to organize their activities through contract, which is what Novak describes as emancipation. Starting late in the 19th century, this direction of movement has reversed along various margins, with new forms of status-based relationships replacing contract-based relationships. This shift has proven difficult and challenging for classical liberal sentiments that support emancipation from the various forms of bondage that societies entail, as illustrated in spades by controversies over affirmative action. On the one hand, affirmative action can be part of a program that expands the ability relatively excluded groups to attain success within commercial society. But those programs can also work to maintain privileges while promoting the illusion of expanding opportunity. The world of commerce and industry is where wealth is created, and a liberal program of emancipation would seek to move people into that world. The world of politics is not a locus of wealth creation because political activity rarely produces anything. Sometimes politics protects and sometimes it encumbers and even confiscates, but rarely does it create. The liberal program of emancipation requires some dose of political action, but at the same time faces the challenge of avoiding the snare of social democracy, which is the

opposite of any program of emancipation. Mikayla Novak's *Inequality* has shown crisply the perilous contours that a liberal program of emancipation must navigate once we recognize the entangled confluence of commercial and political power within systems of popular democracy (De Jouvenel 1993; Wieser 1926; Wagner 2016).

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Reflecting upon *Inequality: An Entangled Political Economy Perspective*

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BACKGROUND

I am deeply honoured that this symposium, in relation to my first book *Inequality: An Entangled Political Economy Perspective* (*Inequality*), has taken place. The honour I feel is, in the greatest part, grounded in the calibre of participants that have taken the time to consider, and critically reflect upon, the key themes outlined in the book. The measure of my gratitude is commensurate with their abilities to not only promulgate suggestions for continuing research effort toward an entangled political economy (EPE) perspective of inequality, but to communicate their insights in a constructive manner.

Before proceeding onto a discussion about the background context of the book's development, and my responses to the symposium participants, I would like to express my appreciation of Brendan Markey-Towler's involvement as editor of this *Cosmos + Taxis* symposium. It was Dr. Markey-Towler's perceptive contributions toward a process-oriented approach to economic inequalities which greatly inspired the development of my book. It was, therefore, such a great pleasure for me to learn that Brendan was able and willing to assume the role of editor of this symposium.

Reflecting upon the production of *Inequality* a little more than a year after its publication, I have come to see that the countless days of literature review, critical contemplation and writing represented an exercise in rendering (intellectual) choice under constraints. It may be presumed by some, perhaps especially those not versed in academic book-writing, that the task of the author is merely to cast one's claims and arguments upon an entirely blank slate. Such a presumption would be in error. Allow me to explain why I consider this to be so, using the backstory of the book's development as my anchoring mechanism.

Choice-selection with respect to developing a given body of work is dictated by many factors. One of those—as I

firmly saw it in the months, if not years, prior to the publication of *Inequality*—is the degree of complementarity with, and substitutability against, academic works already in existence. With the likes of Thomas Piketty giving renewed impetus to economic studies of inequality following the “global financial crisis” (GFC), I wrote a complete, but entirely unpublished, manuscript in response. This manuscript assumed a far more “economistic” slant on the topic, critically attending to Piketty's bold claims of “runaway inequality” embedded within market-oriented economic systems. Indeed, one or two of the symposium participants read this unpublished manuscript.

After several months of drafting and redrafting, with admittedly episodes of healthy and not-so-healthy procrastination along the way, I eventually chose to mothball that project. This reflected a late-stage judgment on my part that the “Piketty-and-contra-Piketty” book market was probably reaching saturation point. My interest in inequality issues, thankfully, persisted, given the conjecture that beliefs about inequality have non-trivial effects regarding the perceived fairness and integrity of commercial transactions, as well as social arrangements and public policy configurations. When one considers, say, that present economic-socio-political tensions are somewhat influenced by a lack of inclusive wealth generation and perceptions of flagging social mobility, there seems little to think about *but* the corresponding inequality.

Delving more deeply into the political economy literature and academic works from non-economic social disciplines, I realised that considerable work remains to conceptualise inequality as an emergent phenomenon fundamentally resting in how diverse people interrelate with one another. These insights fitted well with my own intellectual instincts, were consistent with lessons drawn from my prior academic learning (in evolutionary economics as an undergraduate student at The University of Queensland) and, as I saw

it, could be plausibly accommodated within the compelling research agenda of EPE pursued by Prof. Richard Wagner and several others.

