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Review Essay
Inequality in Urban America

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Leslie McCall, *The Undeserving Rich* (New York: Cambridge University Press, 2013, $29.99). Pp. 300. ISBN 978 1 1076 9982 3.

Elizabeth Kneebone and Alan Berube, *Confronting Suburban Poverty in America* (Washington, DC: Brookings Institution Press, 2013, $24.00). Pp. 169. ISBN 978 0 8157 2390 5.

Ella Howard, *Homeless: Poverty and Place in Urban America* (Philadelphia: University of Pennsylvania Press, 2013, $45.00). Pp. 288. ISBN 978 0 8122 4472 4.

When the English translation of Thomas Piketty's *Le capital au XXIe siècle* came out in the spring of 2014, it struck a raw nerve. It is rare for a weighty tome on economic theory to achieve widespread attention, but Piketty, a Parisian researcher known more for sober analysis than any Left Bank outbursts, has produced some conclusions on wealth creation and distribution that are both provocative and disturbing. His research analyses tax records spread over many decades and more than twenty countries, enabling him to study historical patterns and irregularities in the distribution of wealth. His main thesis is based on an economic formula: "The Central Contradiction of Capitalism: $r > g$."[1] In this equation, the return on capital (r) grows more rapidly than income or output (g). As a result, this drives relentlessly expanding levels of inequality, whereby "the entrepreneur inevitably tends to become a rentier, more and more dominant over those who own nothing but their labour."[2] There is plenty of evidence out there to support this view. Thus, a recent report from Credit Suisse:

> Although the global economic environment has remained challenging, total global wealth has grown to a new record, rising by USD 20.1 trillion between mid-2013 and mid-2014, an increase of 8.3%, to reach USD 263 trillion – more than twice the USD 117 trillion recorded for the year 2000. With an 11.4% year-on-year increase, wealth creation was particularly strong in North America, where it now stands at USD 91 trillion, or 34.7% of total wealth … capital markets were a key source of wealth growth: equity market capitalization grew by 22.6% in the United States …[3]

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[1] Thomas Piketty, *Capital in the Twenty-First Century*, trans. Arthur Goldhammer (Cambridge, MA: Belknap Press, 2014), 571.
[2] Ibid.
[3] Global Wealth Report 2014, Credit Suisse Research Institute, p. 1.

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While some have inevitably questioned his findings, Piketty has ignited a wide-ranging debate on the implications of sustained inequality in a period of meagre growth rates and enforced austerity across Europe and the United States. Returning to the perspective of political economy instead of straight economic theory, Piketty proposes that only deliberate public policies, above all in the shape of progressive taxation, can reverse and redress what otherwise looks like an inescapable increase in inequality. Statistics suggest that even in the last six years, a period of ongoing hardship for many due to higher unemployment and lower welfare provisions, the rich have succeeded in becoming richer. The 1% have strengthened their position at the top of the pile, cementing F. Scott Fitzgerald's more-than-apposite comment back in 1929 that success only "happens to one, not to the ninety-nine."[4]

In the same year as Piketty's original French text appeared, three books covering the topic of inequality in the United States were also published: *The Undeserving Rich*, *Confronting Suburban Poverty in America* and *Homeless: Poverty and Place in Urban America*. They offer very different positions in studying income distribution, poverty, wealth and inequality. *The Undeserving Rich* by sociologist Leslie McCall investigates how Americans view inequality, why they have these views and how these views influence public policy. In addition, she argues that she wants to replace the dominant idea that Americans in general tolerate inequality with a multilayered vision about the American Dream, redistribution and historical perceptions. Elizabeth Kneebone and Alan Berube, affiliated with the Brookings Institution, offer striking insights into the spatial distribution of inequality in their *Confronting Suburban Poverty in America*. Moreover, they study the causes and effects of, and possible solutions for reforming, poverty policies in suburban as well as urban neighbourhoods. Providing some contrast and context for these more recent studies, Ella Howard's *Homeless: Poverty and Place in Urban America* offers a rich history of homelessness in urban areas of the United States, taking the Bowery in New York as a point of departure. She extrapolates changing beliefs about the causes and position of, and solutions to, the problem of homeless people from the "skid-row era" through the years of the New Deal to President Reagan's Homeless Assistance Act of 1986 and present-day policies. It is useful to consider the diverging analyses of these three works within the framework of Piketty's *Capital in the Twenty-First Century*. What do they see as the causes and influences of severe unequal income distribution? Do the authors still go along with the widespread American dogma that those who are poor deserve to be poor, and likewise for those who are rich? What do the authors see as possible solutions, and what is the role of government in these solutions?

