

Review of the article: “Rawls’ fairness, income distribution and alarming level of Gini coefficient” by Yong Tao, Xiangjun Wu, and Changshuai Li

This is an excellent technically and analytically paper. But, it reminds one of new neoclassical theorists who claim that the welfare costs of monopoly are miniscule, that the welfare costs of the business cycle are negligible, and... that in sum we all live in an angelically made world. But, certainly, the reality of the political economy is quite different. This paper, one in the sensitive socio-economically issue of income distribution, needs to address in a note this precisely reality by taking into account the following comment:

The rising wealth inequality induced by the top 1% since the 1980s has been documented conclusively, and has been judged almost unanimously by non-neo neoclassicists to be quite harmful from any point of view (Palma (1), Piketty and Saez (2), Rodrik (3), Stiglitz (4)). An exponential post-1990 income distribution has been documented more or less in line with the authors of this paper, and as may be seen, for instance, through the so-called Palma ratio. The 50% of income earners between deciles 0.4 and 0.9 get their income share of 50%; the problem is with the top 10% and the bottom 40%. By all accounts, responsible for this inequality is the post-Reagan neoliberalism as summarized, for instance, by Soldatos (5). He maintains that the current under-consumption-cum-under-production worldwide regime has come up in a Say’s law fashion mainly because, letting r be the rate of return on financial capital, and ρ the rate of return on real capital, neoliberal financial globalization has produced the inequality: $r > \rho$, discouraging growth. Therefore, anything else but efficiency has been accompanying the neoliberal evolution of income distribution. Moreover, judging from the rising public debt all around the world, this trend of inequality has been accompanied by dynamic inefficiency from the point of view that the current and future generations are becoming worse off relative to the past generations of the welfare state, which would not be the case in the absence of neoliberalism. In sum, an exponential income distribution may be perfectly consistent with inefficiency and unfairness too, because unfairness does not mean equal opportunities but “punishing the cheater”, those who do not play by the rules of the game (Clark and D’Ambrosio (6)). The wealthy stopped playing by the rules of the (welfare-state) game when Soviet Union fell, which in turn raises the issue of sociopolitical stability-instability. Couldn’t it be that considerable parts of the peoples have been accumulating resentment against the new world order that is being prepared for them by the wealthy but have no political voice to express their agony and react because political parties are controlled by the wealthy too? Couldn’t it be that when this sociopolitical bubble bursts, the instability between 1990 and 1995 will look like “a walk in the park”? Increasing inequality has been accompanied by covert sociopolitical agitation. So, when the authors set a benchmark number for instability (0.5), this is really the number which will give rise to new Hitlers and Stalins and WWII. Is this the view of instability the authors have in mind?... Of course, China and India who are the net beneficiaries of neoliberal globalization, may be seen things differently...

References

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