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Review of *The Price of Inequality: How Today's Divided Society Endangers Our Future.* Joseph E. Stiglitz. Reviewed by Mary Huff Stevenson.

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Book Reviews

Joseph E. Stiglitz, *The Price of Inequality: How Today's Divided Society Endangers Our Future.* New York: W.W. Norton & Company (2012). $27.95 (hardcover).

Once upon a time, the United States was a land of upward mobility where, unlike European societies with more rigidly drawn class lines, children could expect to lead more economically comfortable lives than their parents. Now, however, as Joseph Stiglitz points out in *The Price of Inequality: How Today's Divided Society Endangers Our Future*, most of the Western industrialized world offers greater opportunities for intergenerational mobility than we do. Stiglitz, a Nobel Prize-winning economist, former Chair of the Council of Economic Advisors during the Clinton administration, former head of the World Bank, and currently a professor at Columbia University, cites evidence showing not only this decline in intergenerational mobility but also the startling growth in economic inequality. The degree of inequality in income and wealth in the U.S. is higher than it has been historically and also in comparison with other industrialized nations. Stiglitz's mission in this book is to explain how we got this point, why it is undesirable, and what can be done to change the situation.

Stiglitz links greater inequality with slower growth, more economic instability, and the danger of political instability. He apportions some of the blame for this on our economic institutions, some on our political institutions, and some on the interaction between the two that reinforces the essential unfairness of each. Large corporations can often exert economic power and they can withhold the relevant information necessary for consumers to make informed choices. Moreover, markets are shaped by rules that have been determined through a political process that is routinely undermined by the ability of corporations to influence legislation through lobbying and through political contributions to candidates. Rigging the rules of the game affects economic outcomes, and this sets the stage for the next round of political influence. The growth of inequality and the decline of intergenerational mobility are the inevitable result of this toxic interplay.

The growth of for-profit higher education is a good example of this dynamic. On the surface, federal government support giving low income students access to higher education might seem similar to the G.I. Bill's giving veterans access to higher education after World War II. However, while the latter helped to increase mobility and reduce inequality, the former does the opposite. As Stiglitz shows, the revision of bankruptcy law in 2005 made it less favorable to debtors. One aspect of the new law made student loans non-dischargeable in bankruptcy. This created lucrative opportunities for companies in for-profit higher education. They used high-pressure sales tactics and misleading information to induce poorly informed low income customers to enroll in programs of dubious value, with classes of dubious quality, and they made equally dubious promises of good career opportunities. High dropout rates and a poor record of job placement do not seem to affect the profitability of these corporations. Their students have little to show for it, though, aside from the debts that must be paid even if they are forced to declare bankruptcy. Lobbyists for these corporations successfully prevented Congress from establishing even minimal standards of performance to retain eligibility to receive federally-funded student loans, often the lion's share of their total revenue. This is only one of many examples that Stiglitz deftly dissects.

Much of Stiglitz's wrath is reserved for the financial sector, and rightly so. The deregulation of this sector has had disastrous consequences for our economy, especially at the lower end of the income distribution. The self-regarding titans of the financial sector are adept at what Stiglitz calls "rent-seeking"—appropriating income from the general public to themselves — but this should not be confused with the notion that they have produced anything that is truly useful.

Stiglitz argues persuasively that we must reverse our current path toward ever-greater inequality. This would require changing macroeconomic policies to give priority to full employment over price stability; investing in education and infrastructure; reigning in corporate power; reforming tax codes to make them more progressive; and protecting the safety net for the most economically vulnerable. He recognizes how difficult this will be but warns that we risk our future as a nation if we settle for anything less.

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Katherine Boo. *Behind the Beautiful Forevers: Life, Death, and Hope in a Mumbai Undercity.* Random House (2012). $27.00 (hardcover).

Katherine Boo has written an astonishingly beautiful account of an unforgiving world of bleakness and hope. *Behind the Beautiful Forevers* chronicles the lives of people of Annawaldi, a slum near the Mumbai international airport. With vivid detail and profound respect, Boo paints acute, poignant portraits of the struggling urban poor in globalizing India. Here's the striving Abdul, a boy who has made a profitable business scavenging and reselling recyclable materials. There's embittered, one-legged Fatima, in constant war with Abdul's family over a crumbling wall they share. Here's Asha, who obtains a degree of economic security as a corrupt local politician. Manju, her daughter, hopes to go to college. Kalu, a young boy, scrapes by as a trash picker. These are a few of Boo's key informants, and not all of them make it out of the book alive.

One of the many virtues of *Forevers* is its unsparing description of how these hard lives are shaped, and misshaped, by the moral and social ecology of Annawaldi. Corruption is the rule, trust the exception. When Boo's principals encounter the local police or courts, the results usually have nothing to do with fairness. It is striking that in this Mumbai slum practically no one trusts anyone. Social capital is low and cooperation is rare. The personal animosity between Fatima and the Hussains, her neighbors, has consequences both tragic and absurd. In Annawaldi, poverty is hardly ennobling. Readers will come to care deeply about the individuals in this book but will also be struck by how many live by a harsh zero-sum morality only partially alleviated by the bonds of family. With its