McCall begins by claiming that current views regarding economic inequality are shaped by beliefs about the rich, not about the poor. This statement is quite controversial because it challenges some of the values inherent to the American Dream. Until now, the emphasis has mainly been on conditions of poverty and how welfare and upward mobility could alleviate them. Economists have not been interested in the very rich – they are simply a harmless anomaly. However, the housing and financial crises in the United States, and the subsequent impact of Occupy Wall Street, have shifted attention to the top of the pile. Looking to get behind these trends, McCall

[4] F. Scott Fitzgerald, "The Swimmers," *Saturday Evening Post*, 19 Oct. 1929, 12–13, 150–54, 13.

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sets out to explore what Americans truly think about inequality and why it is assumed that they tolerate severely uneven incomes.

According to McCall, Americans tend to focus on equality of opportunity instead of equality of outcome. This focus is deeply rooted in traditions of American culture such as exceptionalism, individual responsibility, the self-made man and distrust of government. It is founded upon three assumptions: opportunities that promote social upward mobility are plentiful; consequently, the amount of prosperity that someone enjoys is fair, since individuals are personally responsible for grasping their opportunities; as a result, redistribution is both unnecessary and unjust. The economic measures introduced by Ronald Reagan in the early 1980s were based on these assumptions. The Tax Reform Act of 1986 was designed to create a "rising tide" for all. By lowering the highest marginal tax rates and increasing taxes on lower incomes, Reaganomics was supposed to create the conditions for a more profitable business sector, leading to more (lower-income) jobs, and so lifting the general economic tide. In reality, these three assumptions proved to be false and Reagan's policies ultimately created more inequality. This result fits within the framework of what Piketty calls the central contradiction of capitalism, since he argues that the rate of return on capital is the main cause of inequality in the United States. Hence McCall's arguments support Piketty's thesis, since the current (expanding) gap between the rich, the middle class and the poor is largely due to the rising assets of the (already) wealthy. Opportunities to climb the income ladder are not widely available and do not necessarily grow proportionally with a rising economic tide. McCall illustrates this with a survey that produces a class-based conclusion: "a significant minority of Americans (just under half) say that things such as social connections and coming from a privileged background are essential or very important in getting ahead" (225).

McCall continues that opportunity and inequality are interdependent and that income inequality is only tolerated if its extent is "compatible with expanding opportunities, which may consist of equal growth or merely equitable growth" (227). Beliefs about restricted opportunities correlate with a heightened concern for inequality, but this concern is not necessarily expressed as a desire for a larger welfare state. McCall presents various reasons for this, but a key one refers to how Americans remember the equitable three decades following World War II. In this prosperous period, redistribution was associated with more opportunities due to a higher demand for production. Thus although this period saw many welfare provisions established, the private sector is still considered to have been the engine that drove economic fairness. Although McCall is not very articulate in proposing solutions, it does appear as if she favors a prime role for the private sector, where companies would work together to provide economic policies that expand opportunity. Yet she does claim that "if a growth-based opportunity model ultimately proves unsustainable, the redistributive welfare model will need to be adapted to the American context; that is, it will have to become associated transparently with the expansion of opportunity for the majority of Americans" (227). Thus McCall believes in a limited role for government, very much secondary to the private sector. There is little willingness here to engage with Piketty's call for public policy to take on the task of redistribution. Nevertheless government is a crucial player in all of this. After all, politics has been as much to blame for the levels of inequality as anything else, precisely because politics has deliberately set the conditions for unlimited wealth creation. Reviewing *Capital in the 21st Century*, David Harvey had this to say:

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> After 1980 top tax rates came down and capital gains – a major source of income for the ultra-wealthy – were taxed at a much lower rate in the US, hugely boosting the flow of wealth to the top one percent. But the impact on growth, Piketty shows, was negligible. So "trickle-down" of benefits from the rich to the rest (another right-wing favorite) does not work. None of this was dictated by any mathematical law. It was all about politics.[5]

