LITERATURE AND THE RISE OF TOXIC MERITOCRACY

Daniel Shaviro

December 12, 2016

Working Draft – Subject to Revision

1. INTRODUCTION

The very rich are always with us. While there are times when they can almost be ignored, we do not live in one of those times. In recent years, the ongoing rise of the super-wealthy has been documented, decried, and celebrated, but in any case endlessly discussed.

Contemporary fascination with the super-rich partly reflects the real world weight of pure numbers. Over the last thirty years, the world's billionaire population has increased more than a hundredfold. In the United States, even adjusting for inflation, the average wealth of members of the Forbes 400 has increased about tenfold. Wealth and income concentration at the very top have not been so high for a century.

But beyond the dry numbers, there are also cultural factors at work. Today's super-rich, like the elephant in the dining room that you are told not to think about, combine aggressive presence with attempted absence. Sometimes they are grabbing the stage, whether by running for President, making vast campaign contributions that attract troupes of presidential candidates to seek their blessings, buying high-profile sports franchises and newspapers, or issuing provocative statements about how even modestly raising their taxes would be like Hitler's invasion of Poland. At other times, they are retreating into private communities, "behind locked gates, spiked hedges, floodlights, electronic surveillance gadgetry and personal bodyguards" (Fraser 2015, 295). When traveling, they avoid even the cushy business class / TSA Precheck version of airport scrums, preferring (and who can blame them?) to use private jets that share only airspace with the rest of us. Somehow they are both omnipresent and yet so poorly visible that Americans dramatically underestimate their share of national income and wealth.

Indeed, dualities and multiplicities abound with respect to the very rich and how we view them – extending also, one suspects, to how they view themselves. Consider the famous exchange between F. Scott Fitzgerald and Ernest Hemingway – mythically in snappy dialogue, although actually in dueling short stories. The "very rich" are "different than you and me," wrote Fitzgerald. "Yes, they have more money," riposted Hemingway, winning the exchange whether or not we actually agree with him more.

Fitzgerald was not entirely, at least in his own mind, romanticizing the very rich. They are "soft where we are hard, and cynical where we are trustful, in a way that, unless you were born rich, it is very difficult to understand. They think, deep in their hearts, that they are better than we are." But to Hemingway, or at least to his narrative voice, they were just "dull and they drank too much, or they played too much backgammon. They were dull and they were repetitious."

While one doubts that many of the very rich would embrace Hemingway's particular version of calling them ordinary, surely they, no less than we, feel the pull of both views here. To be different is a precondition of being better. Yet to be the same offers protective coloration that may be convenient, or even vital, in a mass society with an excitable press. And the rest of us may similarly feel pulled in multiple directions when thinking about the very rich. Admiration, emulation, empathy, envy, resentment, blame, dislike, indifference, and bemused dismissal all have their at least emotional uses.

In one familiar guise, the rich are gracious benefactors, extraordinary visionaries, or perhaps even Ayn Rand supermen. In another, they are just regular folks who happened to work hard and live right, earning every penny the old-fashioned way. In a third, they have merely benefited from dumb luck, whether in choosing their parents or placing eyes-closed bets that happened to pay off, falsely suggesting to themselves and others that they must be geniuses. And in still another guise, the rich are those people who can conspicuously, egregiously exempt themselves from the rules that apply to everyone else, whether it is Donald Trump avoiding federal income taxes, George W. Bush using his connections to avoid the Vietnam War and then not even finishing his National Guard duty, or Keith Richards (reputedly, even if not actually) breaking his heroin addiction, without the inconvenience of cold turkey, by getting all of his blood changed in a Swiss clinic.

Over the last two centuries – at least since the French Revolution dethroned the view that hereditary privilege is divinely ordained – much has changed in how the very rich relate to the rest of us. They now combine living more separate daily lives with facing new challenges to their privacy, such as due to social media. But also, there has been a fundamental change in how we think about inequality – how it might be justified, how those claims of justification might be contested, and how the super-rich and those below them in the social scale are expected to behave towards each other. All this reflects a shift from aristocratic or post-aristocratic values, based on honoring high birth and a hierarchical social order, to secular worship of the free market.

Why does a given individual belong at the top? – Once it was mainly a matter of birth and breeding. Now, however, we celebrate the self-made super-rich. The geek in the garage has replaced the gentlemen from the playing fields of Eton. In such an environment, even people who started at the top often now want to present themselves as self-made. Hence the phrase, “He was born on third base, and thought he hit a triple.”