The notion of entanglement pervading the operational and institutional dimensions of human existence, in my opinion, especially lent itself to a deeper investigation of the ways in which inequality is manifest. My readings in sociology, social psychology and, to a lesser extent, political science, also impressed upon me the bi-directional nature in which inequalities of income and wealth influenced inequalities of social and political esteem, regard and treatment. This was a matter I briefly referred to in response to an intriguing essay by Prof. Vincent Geloso (Novak 2016), and a revitalisation of my studies of inequality served a fresh opportunity to explore these considerations more deeply than otherwise possible.

As good fortune would have it, my choice to investigate inequality phenomena anew dovetailed neatly with the announcement that academic publishing house Palgrave Macmillan instigated a *Studies in Classical Liberalism* book series. When I enjoyed the additional good fortune that my proposal to write a book outlining inequality as a process with an EPE framework was accepted by Palgrave, choice and opportunity found themselves in alignment! It is also here that some measure of constraint is located, in that the manuscript was to be written in a manner consistent with the objectives and scope of the series. Notably, the objectives of the series are, as I interpreted it, inter-disciplinary in character in that they refer to “the confluence of interest in situated and distributed liberalism emanating from the Scottish tradition, Austrian and behavioral economics, non-Cartesian philosophy and moral psychology”.¹

Choice-selection mutates into lock-in constraint in yet another manner. I surely join the cohort of the many writers who wished to have said more about certain additional, undoubtedly important, topics, were it not for space constraints. Two which readily spring to my mind, and coincidentally addressed to some extent by the symposium participants, are (i) issues relating to material living standards (and, more broadly, well-being inequality) and (ii) the implications of socio-political elite network operations for inequality (e.g. Haselmann et al. 2018). These kinds of issues I do hope to attend to through future research effort. Of course, the participants of this symposium added their own valuable suggestions to refine and extend the framework laid out in *Inequality*, and I also look forward to exploring those additional ideas.

I readily acknowledge that *Inequality* is not the first and last word about inequality, or even the *alpha* and *omega* of inequality concerns through an EPE lens, and the book lays no claim to perfection. My book does unabashedly offer a “thick liberalism” narrative of due recognition to the major forms of inequality present in our complex, and complicated, world, which in turn is given rise by our necessarily entangled lives. I am pleased to submit this work as a scholarly “placeholder” for future scrutiny, discussion and refinement among my peers and other interested parties, and it is in that spirit I am entirely grateful for the contributions to this symposium by a cohort of remarkable scholars.

IMPLICATIONS OF FAIRNESS FOR ENTANGLED POLITICAL ECONOMY FRAMEWORK

As noted in my book, inequality is a concept characterised by a high degree of complexity bedevilling scholarly efforts to arrive at conceptual clarity and analytical tractability. Generations of scholarship in the field of inequality studies readily indicate that, in no small part, the complexity of inequality is informed by its relatedness with other (often similarly complex) constructs predominant in philosophy, economics, sociology and other social sciences. Key among these are justice, desert, incentives, respect and, as I emphasised, liberty. Each of these concepts, and more besides, are interrelated, only adding to the complexities involved when thinking about inequality and its economic, social and political implications.

In their contributions to this symposium, Profs. Laurent Dobuzinkis and Steven Horwitz encourage us to elevate yet another value—*fairness*—amongst the plurality of issues impinging upon inequality considerations. Agreeing with such a suggestion, I would add that EPE appears a useful framework to accommodate matters of fairness, given its apt recognition of the diversity of human situations, beliefs, motivations and values. Fairness, of course, could well be a relevant factor determining the configuration and strength of connections rendered through the course of interpersonal interaction, on an economic (or some other) basis. As Dobuzinkis (2019) rightly notes, a wealth of experimental and other studies suggest that economic transactions may be informed by matters aside from a strict sense of self-interest. Horwitz (2019) indicates that people may placate themselves with a given unequal resources distribution if they perceive that the underlying processes giving rise to such distribution was conducted fairly.

There are certain passages within *Inequality* wherein fairness considerations play an influential role, including in the manner expressed by Dobuzinskis (op. cit.) that “removing the sources of liberty-incompatible inequalities must be shown to be a way of making social relations more just” (p. 8). Although fairness itself is a multi-faceted concept, it could be argued that, at its core, fairness refers to the desire or virtue of tendering to each person his or her due. Chapters 6 and 8 of my book especially consider the notion of a relationship between economic and social inequalities. Those chapters outline the deleterious impact of group-laden sentiments, on ascriptive or performative grounds, upon the capacity of certain groups (such as racial minorities or women) to access lucrative economic network connections on fair and just terms.