And Nobel Prize-winner Paul Krugman in the *New York Review of Books* noted the following: "We now know both that the United States has a much more unequal distribution of income than other advanced countries, and that much of this difference in outcomes can be attributed directly to government action."[6]

The Undeserving Rich provides an ambitious and nuanced account of American beliefs about inequality. Based on in-depth empirical research, McCall's study adds some valuable arguments to the academic debate on inequality in the United States. Interestingly, the issue of class hardly appears in this book. Perhaps this can be attributed to the fact that McCall is studying inequality as a fluid situation that can be overcome by reducing the gap between poor, middle-class and rich, and not as a stratified social condition. Opportunity for all remains the ideology of the day. Nevertheless, it would have been interesting to incorporate this rather un-American concept into this rather unconventional study. After all, as one commentator has put it,

> if the financial crisis proved that bankers can easily bend policy in their favor, the sharp decline in the living standards of so many Americans reminded everybody that workers across much of the distribution have been losing ground for a long time, even as incomes at the very top have soared.[7]

Where *The Undeserving Rich* is very academic in its research approach, Kneebone and Berube's *Confronting Suburban Poverty in America* is more concerned with practical issues that can help shape public policy. This study came about as an offshoot of an earlier project by the authors covering social issues facing cities and regions, when they assembled detailed statistics on the suburban poor in the early 2000s. At first they questioned their own results, since suburban poverty sounds like something of an oxymoron. As it turned out, they had hit upon a remarkable development in American urban life: the impoverishment of suburban areas. Previously known as the quintessential middle-class American Dream, the suburbs are no longer synonymous with a comfortable lifestyle. Kneebone and Berube study why poverty is on the rise in these areas and how it is different in its origins compared to urban or rural poverty, what the consequences for these places and their residents are, and what society should do about it, if anything.

The authors show that the percentage of the poor population living in suburban areas has increased significantly from 24 percent in the 1970s to 29 percent in 2000. From 2000 to 2010 this trend accelerated, with the poor suburban population growing from 33.9 million to 46.2 million, compared to an increase of 23 percent in urban areas as a whole. According to Kneebone and Berube, the largest differences between the origins of urban and suburban poverty are related to homeownership

[5] David Harvey, "Afterthoughts on Piketty's Capital," available at http://davidharvey.org/2014/05/afterthoughts-pikettys-capital, accessed 12 Nov. 2014.

[6] Paul Krugman, "Why We're in a New Gilded Age," *New York Review of Books*, 8 May 2014, available at www.nybooks.com/archives/2014/may/08/thomas-piketty-new-gilded-age.

[7] Eduardo Porter, "Inequality Could Be a Red Herring," *New York Times*, 31 July 2014, B1.

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and ethnic and racial composition. In suburban areas approximately 36 percent of the poor individuals owned their houses and 44 percent of the population were defined as white, compared to less than 20 percent homeowners in inner cities, where 24 percent were white. These figures can for a large part be attributed to exclusionary practices in suburbs with regard to homeownership that took place in the decades directly following World War II. The authors also note that nonwhite people are likelier to be poor whether they live in urban, suburban or rural areas.

With regard to solutions, fifty years after President Johnson's War on Poverty some problems have decreased, such as racial segregation and childhood hunger, but poverty has definitely not been eradicated. Today's policies are still oriented towards inner-city areas that are traditionally the most problematic. As a result, these areas tend to have "concentrated target populations; high-capacity, financially stable local government and nonprofits; market-based momentum; and the ability to orchestrate investment across dozens of silted programs and policies" (95). Yet suburban areas most often do not possess these institutions because they depend on nearby cities for their facilities. For these reasons the current policies are not very effective outside metropolitan centres. Luckily, local leaders are more and more involved in designing tailored approaches to lift their neighbourhoods from poverty.

All in all, Kneebone and Berube propose to expand local efforts to regional and federal levels "from the bottom up" (142). Due to geographical differences, inequality should be targeted differently in every location. Therefore the most efficient way is through local entrepreneurial initiatives, since they know the area and its population the best. Yet government is crucial as well to support and fund these initiatives, hand out targeted income compensations and invest in the creation of job opportunities. Job creation is without doubt the best way to fight poverty.