Thus, Donald Trump presents himself as a business genius, even though he reportedly earned a lower return on the wealth his father gave him than he could have derived by investing in a Fortune 500 index fund. Tagg Romney is just a hard-working young entrepreneur who, through his talent and ideas, managed to launch a multi-million dollar mutual fund, in the middle of a crippling recession, while his father just happened to be running for president. “Our relationships with people got us in the door,” he says, “but that did not get us investors.” And Chelsea Clinton, paid $600,000 by NBC as a cub reporter to conduct “lifestyle” interviews, including one of the Geico gecko, is afterwards “profoundly grateful to NBC viewers who responded to the stories I shared.”

Such people are “rentrepreneurs” – scions of inherited privilege, no less than eighteenth century rentiers whose parents left them generous fixed incomes, except that what they inherited was (or included) the opportunity to reap huge sums in the marketplace. Of course, notwithstanding the meritocratic protestations of the born-rich, it is all the better for one’s prestige if one did actually did rise through one’s own efforts, at least from the upper middle class, if not the proverbial gutter.

Indeed, “[n]ot since the Society of the Cincinnati has a ruling elite so vehemently disclaimed any resemblance to an aristocracy…. As cultural consumers they are careful to look down their noses at nothing except country music” (Andrews 2016). “It is as if the new elite are saying, 'Look! We are not some exclusive club. If anything, we are the most democratized of all groups" (Khan 2011, 135).

Why do the super-rich as a group deserve (or not deserve) to have so much? – The shift to rationalizing one's rightful place at the top based on what one has done in the marketplace, rather than on whom one "is" (in the sense of family background), has been accompanied by changes in the conceptualization of why one deserves to have so much, what one owes to people in the great mass below, and why inequality might be good for them, too. Two centuries ago, at least in Europe, there were still surviving relics of a feudal view, under which the great and the humble were connected by mutual obligations, involving the exchange of gracious beneficence for grateful deference. But now the claim instead is that those at the top, simply by earning their billions, have improved everyone else's lives. They may be called "job creators" – in national politics, a frequently used synonym for "people in the top income tax bracket" (see, e.g., Burns 2012). Or they may be lauded based on a crude version of Adam Smith's invisible hand. Thus, according to Gregory Mankiw (2014), CEOs "oversee[] billions of dollars of shareholder wealth as well as thousands of employees," such that the "value of making the right decisions is tremendous," ostensibly making it only natural that they should be highly compensated.[1] Under this view, while "the richest 1 percent aren't motivated by an altruistic desire to advance the public good …. in most cases that is precisely their effect" (Mankiw 2014). Beneficence effectively results in practice, even without anyone's consciously trying to aid others.

[1] Mankiw 2014, lest he be accused of admiring only corporate executives among the most highly compensated professions, makes sure to insist as well that those in the finance industry, other than a few bad apples such as Bernie Madoff, "play a crucial economic role" in allocating investment, while taking enormous risks for which they must be compensated. Likewise top actors "deliver[] extraordinary performances in hit films … entertain[ing] millions of filmgoers."

A contrary view challenges these justifications head-on. To Joseph Stiglitz (2013), even the most deserving among the super-rich gain far more from the U.S. market system than they either need or deserve. “[O]ne can’t really separate out any individual’s contributions from those of others” (97). Stiglitz sees little need to worry about dampening incentives among people at the top, as for the most part they benefited from “luck or the exercise of monopoly power, or are motivated by nonpecuniary incentives” (343).

Stiglitz also emphatically rejects the claim that extreme high-end wealth generally reflects the benign operation of Adam Smith’s invisible hand. “To put it baldly, there are two ways to become wealthy: to create wealth or to take wealth away from others. The former adds to society. The latter typically subtracts from it, for in the process of taking it away, wealth gets destroyed” (40). He suggests that the latter path to the very top is often the easier and more lucrative one, and that “even genuine wealth creators often are not satisfied with the wealth that their innovation or entrepreneurship has reaped …. [and] eventually turn to abusive practices like monopoly pricing or other forms of rent extraction to garner even more riches” (40).

For Stiglitz, no less than Mankiw, CEOs and the financial sector are cases in point. Amid the Great Recession, “bank executives received outsize bonuses for outsize losses, and firms fired workers, claiming they couldn’t afford them, only to use the savings to increase executive bonuses still more…. It strains credulity to think that …CEOs” who get paid 200 times as much as their workers are worth it in productivity terms (26).

Whichever side one agrees with, today's battles are fought over claims based on meritocracy, rather than on the prior turf of natural hierarchy versus egalitarianism. One important consequence of the change in battleground is that meritocratic hierarchy, operating via private wealth creation, implies that the super-rich owe no duties towards those below them, other than perhaps to keep on working hard in pursuit of their own enrichment. Moreover, meritocratic justifications for extreme wealth at the top, when married to a sacralized view of the free market, can readily suggest scorning those who have struggled or failed economically. The less well-off may be viewed as not just losers but also moochers (if they receive any government support), whose fate is best explained by positing that they must be (a) lazy, (b) stupid, (c) lacking in self-discipline and foresight, or (d) all of the above.