Consider racism, being that particularly egregious, and destructive, system aiming to entrench unfair and unjust relations. Racist political regimes of the past often denied people of colour access to quality education, health and other public services enjoyed by whites, thereby violating fairness norms with respect to the sharing of collective goods. Numerous kinds of private goods and services were denied to minorities—or were provided on a racially-segregated basis (and typically combined with quality segmentation)—through a racially-biased mix of governmental regulations and informal norms. These unfair relationship configurations were regrettably justified through public discourses over many years using venal in-versus-out-group rhetoric, described as an exercise in non-logical persuasion (Novak 2018) or “rent seeking in narratives” (Geloso and Magness 2019).

The generic, but non-uniform, movement toward formal equality in developed countries over the last few decades is described by some as a critical feature of an “emancipation sequence” (Pinker 2011), in that greater public policy recognition is afforded toward notions of the fair treatment of each and all. The transition from highly discriminatory legal, regulatory and fiscal settings, however, has been politically contentious, if not torturous, with minorities often finding the need to painstakingly graft societal alliances, and engage in acts of resistance, to win political concessions (Delmas 2014). These actions on the part of the discriminated surely rest upon a trait shared by human beings in common: an aversion to being treated unequally by others in schemes of domination and subjection.

The importance of fairness in human relations is underpinned by the proposition that progress toward comprehensive formal equality remains uneven and, in some respects,

has reversed in recent years. Development of more prescriptive immigration law, including the creeping tendency to fuse the legal treatment of cross-border movement of people with “national security” and “law and order” matters, is one example. The unfairness of recent immigration policy is one of the centre-piece claims of modern classical liberal treatments (e.g. Lomasky and Tesón 2015). As raised in *Inequality* a turnback of social equality relatedly risks undermining the development of distributed economic and social networks, whether locally, regionally or internationally.

We must be mindful that the liberal scheme of extending formal equality—perhaps in the name of opening liberty-consistent network opportunities for greater numbers of (diverse) people who fairly stand as moral equals—does not necessarily guarantee connective developments of a widely (as opposed to densely) distributed nature. This is partly because an entangled political economy—as represented, for argument’s sake, by a capitalistic structure of unequal econo-socio-political relations—is historically situated and, thus, prone to path-dependency network effects. As argued by philosopher Billy Christmas:

The capitalist era was overshadowed by the ill-gotten accumulations of wealth and power of the feudal-cum-colonial era. Therefore even assuming that the legal rights of all under the burgeoning commercial system nearly perfectly reflected libertarian theory, the distribution of property which was the starting point from which free markets were to proliferate was extremely unequal, owing to a long history of unjust land seizures, slavery, mercantilism, etc. Even if we assume these injustices stopped, that is, slaves were freed, no more land was unjustly seized, and all mercantilist privileges ended, the accumulations of property and of wealth obtained prior to the liberation of the market could then be used on the market to consolidate economic power in a way that would not have been possible, had it not been for these historical injustices (Christmas 2015, p. 2).

The points made here appear to feature as an underlying cause of the persistent, structural inequalities pervading even economically highly-developed societies to this day. This is one reason why I would agree with Dobuzinskis and Horwitz over the need to consider institutional, if not outcome, fairness when designing and implementing liberalising reform process. I would similarly suggest there remains an important research opportunity for EPE specialists to

more deeply diagnose the after-effects of emancipative (liberty-consistent) reforms upon the distribution and calibre of inter-personal connections.

Finally, to make a point that I shall repeat later, in *Inequality* I do not advocate an unrealistic (indeed, I would argue, highly undesirable) dismantling of entanglements under the broader objective of transitioning societies toward an anarcho-capitalistic separation of the economic and political. The reform of economic institutions, along ordo-liberal lines as I raise in the book, aims at ensuring entanglement-under-(reformed)-rules are more likely to be generated by performance-seeking for rewards in markets, rather than rent-seeking for privileges in politics. My hypothesis is that the resulting entanglements are likely to be associated with outcomes (including with respect to inequality) that are more comprehensible to, and more likely subject to endorsement by, the members of society as being consistent with fairness.