The authors provide a nuanced and inclusive account of a recent trend in the geography of poverty, although the book is more of a case study than a cohesive narrative. This gives the authors a chance to perform an in-depth analysis of the astonishing increase in suburban poverty that they discovered. Moreover, it is interesting that the authors extrapolate on the practical issues associated with studying poverty and even formulate possible policies in response. Rather than merely criticizing authorities for what they are doing wrong, Kneebone and Berube analyse which policies work, what authorities can alter, and how they can work together to improve their success. This book can serve both as a useful stepping-stone towards academic research on poverty on a larger scale, and as a practical account that can inspire policymakers to change the way "the other half lives."

Howard's *Homeless* begins with a brief history of the establishment of "skid rows" as a separate urban area, the product of "the late nineteenth-century segregation of the city by class, race and ethnicity" (4). Here people enjoyed basic services that were not available outside the area. As a result, homelessness took place largely outside the public eye, and those living in other areas were not confronted with "skid-row bums" or the conditions that produced and maintained them. Causes were usually deemed to rest with the individual, such as "laziness, a lack of religiosity, and poor socialization" (4). The book uses the Bowery, New York's infamous former skid row, as a point of departure to link national trends and provide insights into twentieth-century homelessness and poverty in urban America.

When skid rows first emerged, as a reaction to the 1837 Supreme Court ruling that banished vagrants from cities, they were enclaves with a large majority of white males.

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Relief programs did not focus on women since it was assumed they could simply find a man to provide for them. The Bowery also did not host a great many African Americans because white homeless individuals and many support institutions were often aggressively racist. After the Great Depression, skid rows were flooded by poor people looking for aid. Supply could not keep up with demand and the new poor started building "Hoovervilles" within urban areas. This public display of poverty forced officials to develop new ways of providing relief. In addition, ideas about homeless people became less stigmatizing, since it was something that could realistically happen to anyone. This mindset changed after World War II, when only a small percentage of the population was left outside the general increase in wealth. The general opinion was that there were many opportunities to lift oneself out of poverty, a basic belief of the American public, as McCall described. In the 1960s, urban renewal programs and new laws that decriminalized homelessness focussed on demolishing skid rows and dispersing the homeless across cities. This caused heated debates since many people still felt that homeless people did not have the right to reside inside their cities. In the search for solutions, sociologists started to examine whether the causes of homelessness lay with specific characteristics that these individuals all shared. During Reagan's presidency homelessness was again seen as an urgent national crisis, but the public was again divided. While some felt compassion for those suffering from the widening of the inequality gap, others deplored the wide use of crack cocaine among homeless people, confirming that the homeless were responsible for their own destitution and so did not deserve any help.

The skid-row era came to a definite end with the Homeless Assistance Act of 1986. Although Howard does not provide any statistics on the current number of homeless people in the US, she seems to believe that this has been successful. As part of this Act, the Federal Strategic Plan to End Homelessness came into being in 2010, a move that, according to Howard, is promising because it is based on pubic–private cooperation between government and nonprofit organizations, something that has been troublesome in the past. Moreover, the plan addresses both structural causes of homelessness such as unaffordable housing, and individual problems such as substance abuse. She also argues that the authors of the Strategic Plan have learned from lessons of the past. She concludes by carefully stating that the only long-term solution to fighting homelessness is government involvement, but she is doubtful that the American public will accept a larger welfare state in times of recession, in contrast to the situation in the 1930s when Roosevelt introduced his New Deal. Howard argues that it would take people to "set aside individualistic judgments long enough to invest in social service programs of this scale," and the situation is perhaps not dire enough for people to accept that (222).

Homeless: Poverty and Place in Urban America offers a rich history of homelessness in America. By analysing both primary and secondary sources dating back over similar periods, Howard mixes accounts of homeless people with public opinion and the contemporary academic debate. The result is a comprehensive image of what it meant to be homeless during various periods of the twentieth century, and how it was dealt with in the public sphere. Howard has produced a very elaborate and precise study, perhaps lacking in nuance, but demonstrating the in-depth involvement of the author in the topic. As a result, the book does successfully delve into the recent past to provide a new perspective on current policies.