Why now, and so what?

One clear reason for today's intense interest in the super-rich, despite the extent to which they live separate lives, is that they really have blasted off economically from the rest of us in recent decades. A recent paper by economists Emmanuel Saez and Gabriel Zucman (2014) found that, in the United States, overall wealth inequality has sharply risen over the last thirty odd years, almost entirely due to the rise of the top 0.1 percent in the wealth distribution, who held only 7 percent of the national total in 1979, but by 2012 held 22 percent.

In short, speaking of the "one percent" versus the "ninety-nine percent" actually misses the point. The 0.1 percent have been pulling away even from the one percent – and, for that matter, the 0.01 percent have been pulling away from them, and the 0.001 percent from the 0.01 percent, in a process that economists call "fractal inequality"

(Lowry 2014). Just as, in a fractal such as snowflake, one finds the "same amount of 'jaggedness' or 'unevenness' at every scale" (Easterly 2010), so, in data covering the last few decades, "one sees the pattern of growing inequality among the population as a whole replicated within any subgroup of that population" (Krugman 1994, 133).

The top 0.1 percent (or an even smaller slice) is the real locus, not just of the main action in recent decades, but also of the concerns that underlie anxiety about the rise of plutocracy. Having a net worth of, say, $4 million – which Saez and Zucman (2014, 47) identify as the 2012 threshold for the top 1 percent in the United States – is all very well, but even $20 million, the 2012 threshold for the top 0.1 percent, is arguably a lowball estimate of what we have in mind today when we talk about the "super-rich." Consider the following table, courtesy of the late Felix Dennis, the flamboyant publisher of Maxim Magazine:

- $2-4 million: The comfortable poor
- $4-10 million: The comfortably off
- $10-30 million: The comfortably wealthy
- $30-80 million: The lesser rich
- $80-150 million: The comfortably rich
- $150-200 million: The rich
- $200-400 million: The seriously rich
- $400-800 million: The truly rich
- $800 million - $1.998 billion: The filthy rich
- $1.998 billion and above: The super rich. (Dennis 2008, 5).[2]

Is this list meant to be taken seriously, rather than as envy porn, when even the "comfortable poor" have three to six times the wealth level that one would need to reach

[2] Dennis (2008, xix) estimated his own net worth as somewhere between $400 million and $900 million. Thus, by his own metric, while at least "truly rich" and perhaps even, although just barely, "filthy rich," he fell short of being super-rich.

the 90th percentile?[3] As Timothy Noah (2012, 145) notes, it "makes no arithmetical sense" to call people in the 90th percentile even middle class, much less poor, no matter how they think of themselves. By this entirely rational metric, Noah, ranking people by annual income rather than wealth, views those who are making between $109,000 and $153,000 per year (the parameters of the 90th to 95th percentile for 2008) as actually "sort of rich" (146). But to those even who deem themselves middle class despite being close to the top, perhaps all that matters is that they espy others both above and below themselves. If you care a lot about relative position, that alone may prove to your own satisfaction that you are situated in the middle.

The rise of the top 0.1 percent or higher has been widely noticed, even by people who are unversed in current economics research. Indeed, if you follow national politics, with its tales of billionaires running for president or bankrolling others' campaigns, the high-end distributional trend that Saez and Zucman document is hard to miss. The same holds if you live in a city, such as New York or London, where the very rich actually do cross paths to a degree with others, and where prime downtown areas that used to be depressed, and after that had mixed-income visitors and residents, increasingly are "being remade as … private playground[s] for millionaires" (Wells 2015).

Consider what happened in Greenwich Village, in New York City, after the closure of St. Vincent's Hospital, which once catered to sixty thousand people per year in its emergency room alone (Clarke 2010), reflecting local population density and the lack of any other nearby hospital. Local residents vociferously demanded the construction of a new hospital on the site. In the end, however (and it wasn't even close), there was

[3] According to Saez and Zucman (2014, 47), as of 2012 the 90th percentile for U.S. households, ranked by wealth, started at $660,000.

simply too much money to be made from an alternative use. Much of St. Vincent's ended up being replaced by The Greenwich Lane, a self-styled "collection of five unique addresses and five townhouses" that offer "timeless sophistication built for modern living." The newly constructed buildings are "centered on a core of green space in a rare, large private garden, while a staggering array of state-of-the-art amenities delivers an unheard-of level of character and service for all of the residences," which of course feature "custom-made luxury, bridging the glamour of Old New York to the ease and individuality of modern living." Initial sales prices per unit ranged from about $3 million to $20 million.