Economic institutional reform need not imply the displacement of important activities, such as education and health care, either, but does not preclude reformist reorientation about the manner of their financing and provision. In *Inequality* I argue, as does Dobuzinskis, for a universal basic income (UBI) which constitutes a reform, not abolition, of the welfare state in both liberty-consistent (i.e. consistent with rule of law precepts) and fairer (i.e. consistent with removing paternalism from existing welfare programs) directions. Of course, it should be recognised that numerous proponents of UBI suggest that welfare reform in their favoured direction would unleash economic (and other forms of) creativity consistent with the grasping of opportunity-entrepreneurship which, in itself, may generate new forms of (largely liberty-consistent) inequality.

SIGNIFICANCE OF POLICY NETWORKS IN AN ENTANGLED POLITICAL ECONOMY

Each symposium participant has rightly identified EPE as a theory (though non-exclusively so) of networks. Network theory is invaluable to EPE as it enables an exploration concerning the nature of criss-crossing ties between people acting in varied economic, social and political capacities, and the significance of changes in these relationships. In this setting, EPE serves as an advance upon much of mainstream, equilibrium-centred economies, and the mainline political economy sub-strands of public choice and constitutional political economy.

As detailed in great depth by Prof. Wagner himself (2007, 2010, 2016, 2019), the network sensibilities of EPE are deeply implicated in a critique of the so-called “additive political economy” model of unitary governmental intervention into a Euclidean field of representative-agent economic activity (Potts 2000). Conceptual elegance and analytical tractability brought about by the additive political economy framework comes at the cost (too great, I believe) of realism. This is due to the policy space being occupied by contestable or complementary ideas, designs and instrumental applications of taxes, spending, regulations and laws, all shaped and reshaped by an astounding array of linked-up individual actors and collective groups. Adding to the nuances of a political economy not subscribing to the pretensions of additive political economy, it is recognised that the actors who abridge the domains of economics and politics do so for a variety of non-reducible purposes and motivations. At the heart of EPE, therefore, is a conception of political economy in which those who engage do so in a distributed fashion along several dimensions, including via policy networks.

Prof. Dobuzinskis recognises the distinct advantage of EPE in presenting a political economy narrative in which systems of human action are not estranged from one another. But Dobuzinskis asks: is entanglement even more complex than I, or perhaps other EPE scholars, lead others to believe? In my opinion there is certainly something to be said in favour of Dobuzinskis’s plea that EPE specialists ought to engage more actively the public policy academic literature. I wouldn’t go so far as him, though, to say that EPE scholarship has *completely neglected* the literature (Dobuzinskis op. cit., p. 10). My subtly contrasting argument would be that scholars with an interest in EPE are most certainly alive to the existence of network phenomena within the policymaking realm, given the potential for technocrats, vested interests and other relevant parties to design policies generating triadic exchange effects.

In support of my claim I need not merely refer to Part II of my book, which refer to numerous legal, fiscal and regulatory policy case examples. I may direct the reader to a few examples of other EPE literature that provide investigations of the workings and implications of policy networks in fiscal and regulatory domains. Perhaps the best example of these is the paper written by Adam Smith, Richard Wagner and Bruce Yandle (2011) concerning the highly energised, GFC-era public policy processes that culminated in the development of the U.S. Troubled Assets Relief Program (TARP). Among other things, this paper cites the TARP as an exemplar of the generic point that, during periods of

perceived economic crisis, policymakers are prone to opportunistically extend the terms and conditions of policy proposals applicable to a more expansive coverage of economic actors.

The works of a symposium participant, Dr. Marta Podemska-Mikluch, also serve as a notable example in which public policy sensibilities can be suitably drawn into an overarching EPE framework. In a 2014 paper she considers public policy as an emergent phenomenon influenced by multiple actors, contrasting the mainstream economic treatments effectively rendering policy as teleological action by a unitary (or cohesively representative) actor upon the market (Podemska-Mikluch 2014). This paper, in my opinion, can be plausibly regarded as a foundational treatment of public policy in an EPE context. In her symposium remarks Podemska-Mikluch draws our attention to her latest work which continues to apply EPE to policy formulation, in reference to contraceptive insurance mandates in the U.S. (Podemska-Mikluch 2019a).

There is nothing precluding EPE academics from engaging with the policy networks literature found outside of economics, as recommended by Prof. Dobuzinskis (op. cit., p. 6). In fact, I agree with him that those with an interest in the EPE framework should engage the scholarship of the likes of Frank Baumgarnter, Paul Cairney, Michael Mintrom, Robin Keast, and others, where appropriate. That said, my view is that EPE has uniquely contributed toward a better understanding of policy mechanisms and dynamics in novel ways. Consider, for example, the deft applications of Roger Koppl's (2002) study of "Big Player" effects in policy networks, or the usage of Ostromian polycentricity in order to highlight the epistemic robustness of diverse and competitive public governance.

