

**Ufficio Stampa della Provincia autonoma di Trento**

Piazza Dante 15, 38122 Trento

Tel. 0461 494614 - Fax 0461 494615

uff.stampa@provincia.tn.it

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**The economist from the London School of Economics returns to Trento after 10 years**

# **ATKINSON: COMBATING INEQUALITY WITH TAXATION, THE WELFARE STATE AND EMPLOYMENT**

**Professor Anthony Atkinson, a British economist particularly concerned with themes linked to social justice, was present at the first edition of the Festival of Economics 10 years ago, as he recalled, and could not fail to return for this edition, dedicated to social mobility. "The greats of the world, from Obama to Lagarde, say that they are worried about the growth of inequality", he said "but they give no suggestions about who must do what and above all what should be done". There are instead many things that could be done, and in his last book Atkinson lists no less than 16; using fiscal measures for redistribution, as took place after the Second World War for example, and investing more in the welfare state, but also combating unemployment, increasing the lowest salaries, adopting a guaranteed minimum income and acting in relation to the accumulation of wealth and the link between capital and decision-making. Atkinson has no doubt that it is governments that must take the first steps.-**

In his presentation Atkinson started from his own country. In the last 40 years inequality in Britain has grown exponentially. According to the Gini coefficient, which measures differences in income among the nation's population, with a rating from 0 to 100, at the beginning of the 1960s the index in the United Kingdom stood at 25 per cent, while since then it has increased steadily. To return to the levels in the 1960s it would be necessary to increase tax rates by 20 per cent, something which is unacceptable for political decision-makers. At the top of the Gini index today there is South Africa, followed by China and India. The United Kingdom is just below the USA, as Stiglitz also recalled yesterday, while Italy is just behind them. So why should we worry about inequality? Above all, said Atkinson for intrinsic reasons: excessive inequality is morally unjustifiable, as is an excessive gap between the rich and the poor, which is closely linked to it. However, for those who are insensitive to this type of reasoning there are other reasons of a practical nature: inequality is responsible for a worsening of economic performance. As regards social mobility, the growth of inequality reduces in particular the opportunities for each citizen, above all young people (including those with talent).

"I imagine that at this very moment Renzi is saying that we must invest in human capital", remarked the Professor at this point, recalling that the public meeting with the Italian Premier was taking place at the same time as his presentation. I agree obviously, but it is not the only thing to do. First of all we must recall that innovation, technological progress and globalisation are not neutral forces. Somebody further up makes the decisions. If the decisions are left only to companies and the shareholders of these companies the technology will not necessarily be to the advantage of the whole of society".

Thus the decisions must be made first of all by governments, democratically legitimised. So what are the most important decisions for reducing inequality? "After the Second World War there was a strong reduction in income inequality, due to reconstruction, which created jobs, and the creation of the welfare state. Then from the 1980s OECD countries began to decrease redistribution. It is necessary to go back to those days, with progressive taxation rates and an increase in taxes on the wealth transmitted between generations, hence on inheritance. Furthermore, it is necessary to adopt a minimum guaranteed income,

going above all to those who work and make a concrete contribution to the society in which we live (EN: as in Trentino). Everyone must have the right to this and it should substitute tax relief, which is a source of inequality today. However, it is not enough to have a fairer tax system. It is also necessary to deal with the problem of unemployment and the income gap, establishing a minimum wage and increasing this when it already exists. Finally, it is necessary to act in relation to wealth and the relationship between capital and decision-making, often strongly unbalanced. For example, pension funds invest in companies, but those who receive a pension have no influence on the behaviour of these companies. The same is true of capital: small savers in truth receive very little, whereas larger investors are well remunerated. The answer cannot be taxation alone. It is also necessary to increase public finance". -

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