

21st Century Capitalism of Equality

Mark Buchanan, Author: *Forecast: What Physics, Meteorology and the Natural Sciences Can Teach Us About Economics*

Laurence Kotlikoff, Professor of Economics, Boston University

Danny Leipziger, Managing Director, Growth Dialogue

Han Duk-Soo, Former Prime Minister of Korea (2007-2008)

“Inequality is something you can expect in any basic economy,” said Mark Buchanan, setting the tone for the 2015 World Knowledge Forum panel titled 21st Century Capitalism of Equality.

Dr. Buchanan, the author of *Forecast: What Physics, Meteorology and the Natural Sciences Can Teach Us About Economics*, said that because inequality is a natural feature of economies, governments must take advantage of the fact that there is room in the framework of capitalism for adjustments and taxes.

Several of the panelists took the view that capitalism itself was not to blame, but rather today’s form of capitalism, which gives too many advantages to the wealthy.

“The capitalism which contributed very much to the prosperity of lifting a lot of people out of poverty cannot be blamed as the real culprit for this income inequality,” said Dr. Han Duk-Soo, former Prime Minister of Korea.

“We could look at the case of Vietnam,” said Dr. Danny Leipziger, Managing Director of Growth Dialogue. “Prior to embracing the market in 1990, everybody was equally poor. Vietnam’s GDP per capita grew from \$150 to \$1,500 in a period of 25 years due to the government’s change of policy.

Dr. Laurence Kotlikoff, Professor of Economics at Boston University, also agreed that the role of governments and their policies are important.

“Public goods aren’t going to arise naturally,” he said, arguing that things like highways and police serve crucial purposes in facilitating economic exchange.

He also said that companies need to take a larger role in considering the public good. He argued that companies like Google and Amazon must consider the impact of developing technology like automatic cars that have the potential to displace millions of workers as the means to a profit.

“They can be profitable and survive,” he said, “but they don’t need to take everything for themselves.”

Dr. Buchanan suggested a somewhat radical solution to the problem of the greedy pursuit of profit: a “maximum income.” Inspired by the ideas of British comedian Tony Hawks, he suggested that beyond some maximum income, wealthy people could be required to donate all their money to charities. He argued that it would help maintain wealth as a status symbol while discouraging greed.

Dr. Leipziger agreed that there is a moral aspect to capitalism, and said that governments need to step in to prevent undesirable outcomes of free markets, such as child labor or racial discrimination. However, he didn’t believe that stepping in to change the distribution of income was within the government’s role.

“I don’t think societies in general have a view about what is the right distribution of income,” he said.

However, all panelists agreed that, at a minimum, governments need to ensure that capitalism is fair instead of being rigged to favor large companies. Dr. Leipziger emphasized that the key to reducing inequality was maintaining low barriers to entry, which he called “one of the hallmarks of capitalism.”

“We have to make sure,” he added, “that strong market positions don’t give people a dominant voice to stop new ideas from entering the market.”

However, Dr. Han argued, capitalism was still the only economic system that could be trusted to continue to spur growth, saying that ownership creates the proper incentives for participants in an economy.

“Everybody knows that when we rent a car, we never wash it,” he said. “It’s only our car that we own that we wash it to make it more clean.”