If I could add to Dobuzinskis's helpful suggestion in any meaningful way, I would speculate that a deeper appreciation of the function and significance of policy networks—and the ways in which they shape entanglement in economic, social and political relations—may be drawn from certain audit and advisory bureaucracies within public sectors around the world. By way of an example, I point to the high-calibre policy advisory work undertaken by the New Zealand Productivity Commission (NZPC), the New Zealand government's premier advisory agency on economic reform.² The NZPC undertakes independent inquiries upon certain matters of economic, social and environmental public policy issues referred to it by the government. In accordance with its statutory obligations to consult widely and to take the well-being of all New Zealanders into

account, the NZPC applies economic frameworks to comprehend public policy problems and recommend policy reforms for the government's consideration.

More than a decade into its existence the NZPC has undertaken about a dozen inquiries. One of the most notable was their comprehensive review of regulatory institutions and practices in New Zealand (NZPC 2014), which I argue is one of the better tracts of its kind from the standpoints of comprehensiveness and clarity of understanding about the intricacies of policy complexity. Unwittingly, it would seem, the NZPC staff engaged to write the inquiry report prepared a careful study appraising the regulatory dimensions of New Zealand's *entangled* political economy. Providing an account of nested regulatory relationships involving diverse (and often cross-pollinating) coalitions of actors, the NZPC regulatory systems study contravenes any impression that "small(er)-government societies" (such as New Zealand) maintain simpler networks or support fewer econo-socio-political entanglements.

The NZPC inquiry report makes a host of recommendations for regulatory reform, but what is striking is that the report does not call for a wholesale estrangement (in other words, disentanglement) of relationships that share regulatory interests. To paraphrase a statement by Prof. Dobuzinskis in his symposium remarks, and that which is suggested in *Inequality* with respect to constitutive regulatory rules, regulatory entanglement is not always detrimental to liberty. In fact, regulations often serve to fulfil legitimate policy objectives that reasonable people can agree whilst enabling broad scope of discretionary action by the members of society.

Ultimately, the challenge posed by bodies such as the NZPC, and raised in books such as mine, is that entanglement should be more consistent with values conducive to more effective ways of living together. Principle-based criteria for policy improvement along these lines might include greater consistency regarding norms of reasonable treatment for those affected, better policy targeting (or even non-intervention, if warranted) to address legitimate problems more effectively and at lower costs, and the limitation of network closures via anti-competitive or other rent-conferring effects.

EMPIRICAL APPRAISALS OF LIBERTY-INCONSISTENT NETWORK CONFIGURATIONS

As is also recognised by all participants of this symposium, at the core of EPE theory is a deep and abiding appreciation

of the interconnected nature of economic, social and political phenomena. This sense of interconnectedness naturally gives rise to a consideration of networks, including the aggregative, macro-level patterns which arise from the origination, adoption and retention of micro- and meso-level structures within. Non-uniformity of connections between nodes (represented by individuals, and clusters of individuals, undertaking operations), and variations in strength of connections where they exist, is seen as giving rise to inequality. The book, then, addresses the point that the normative implications of such inequality—the divergent patterns of connections observed as part of our “structured living-togetherness”—is contingent, in a classically liberal frame, upon the voluntariness of interconnections given the rule of law and cosmopolitan norms.

Of course, network analysis is nothing new and there is, by now, an expansive applied literature highlighting the characteristics and performance of networks in economics, sociology, political science, and many other social-scientific disciplines (e.g. Jackson 2008; Newman 2018). Whereas there have been some qualitative treatments of networks within the EPE literature, my interpretation of the insightful symposium contributions of Dr. Marta Podemska-Mikluch and Prof. Steven Horwitz is that they aspire for researchers in this field to move even further beyond “explanations of the principle”. Specifically, as I interpret their contributions, EPE researchers should more actively engage in applied studies of the entangled networks permeating our lives. If my interpretation is correct I do not see this as being at all unreasonable, for meeting such demands are highly likely to advance EPE scholarship in potentially numerous fruitful directions.