So much the worse, then, for everyone else in the West Village, with their average net worth of merely $1.3 million[4] – not even "comfortably poor," by Felix Dennis's rubric, although well into the top 10 percent as measured by Saez and Zucman. Now, to be sure, others might view the West Villagers as themselves a bit too well-heeled to feel so righteously aggrieved. And the West Village itself had seen an earlier demographic transition, from which many in today's complaining cohort had benefited: the replacement of less affluent households by more affluent ones as New York City revived beginning in the 1990s. Yet the incident helps to show that the rise of the super-rich has been widely noticed, even (or perhaps especially) by people who, by broader societal standards, are not doing so badly themselves.

Current fascination with the super-rich does not, however, just reflect their growing consumer footprint. The 2008 financial crisis and subsequent Great Recession, brought on by the machinations of highly compensated bankers – who appeared to receive giant bailouts from the government, and giant bonuses from their firms, at almost

---

[4] See http://www.realtor.com/local/West-Village_New-York_NY/lifestyle (as of December 18, 2014).

the same moment – triggered rage on both the left and the right. Both the Occupy Wall Street and the Tea Party movements drew anti-elitist conclusions, although only the former focused on criticizing the wealthy, with the latter instead nominating Big Government as the villain. Banker bonuses are no longer in the headlines, but the aftermath of 2008 has helped to keep alive a widespread view that the wealthy control the economy and the government, to their benefit and everyone else's detriment.

In 2014, this social and political environment helped yield the extraordinary spectacle of a 700-page tome, Thomas Piketty's *Capital in the Twenty-First Century*, spending months atop bestseller lists and generating massive press coverage. Piketty, a previously obscure French economist, had filled his book with charts analyzing two centuries' worth of wealth and income data from multiple countries, not to mention equations purporting to set forth "fundamental laws of capitalism." This is not the usual formula for writing a bestseller, but evidently the time was right.

In this book, Piketty argues that high-end wealth inequality is likely to keep on growing indefinitely, unless the political process intervenes. He fingers idle rentiers, living off their trust funds – not CEOs or bankers, whose children, he argued, will simply join the rentiers' ranks – as the key figures in this trend. Piketty's concern is not so much that rentiers are idle. After all, he is French, not American. Rather, he complains that personal merit has nothing to do with their success, and that those among us who chose the wrong parents, by not being born into the rentier class, may never have a chance to catch up with them. He also views rentiers as "enem[ies] of democracy," which he argues cannot meaningfully survive unless we reestablish "democratic control of capital." Piketty points to the rentier societies depicted in classic nineteenth century literature, such as the works of Jane Austen and Honoré de Balzac,[5] as showing where we may be headed unless government policy intervenes or we otherwise get lucky.

In the ensuing debate, Piketty's historical and contemporary data analysis has mostly held up well. He has faced considerably more criticism, however, for attributing gains at the top to the role of "capital," rather than to rising high-end wage inequality, which he admits has the greatest explanatory power in U.S. data. Hence, a better literary model than Austen and Balzac for the rise at the top is "the Masters of the Universe portrayed so well in Tom Wolfe's The Bonfire of the Vanities" (Sandborn 2014). The new super-rich, unlike Piketty's rentiers, are anything but idle – and also, given their hard work and long hours, devoutly believe that they are anything but undeserving.

Evaluating the Rise of the Super-Rich

When a society witnesses so rapid and steep a rise in high-end wealth concentration as ours has in recent decades, two important questions emerge. The first is, should we be alarmed about it? The second is, if we are alarmed, then what should we do about it?

In both public and expert discussion of these questions, as of so much else, economists often dominate the conversation. The profession is everywhere so ubiquitous that, "if you are running a think tank, a media outlet, or a major corporation, and don't have your own pet economist on the payroll, you're the exception." By contrast, "the president does not receive advice from a Council of Sociological Advisers, and … there is little demand from Wall Street for sociological insights" (Wolfers 2015).

[5] As I discuss in chapter **, Piketty's take on Balzac is arguably a bit askew. While rentiers are important features of the landscape in Balzac's fictional world, much of his writing concerns arrivistes, or people seeking (at times successfully) to rise from humble origins and crash the highest reaches of nineteenth century Parisian society. See Bankman and Shaviro (2014).

The degree of domination of the high-end inequality debate by standard economic analysis has been unfortunate, even though that analysis has much of value to contribute. The problem lies not in what it includes, but in what it leaves out. In particular, two key framing errors (or, at best, omissions) have led the direction of economic analysis awry. These relate to (1) grasping the importance of the difference between high-end and low-end inequality – plutocracy versus poverty – and (2) asking why and how extreme high-end inequality might be socially harmful, if it is.

