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to economic studies of inequality following the "global financial crisis" (GFC), I wrote a complete, but entirely unpublished, manuscript in response.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 econo-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 Dobuzinskis 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 Dobuzinskis (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 comprehendible 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, energises 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 Sjevnar address this question by using news sources as a proxy measure to adjudge 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 a 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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