Merely identifying a desire or need for additional empirical analyses in EPE scholarship by no means settles the matter, because one must follow up with concrete courses of action where feasible. It is in this regard that Podemska-Mikluch goes one step beyond the initial “problem identification phase,” to outline principles in order to recognise potentially liberty-inconsistent networks within existing econo-socio-political systems. In a nutshell, she advises making a “distinction between entrepreneurship that is based on the means, on whether new ventures are supported by either voluntary or forced investors. The latter projects are likely to contribute to socially harmful forms of inequality” (Podemska-Mikluch 2019, p. 30).

As Wagner has stated in his foundational works, it cannot be presumed that genuine consent be associated with the configurations of fiscal and regulatory policies which

practically materialise within an entangled political economy. Triadic exchange relations induce losses for non-consenting third parties, who are often resigned to accept their “worsening in the terms of exchange” (Ibid.). The pains of economic duress and acquiescence need not be felt in complete silence, however, at least amongst those who remain unpersuaded by affective political rhetoric stating that their losses from triadic exchange must be absorbed in good humour, for the good of country or the society in which they live.

I note on page 73 of my book that successful prosecution of the art of political moral suasion may suppress the appetite amongst policy losers to express their dissatisfaction through voice. Even so, the reality is that certain proportions of the population on any given issue may continue to express their political displeasure, come what may, and this trait is of great informational value in liberal-democratic polities. Dobuzinskis mentions the validity of political complaints articulated by those self-perceived to have lost out from certain policy measures, and economic and social developments.

It might be difficult to get an entirely accurate sense about the extent of forced investments, and acquiesced engagements, within the political process at a population-wide level. Researchers should also be aware of the presence of fiscal and regulatory illusions. Opinion surveys investigating community attitudes toward governmental budgetary activity, for instance, invariably show preference for simultaneously greater spending (at least in areas such as education and health care) and lower tax burdens—in effect, wishing for future generations, who are not in a reasonable position to consent or otherwise, to absorb the liabilities of any present-day expenditure increases. All of that said, it might be possible to feasibly draw upon individual cases wherein existing policy, or a proposal to amend existing policy, engenders a degree of resistance. For instance, submissions to government inquiries potentially serve as a treasure-trove of information which may, amongst other things, help EPE researchers identify those who disapprove of suggestions to be effectively drawn into triadic exchange relationships of a fiscal or regulatory nature, and why they disapprove of such developments.

A related project of potentially great empirical relevance from an EPE perspective is to forensically analyse the extent of “cronyism” present within nation-states (and sub-national jurisdictions). Aligica and Tarko (2014) provide a clarifying discussion about the properties of cronyism, including in its manifestations as a social relationship with significant

economic and political implications. A working hypothesis is that cronyism implies a degree of entanglement between certain economic and political actors, contravening liberal principles of the rule of law and of generality in fiscal or regulatory treatment. By restricting access to many whilst providing privileges to few, cronyism tends toward an effect of propounding liberty-inconsistent inequalities that, as an important aside, flout notions of relational fairness.

The empirical analysis of cronyism received some impetus in recent years with the publication of a study by Sutirtha Bagchi and Jan Svejnar (2015) concerning the effects of wealth concentration upon economic performance. Making a distinction between wealth generated through politically *unconnected* activity and politically *connected* activity, the authors found that “politically connected wealth inequality ... has a significant negative effect on growth” (Ibid., p. 524). The obvious challenge has been to identify the proportion of wealth generated (and not generated) using political connections, bringing to the fore the question of measurement. Bagchi and Sjevsnar address this question by using news sources as a proxy measure to adjudicate whether a rich-lister materially benefitted from political connection.

The authors stressed the inclusion of certain rich-listers into their politically-connected category was, as should be expected with any high-quality study, undertaken with great care. Putting such conservatism (including appropriate accounting for reporting bias) aside, alternative measurement approaches are apparent and, in some contexts, more obvious to pursue. Notwithstanding inter-country, or even inter-regional, variations in information availability, indicators more directly suggestive of highly-entangled crony relations may include: frequency and amount of political donations; appearances in official consultancy, lobby and public procurement registers; and board memberships of government instrumentalities or party-political positions. Whereas *Inequality* drew upon publicly available studies, additional empirical studies could be most instructive with respect to pinpointing whom is implicated in the origination and entrenchment of coercive, and oftentimes inequality-inducing, entanglements.

RESPONDING TO INEQUALITY CONCERNS, AND CONTINUING RELEVANCE OF CLASSICAL LIBERALISM

Prof. Vincent Geloso adds to the contributions made by symposium participants, presenting a resolute, and in parts

tough-minded, narrative firmly grounded in an economic interpretation of inequality and its relation to institutional structure and performance. I welcome this important contribution to the overall discussion, though I would like to take this opportunity to counter-respond to a few comments raised.