Death to the Gini coefficient? – According to an old joke, a statistician whose head was on fire, while his feet were encased in a bloc of ice, reported that, on average, he was very comfortable. This mythical individual brings to mind the Italian statistician Corrado Gini, who devised the famous Gini coefficient, measuring statistical divergence from a perfectly equal distribution of, say, wealth or income. Gini not only created the measure that bears his name, but also urged that it be used to express numerically the extent of a given society's material inequality.

The two cases admittedly differ in an important respect. The problem Gini missed relates to interpretation, rather than measurement. Under his coefficient, extreme inequality at both the top and the bottom of a society will not statistically offset each other, yielding a false reading of zero aggregate inequality, along the lines of the fire-and-ice example. Instead, each will raise the quantum of inequality that the measure detects. Yet the coefficient still has the defect of amalgamating two normatively distinct phenomena in a single numerical expression.

It thus risks creating as much confusion, or at least conflation between distinct issues, as it does enlightenment. Consider first low-end inequality, or poverty as measured relative to the mean or median in a given society. It matters because, if some people are worse off than the rest of us, basic human beneficence supports trying to help them. High-end inequality is different. Would the idea, in addressing it, be just to make very rich people worse-off, even if no one else gains as a result? From the standpoint of beneficence, why would we want to do that? Thus, the view that we should seek to reduce high-end inequality is easiest to embrace if it has harmful effects on people below the top (or on everyone).

This distinction makes normative assessments of poverty and plutocracy fundamentally non-parallel. The one is primarily about helping people directly. The other is primarily about adverse external effects – like those from pollution. So we can't entirely use the same set of intellectual tools to think about both.

Yet this is exactly what the branch of economics that has the most to say about "inequality," and that I know best professionally, actually does. I refer to public economics and what is known as the optimal income tax literature, dealing with tax policy, which obviously might be a key tool for addressing high-end inequality.

What does this literature tell us is the key issue raised by inequality, both high-end and low-end? The answer is just three words long: declining marginal utility – period, full stop.[6] The underlying concept is very simple. It holds that, as a basic empirical fact about people, the extra utility that one derives from each extra unit of a

[6] More precisely, public economics assume that people have utility functions, determining both their choices and their experience of subjective welfare, in which own consumption of market goods plus leisure is all that matters, subject to only two further assumptions. The first is non-satiation. That is, more of any item is always preferable to less of it, all else equal. In effect, there's always room for Jell-O (as a rather revolting advertising campaign once put it), and indeed for all other goods as well. The second assumption is declining marginal utility. See Shaviro 2016, 100.

given item is always less than that produced by the preceding unit. For example, the second slice of pizza never satisfies quite as urgently as the first.

As applied between people who are materially in unequal circumstances, but who experience pleasure and pain similarly, declining marginal utility implies that, say, a thousand dollars is likely to matter far less subjectively to Bill Gates than it does to you or me, and far more to a starving or homeless person than it does to either of us. So transferring a thousand dollars from Bill Gates to you or me, or from you or me to the homeless person, seems likely (all else equal) to increase the recipient's welfare far more than it reduces that of the person who lost the money.

While views may differ, I myself regard this empirical claim as both generally true and important to the assessment of policy responses to high-end inequality. But is it *all* that matters, when one is assessing how high-end inequality affects people's lives, and thus how (if at all) we might want to address it? That is a genuinely crazy claim – albeit par for the course in debates about taxing the rich.[7] Only someone who was wearing thick blinders could seriously entertain it.

Professional training can provide such blinders, however, even (or perhaps especially) when internalized by very smart people. In public economics and optimal income tax theory, the blinders take the form of assuming that personal wellbeing (aka "utility") is solely a function of the pleasure derived from one's own consumption of material goods plus leisure – rather than as also being affected by myriad other factors, including one's status or relative position.

How could so restrictive a view of what people care about ever have been widely adopted by economists? And how, when they were so restricting themselves, could their

[7] E.g., as I discuss in Shaviro 2016, it's assumed in Diamond-Saez.

discipline have arisen to so dominating a position among the social sciences? The answer is that the reasons for the discipline's great triumphs and its insufficiency as a tool for evaluating high-end inequality are the same. The use of extreme simplifying assumptions can have large advantages. The trick is just to distinguish between the cases where it mainly helps, and those where it provides focus at the price of myopia. This in turn reflects a broader set of tradeoffs in the practice of social science.

