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Chrystia Freeland, *Plutocrats: The Rise of the New Super-Rich and the Fall of Everyone Else*. Penguin (2012). \$27.95 (hardcover).

The wonderful cover of the hardback edition of *Plutocrats* shows an early morning suburban scene in 21st century America: a young mother is walking little Johnny to the private jet, parked in their driveway, that will whisk him off to private school. Chrystia Freeland offers an unusual perspective on the massive growth of inequality in recent decades. Rather than focusing her attention on the losers, this veteran financial journalist gives us a close look at the global super-rich of this new Gilded Age—not the 1 percent, but the .01 percent. Her portraits and interviews are insightful, tough, and fair, but their implications for global political economy are alarming.

Freeland does not condemn the new super-rich, portraying them in all their complicated glory: very smart, hard working, and well-meaning, but also self-absorbed, self-justifying, and lacking empathy. In 2012, Mitt Romney's disdainful comments about the 47 percent of Americans who allegedly didn't pay federal income taxes provided a disturbing glimpse into a certain mindset. In this view, there are two groups of Americans: the industrious "makers," or job creators, and the lazy "takers," relying upon government handouts. In Freeland's account, the new global plutocrats in technology, finance, and other industries believe they hold the keys to a better future for all of us—as long as their innovations are not stifled by regulations or taxes and their efforts are amply rewarded, no questions asked. She wryly notes psychologist Dan Ariely's findings that individuals tend to believe that what is good for them personally is, surprisingly enough, right and just for the society.

The acceleration of globalization, the rise of free-market ideology, the spread of information and communications technologies, and the financialization of the global economy have led to weaker unions, lower taxes, reduced regulation, the offshoring of jobs to developing countries, and, of course, much greater economic inequality. Winner-take-all markets have developed across many industries, from professional sports to investment banking, expanding the ranks of the rich and super-rich across the globe. The benefits and costs of the

new high-octane capitalism are, as always, unequally distributed. In the United States, average wages and median family incomes have been declining for decades. At the same time, robust economic growth in China and India has pulled hundreds of millions out of extreme poverty.

Freeland argues that the global super-rich today are not, as in the past, mostly those who inherited their wealth, but are instead very talented individuals with immense drive. For their efforts, they have been rewarded with fantastic riches. She doesn't so much question the rewards themselves as much as their impact on political economy. The extreme wealth generated in such industries as energy and finance enables lobbyists to buy disproportionate influence over the political and regulatory systems of many nations, not least in the United States. In Russia, China, Mexico, and other emerging nations, a spate of new billionaires has emerged out of close and corrupt relationships with the ruling party or government, granting them state-protected monopolies in lucrative industries.

Economist Willem Buiter tells Freeland that an even more insidious process of rent-seeking is "cognitive state capture," which is less about bribes and blackmail than the manufacture of a perceived identity of interests and values between regulators and industry. For example, decisions by the Federal Reserve or the SEC seem to cater more to Wall Street than to Main Street. The result of all this is weak regulation, the expansion of corporate subsidies, and a persistent pressure to reduce taxes for corporations and the rich. The social consequences include the collapse of the middle class in the United States, a shift in wealth and power from labor to capital, and the appropriation of almost all the gains of economic growth by the very rich.

Can we go on like this? No. In her concluding chapter, Freeland highlights the somber warning of Daron Acemoglu and James Robinson in *Why Nations Fail*. Surveying global history, they found that city-states, nations, and empires thrive when their elites create inclusive institutions that share the fruits of economic progress. But over time, greedy elites often rig the political and economic system to enrich themselves and perpetuate their power. This process closes off opportunities for new blood and new ideas, undermines the system's legitimacy, and leads to eventual collapse. Freeland argues that,

unless they are stopped, today's plutocrats in the U.S., Russia, and other nations will blithely lead us down this unfortunate path. The rest of us must take collective action to reign in their growing dominance of politics and government.

Plutocrats is a highly readable work of journalism, not social science. Nevertheless, it offers invaluable insights on global political economy for students, faculty, and the interested public.

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