It is true that my book does not contain the words “transaction costs,” “Ronald Coase” or “Douglass North”. The main body of the text does not even mention the phrase “institutional economics”. Given my education and professional training as an economist, this might well be seen by some as akin to a sacrilegious act.³ I accept Geloso’s proposition that transaction cost economics can serve as a focal point for an economic analysis of inequality, and I would welcome future contributions from him (or others) who wish to engage in such scholarship. However, as Geloso (2019, pp. 17-18) says in his own words, even if I do not rely upon the terminological features of transaction-cost economics to prosecute arguments in my book, I nonetheless arrive at similar conclusions—at least with respect to political-institutional choice. From this standpoint I do not see his ruminations about inequality from a transaction cost perspective as criticism of my work in the slightest, but rather as a helpful discussion of an alternative approach for consideration.

I also wish to address Prof. Geloso’s suggestion that I accept “too readily” the “existing state of empirical evidence” regarding the measurement of income and wealth inequality (Ibid., p. 15). I do not accept this characterisation of my work. Consistent with a key theme of my book that inequality is both a pluralistic and complicated concept, I explicitly counterpose the empirical claims about economic inequality proffered by the likes of Thomas Piketty, and his collaborators, with those of their critics. The critics provide revisions of income and wealth inequality data, or empirically refer to other important kinds of economic inequalities (e.g., global income inequality, consumption inequality, well-being inequality) that have either fallen or remain at reasonably lower levels. Presentational counter-positioning of recent empirical evidence in the interests of intellectual balance aside, I do find the works of the critics to be credible. Bluntly, if I considered the works of the critics to be non-credible they would not have been referred to in the text.

Equally as puzzling is how and why it is felt that my recitation of certain works, such as Auten and Splinter (2017), are made “timidly”. What does this mean? I mention in my book that Auten and Splinter’s “consistent accounting of

U.S. policy changes, such as tax changes, suggests the increase in income share attributed to the top one per cent of earners is less than that reported in previous studies” (Novak 2018, p. 7). What more should have been said to cross the threshold from “timidity” to “non-timidity” with respect to the Auten and Splinter discussion? Should I have mentioned, say, the study reveals a post-adjustment *increase* (albeit modest) in the chosen income inequality measures, applicable to the so-called “neo-liberal” period of public governance?

Contrary to Geloso’s suggestion I am cognisant of the issues relating to inequality levels and trends and am not unconcerned about them (but am admittedly critical about the usefulness of some measures, to a degree, as evidenced by my discussion in chapter 3 about the Gini coefficient). The reality, though, is that the bulk of my discussion about inequality focusses upon the different *sources* of inequality. There is a good reason why this is so. The EPE approach is immensely clarifying as an analytical basis for the study of inequality precisely because it provides an invitation to contemplate the multiple ways in (and, relatedly, sources through) which human interactions emergently drive unequal outcomes. I suspect that economists, and other social scientists, would largely agree that empirical and other investigations focussing upon various sources of inequality—such as the ramifications of talent in markets, effects of regressive regulation, and impacts of group-biased social closures upon economic exclusion—remain of immense value.

I now come to the final substantive issue I wish to raise in response to the symposium participants, which refers to the validity of a classically liberal approach to inequality studies. As indicated previously, the book I wrote was the first in what has already proven to be a compelling *Studies in Classical Liberalism* series. Therefore, it was unavoidable that I should write in such a way to allow liberal concerns to take centre stage. There is more to be said in defence of classical liberalism as a prism through which to study inequality, however, because (speaking as an economist) I do not consider that a strictly economic approach, or a quantitative empirical approach to inequality analysis, alone would pose as a determinative influence in public discourse.

To be sure, EPE is a framework that need not be synonymous with liberalism. It is possible to imagine non-liberal depictions about complex structures of humanly-devised networks, and how such phenomena inform observed distributions of varying kinds. What I see as particularly valuable of EPE scholarship, interpretable through a classical

liberal lens in the case of *Inequality*, is that it encourages the study of *interdependence*, and intellectual contemplation of the realities of living well together, rather than of *independence* which seems frequently characteristic of “litmus-test game” libertarianism and which, perhaps, also creeps in occasionally into contemporary liberalism discussions (Boettke 2017; Brennan 2017).