The Mapmaker's Dilemma

Economists and other social scientists, like mapmakers, aim to provide models of some part or aspect of the world. These models must combine being reasonably accurate with being sufficiently usable and useful. Unfortunately, these two objectives are often in direct conflict. Hence, economists who are studying real world social or economic phenomena, such as high-end inequality, face a version of what I call the "Mapmaker's Dilemma."[8] That is, they must choose between how much accuracy, as opposed to how much usability, they are willing to sacrifice.

Leave it to Lewis Carroll to have identified one very clear and clean response to the Mapmaker's Dilemma. In *Sylvie and Bruno Concluded*—the second volume of a kind of follow-up to the *Alice* books that strews gleaming, beautiful diamonds of Carroll's delightfully hyper-logical nonsense amid gobs of gooey, indigestible sentiment—a mysterious visitor from a foreign land or world, known only as Mein Herr, asks the narrator:

"What do you consider the *largest* map that would be really useful?"

"About six inches to the mile."

[8] This term appeared earlier in Williamson (2014).

"Only *six inches*!" exclaimed Mein Herr. "We very soon got to six *yards* to the mile. Then we tried a *hundred* yards to the mile. And then came the grandest idea of all! We actually made a map of the country, on the scale of *a mile to the mile*!"

"Have you used it much?" I enquired.

"It has never been spread out, yet," said Mein Herr: "the farmers objected: they said it would cover the whole country, and shut out the sunlight! So we now use the country itself, as its own map, and I assure you it does nearly as well."[9]

The Mapmaker's Dilemma has two distinct elements. First, miniaturization inevitably means loss of local detail. Second, usable maps must generally be flat, but the Earth is spheroid. While this hardly matters when the scale is sufficiently small, for maps of the entire world it leads to significant distortion. Different regions' shapes or relative sizes must be misrepresented, for the same reason that one cannot simply flatten out the skin of an orange. This offers considerable scope to choose the distortions that one finds personally most amenable, and then perhaps to forget that they are distortions. Perhaps it is not entirely coincidental that North Americans and Europeans still commonly use the Mercator projection method, dating back to 1569, which—while offering accurate shapes for the world's large landmasses—greatly exaggerates the northern continents' sizes relative to those of Africa and South America.

Economists, like real world mapmakers and unlike Mein Herr's countrymen, have leaned towards usability—albeit inevitably at the expense of perfect accuracy. This has

[9] Jorge Luis Borges apparently liked this passage enough to use it as the inspiration for a one-paragraph short story, fittingly named "On Exactitude in Science." There, he carries the narrative a step further. In a great empire somewhere, "the Cartographers Guilds struck a Map of the Empire whose size was that of the Empire, and which coincided point for point with it." Succeeding generations, however, found this map so "cumbersome" that, "not without irreverence," they "abandoned it to the Rigours of sun and Rain. In the western deserts, tattered fragments of the Map are still to be found, sheltering an occasional Beast or beggar; in the whole Nation, no other relic is left of the Discipline of Geography."

served the field well. The rise of modern economics to the top of the academic pecking order reflects its many great triumphs in showing just how much one can explain by using very simple behavioral models that assume people care only about the utility derived from their own consumption and leisure, which is subject to declining marginal utility. Just as with maps, however, simplification comes at the dual cost of losing detail and flattening the underlying reality. Moreover, just as with maps, the flattening—in the sense of actually distorting important inputs to subjective welfare, not just simplifying them—matters more for a large-scale issue, such as the social evaluation of high-end inequality, than it does for a small one, such as understanding how equilibrium emerges in the market for vanilla beans or canola oil.

What About High-End Inequality Does One Miss By Focusing Just on Declining Marginal Utility?

Why might extreme high-end inequality may be bad for everyone below the top, even wholly leaving aside the issue of declining marginal utility? There is no shortage of possible answers. For example, it may lead to plutocratic capture of the political system by those at the top, enabling them to extract rents and greatly reducing its responsiveness to all others' interests (Bartels 2010; Gilens 2012). And it may reduce economic stability, output, and growth (Stiglitz 2013, 106). Claims of this kind call for conventional "hard" social science research, in economics and related disciplines, based on "theory, mathematics, rigorous methods, falsifiability, and replicability" (Graham and Kantor 2007, 1) in emulation of the physical sciences. Such research has indeed been ongoing, albeit well short of reaching any consensus.

However, the rise of the 0.1 percent also raises a set of subtler, more intangible issues that require very different modes of assessment. We are an intensely social species, and often a rivalrous one, prone to measuring ourselves in terms of others, and often directly against others. People thus "have deep-seated psychological responses to inequality and social hierarchy," creating the potential for extreme wealth differences to "invoke[] feelings of superiority and inferiority, dominance and subordination" that powerfully "affect[] the ways we relate to each other" (Wilkinson and Pickett 2014).