Piketty sees the larger rate of return on capital than on labor as the main source of inequality in capitalist countries. Although McCall focusses solely on the United

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States, her arguments fit Piketty's central thesis the closest. She finds that solutions for economic inequality in the United States are rooted in a focus on creating equality of opportunity rather than outcome. As a result, public policies are aimed at assisting larger companies and the people who hold most of the means, so that they can then act to lift the general economic tide by creating opportunities for all Americans. Similarly to Piketty, McCall concludes that these policies do not create a fairer economic situation for all but rather achieve the opposite. Kneebone and Berube's focus is even more specific since they primarily study poverty in suburban areas. The causes of this kind of poverty are a combination of a general decrease of wealth among the population already living in these neighborhoods as well as among people moving in, and a lack of effective relief due to missing facilities. In other words, because of the idea that suburbs were areas in which middle-class to higher-class people resided, spatial planning agencies did not take poverty relief into account. Likewise, Howard argues that the causes of "chronic" homelessness have for a large part been geographical in nature. Ever since the Supreme Court ruling of 1837, homelessness was something that existed on skid rows and was invisible for most of the population, resulting in negative stigmas surrounding homeless people.

All the authors reject the dominant idea that Americans tolerate inequality. This is due to the fact that they all find causes of poverty in structural sociological problems rather than in individuals who do not grasp the opportunities presented to them. A striking example of this approach is McCall's *The Undeserving Rich*. The title alone states that the rich are not rich because they somehow *deserve* to be rich. Rather, they are rich in large part because of the American economic and political system.

Beyond that point, Piketty and McCall diverge in opinion. As a solution to the problem of inequality, Piketty argues that the only long-term solution is the creation of firm public policies that promote progressive taxation. McCall claims that in the American case this would probably be less effective, partly because the public sees the private sector as the engine of economic growth. In her view, companies should collaborate and provide people with real opportunities that directly create fair outcomes. However, she does end by stating that if this does not work, governments should take action by providing redistributive measures based on "the expansion of opportunity for the majority of Americans" (227). In other words, government only becomes a decisive actor rather than a facilitator *if* the private sector does not deliver acceptable outcomes. Even then the government can adapt outcomes but should not concern itself with creating fair opportunities.

Kneebone and Berube propose a solution midway between those proffered by Piketty and McCall by arguing that an approach from the bottom up would work best. Local companies and institutions can signal what needs to be done in order to target inequality effectively. Governments can in turn support and fund local initiatives, and the authors emphasize the importance of interaction between the public and private sectors.

Lastly, Howard first and foremost believes that people should learn from the mistakes of the past. In this, her ideas connect to Piketty's elaborate analyses of tax records over many decades, which provide the basis for his theoretical propositions. Furthermore, Howard believes that a combination of individual problems and structural issues needs to be addressed by the government in order to target poverty effectively. Similar to Piketty, she is an advocate of government intervention, but is less optimistic that the American public will tolerate a larger welfare state during a recession.

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As these three books demonstrate, widespread intolerance of inequality is still mixed with a general lack of faith in government and a continuing belief in the free market as the holder of solutions. In this sense Piketty's *magnum opus* seems to be out of step with mainstream American opinion. But the Frenchman has responded in kind to everything that the critics have thrown at him. Replying to a substantial critique from the *Financial Times* which questioned both the data used and the results that point to a considerable inequality gap in Britain, he posted a 4,400-word defense on his own website that attacked the newspaper's own methodology and dismissed the *FT*'s attack as not "particularly constructive." Piketty stands by his claim that his book, and the accompanying data sets available online, are there "precisely because I want to promote an open and transparent debate about these important and sensitive measurement issues."[8] This is an admirable stance to take, and provides the perfect backdrop to the three books covered here. This is not just about the failure of market mechanisms; it is also a strong message about the need to regain faith in the role of government as a guarantor of the general good.

[8] "Addendum: Response to FT," 28 May 2014, available at http://piketty.pse.ens.fr/files/capital21c/en/Piketty2014TechnicalAppendixResponsetoFT.pdf, accessed 2 Dec. 2014.

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