Fundamentally, we *need each other* to facilitate our senses of freedom in so many practical ways. By way of an example, do you have the know-how and resources to make all the ingredients of a turkey-and-salad sandwich literally from scratch? I do not, and neither do you alone, but the turkey farmer, the lettuce grower, the wheat harvester, and all others along the supply chain cooperate in such ways so that we, the sandwich consumers, need not have the know-how and resources at our disposal. It is for that reason, and so many more, we need to discover and learn useful and effective methods of social cooperation.

As explained in my book, certain (not all) inequalities have the potential to imperil the bases of cooperation and, thus, cannot be left unaddressed due to adherence to a mistaken liberalism that discounts, ignores or, at worst, ridicules the interdependencies that makes us human. From a normative standpoint, for as long as privileges giving rise to liberty-inconsistent networks between people exist, the inequalities which correspond with these are legitimate problems not to be waived away, but to be addressed using the faculties of our reason and the powers of our persuasion.

CONCLUSION

A (modern) classical liberalism placing human interdependence in its rightful place appreciates the need for better methods of co-existence. Its proponents comprehend the merits of clear formal rules politically which do not entrench discrimination, and would valorise the imperative of social toleration and polycentric governance to help defuse groupish tensions. The economists amongst us would especially recognise that realising broad-based material improvements, reflected in the likes of Buchanan and Yoon’s “generalised increasing returns,” McCloskey’s “Great Enrichment” or Cowen’s “Wealth Plus,” also depends so crucially upon the integrity of relationships.

Liberal theory helps mould these insights into analytical frameworks, such as EPE, enabling us to appropriately respond to contemporary concerns, such as inequality. Most importantly, the liberal theory of EPE provides useful guidance about better sorting the “wheat from the chaff” with

respect to which inequality sources can be legitimately and reasonably contended with through policies and formal rule changes. It is in the context of this discussion that one cannot reasonably go past Prof. Wagner's (2019) brilliant, and oftentimes eloquent, contribution to this symposium. In so many ways, Wagner convincingly urges us to adventurously engage in the intellectual task of refining liberalism so that it more effectively responds to the exigencies of our modern age, yet without the loss of its core intellectual strengths.

Once again, I thank *Cosmos + Taxis* for the opportunity to host this symposium, and the rich insights it has yielded. I also wish to acknowledge the founding editors of this journal (David F. Hardwick and Leslie Marsh) in their capacity as editors of the book series (Palgrave *Studies in Classical Liberalism*) which published the book in the first instance. Courtesy of ongoing research, it is our task to come to a better understanding of the determinants and impacts of inequality.

NOTES

- 1 Additional details about the Palgrave *Studies in Classical Liberalism* series may be found at: <https://www.springer.com/series/15722>.
- 2 By way of a disclaimer, I worked for the New Zealand Productivity Commission as a principal advisor for a short period of time, prior to entering academia.
- 3 As an aside I would like to refer to my work at the RMIT University Blockchain Innovation Hub, much of which is explicitly grounded in transaction-cost economics. Incidentally, and without having been made aware of it previously, my collaborative research with Sinclair Davidson and Jason Potts on the "cost of trust" (Davidson et al. 2018) bears some striking similarities with Samuel Bowles' inquiries (mentioned by Geloso) concerning "guard labour".

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Editorial Information

AIMS AND SCOPE

COSMOS + TAXIS takes its name and inspiration from the Greek terms that F. A. Hayek famously invoked to connote the distinction between *spontaneous orders* and *consciously planned orders*.

COSMOS + TAXIS offers a forum to those concerned that the central presuppositions of the liberal tradition have been severely corroded, neglected, or misappropriated by overly rationalistic and constructivist approaches. The hardest-won achievements of the liberal tradition has been the wrestling of epistemic independence from overwhelming concentrations of power, monopolies and capricious zealotries. The very precondition of knowledge is the exploitation of the *epistemic* virtues accorded by society's *situated* and *distributed* manifold of spontaneous orders, the DNA of the modern civil condition.

COSMOS + TAXIS is a joint initiative run under the auspices of the Department of Pathology and Laboratory Medicine at The University of British Columbia and the Political Science Department at Simon Fraser University. All content is made freely available.

COSMOS + TAXIS is not committed to any particular school of thought but has as its central interest any discussion that falls within the *classical* liberal tradition as outlined above.

COSMOS + TAXIS publishes papers on *complexity* broadly conceived in a manner that is accessible to a general multidisciplinary audience with particular emphasis on political economy and philosophy.

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