In one view, this causes extreme inequality to be akin to pollution (Subramanian and Kawachi 2006, 149), not just reducing happiness for all groups – the rich as well as the poor – but even (it is claimed) having measurable adverse effects on social trust, economic mobility, life expectancy, infant mortality, children's educational performance, teenage births, homicides and other violence, imprisonment rates, mental illness, drug and alcohol addiction, and obesity (Wilkinson and Pickett 2010, 19). While these claims likewise fall within the social science realm, at present they remain fiercely disputed (see, e.g., Snowdon 2010).

However that debate proceeds, it cannot entirely resolve the psychological and moral issues that inequality raises. How deeply and widely felt are the sentiments of superiority and inferiority, or dominance and subordination? How unhappy do they make people, and is the pain at the bottom greater than the pleasure (if such it is) at the top? Might this vary with time and place, even holding constant the economic statistics regarding high-end inequality? Are dominance and subordination inherently morally objectionable, even if people grow habituated to them?

An alternative framework to that of dominance and subordination suggests that, if people in the 99.9 percent feel diminished by the economic gulf between themselves and those at the top, this is just a matter of socially destructive “bitterness” and “begrudg[ing] others their prosperity” (Brooks 2014). Under this view, those who object to high-end inequality are merely expressing their malicious envy.

Arthur Brooks, president of the American Enterprise Institute, offers as illustration a comment once made by the pop singer Bono, explaining a difference he had observed between the United States and his native Ireland: “In the United States . . . you look at the guy that lives in the mansion on the hill, and you think, you know, one day, if I work really hard, I could live in that mansion. In Ireland, people look up at the guy in the mansion on the hill and go, one day, I’m going to get that bastard.”

Brooks then adds: “[P]sychologists have found that envy pushes down life satisfaction and depresses well-being. [It] is positively correlated with depression and neuroticism, and the hostility it breeds may actually make us sick.” The solution, he argues, is twofold. First, increasing mobility for the bottom of the income scale will induce people to think like Bono’s American, rather than like his Irishman. Second, everyone should agree to avoid “fomenting bitterness over income differences[, which] may be powerful politics, but [] injures our nation.”

In short, having diagnosed concern about high-end inequality, when expressed by the non-super-rich, as merely expressing their “envy,” Brooks argues that the sentiment is morally unworthy, easily remediable, and socially destructive—not to mention psychically self-destructive. Yet his focus is strikingly one- sided. All we hear about is the person who is staring up from below. We do not hear anything about the perspective or the actions of "the guy that lives in the mansion on the hill."

What if the Irish grandee does things that earn his downhill neighbors' hostility? Even in the absence of conflictual political or economic interactions, suppose he likes to impress them with his own social superiority and their inferiority. This would undermine all three elements of Brooks' case. We may now feel that the neighbors' hostility is more justified, even if we do not want them to actually "get" the grandee. Their side of the dispute may now seem less remediable, other than by addressing high-end inequality itself. And one could argue that what destroys social concord is the high-end wealth gap itself, not just one side's supposedly gratuitous reaction to a two-sided fight over status and power.

In the United States today, there can be little question that "class warfare" sentiments, if one wants to call them that, emanate from both sides of the divide between the top 0.1% and everyone else. Consider the ludicrous comments made by Silicon Valley venture capitalist and billionaire Tom Perkins, who infamously wrote to the Wall Street Journal so he could ungrammatically "call attention to the parallels of fascist Nazi Germany to [sic] its war on its 'one per- cent,' namely its Jews, to the progressive war on the American one percent, namely the 'rich.'"

To Perkins, apparently, expressing even mild criticism of our society's most powerful group is closely comparable to one of the greatest campaigns of organized mass murder in human history. When one considers that, in the contemporary United States, the "extremely wealthy are objectively far wealthier, far more politically powerful and find a far more indulgent political class than at any time in almost a century . . . [,] [Perkins'] claim manages simultaneously to be so logically ridiculous and morally hideous that Perkins deserves every bit of abuse” that he got (Marshall 2014). Yet Perkins does not stand alone, even in having “his self-censor and/or editor fail[] him so miserably.” For example, not long before, billionaire investor Stephen Schwarzman called proposals to tax hedge fund managers at the ordinary income rate faced by millions of Americans, rather than at special capital gains rates, an act of “war” that was “like when Hitler invaded Poland in 1939.”\ The ranks of billionaires comparing even mild criticism of the super-rich to the rise of Hitler also includes Home Depot founder Ken Langone.

While even three such anecdotes do not by themselves prove the existence of a broader trend, the contemporaneous rise of similar, if not always so extreme, anger and fear among members of the top 0.1% has been widely noted. This led to a wave of articles asking such questions as why billionaires are so angry at the rest of us (Surowiecki 2014) why they are so “whiny,” (Leopold 2010) and why they feel so “victimized” by political criticism that, as a historical matter, is on par for the course or even relatively mild (Freeland 2012).[10] However one answers these questions, clearly the social tensions resulting from the rise of the top 0.1%, and the distance between them and everyone else, cannot just be dismissed out of hand as merely reflecting a few maladjusted malcontents’ gratuitous and one-sided “envy.” We need to look more deeply and seriously at the issues around status and relative position that can arise when high-end inequality is so great.

[10] Josh Marshall (2014) argues that political “insecurity, a sense of the brittleness of one’s hold on wealth, power, privileges, combined with the reality of great wealth and power . . . breeds a mix of aggressiveness and perceived embattlement.” He thus views Tom Perkins’ feelings, if not his gross lack of tact and proportion in expressing them, as “pervasive” among the super-rich. Accustomed to extreme deference in their daily business and consumer lives, the super-rich find it humiliating and intolerable that they might need to “run to the political class hat in hand”—albeit waving large checkbooks—in quest of protection and reassurance

In order to evaluate such issues, one needs to go outside the boundaries of hard social science. Fortunately, there are available tools that we can use towards developing a better understanding, both of the psychic ramifications of high-end wealth inequality and of one's own intuitions regarding its moral significance. An example is "soft" social science, such as much sociology, that relies on the author's informal observations, either in-depth as to a particular society or else ranging freely across time. Thorstein Veblen's (1912) important work concerning "conspicuous consumption" is exemplary. More recent popular studies of class and hierarchy that feature an in-depth United States focus include such widely-discussed (and best-selling) works as C. Wright Mills's *The Power Elite* (1956), Paul Fussell's *Class* (1992), and David Brooks's *Bobos in Paradise* (2001).

The tool I will use here, however, is closely reading selected works of literature, both great and otherwise (along with the occasional play or film) that offer interesting perspectives on high-end inequality. These works range from the early nineteenth century to the present, are set mainly in the United States and England, and mainly feature realistic (at least in intent) close observation of the contemporary societies in which the authors were actually living.

My selection criterion is that I thought each of the selected works was interesting, and that the group as a role was heterogeneous (even if not comprehensively so) in multiple dimensions. I make no "hard" social science claim that they are, say, statistically representative regarding the sentiments that they depict. If other works should have been included, the remedy is for someone else to write in similar vein about them.

As we will see, my chosen tool, though not without significant limitations, also has unique advantages. In particular, literature can offer evidence that otherwise is hard to match – other than through contemporary letters and diaries, which often are thin on the ground – regarding the content and character of, and the feelings associated with, vertical social interactions. Indeed, this can work at three levels: through the depicted concerns of the characters, the authorial or narrative viewpoint that we may discern, and our own responses to the texts that reflect who we are today.

With respect to this last aspect – our responses today to texts that may have been written in eras very different from our own – perhaps a metaphor can help to flesh things out. Suppose you were thinking of buying a house. Suppose that, when you were asked what sort of house you wanted, you answered that you were not entirely sure. Your realtor might suggest that you visit lots of different types of houses, not limited to those for sale or that you might actually buy, as a device to aid you in learning more about what sorts of things you like and dislike.

Turning back to the evaluation of high-end inequality, one cannot literally visit the past. (As L.P. Hartley said in *The Go-Between*, "[t]he past is a foreign country: they do things differently there.") Even most of the present lies beyond our reach, since we all just live our own particular lives. And the future is less knowable still. But if you seek a richer understanding of what vertical social relationships can potentially look like, and of how you personally feel about them in different guises, there may be something to gain from a study of this kind.

Great literature can offer richly realized dramatic worlds, three-dimensional and in full color, complete with texture and psychological nuance. It thus may have special appeal as a source of insight regarding how high-end inequality affects people subjectively in a given society. In addition less-than-great, or even affirmatively bad, literature, may yield insights almost in spite of itself – for example, if it is especially naïve and direct about underlying anxieties or ideologies, in an illuminating way.

Obviously, one of literature's main downsides, as a tool for evaluating high-end inequality, is its being anecdotal, with no guarantees of broader accuracy or representativeness. What is more, while one could try to employ a hard social science methodology to literary texts that had been selected or sampled in some systematic fashion, that is not my project here. Instead, I have chosen works that strike me as particularly evocative and interesting, and that raise broader themes that I consider significant and representative, reflecting values and beliefs that I brought to them as a contemporary reader.

Even without a hard social science-based selection metric, literature can offer, as Branko Milanovic (2011, ix-x) has noted, "vignettes" that may help to "show, in an unusual or entertaining way, how inequality of income and wealth is present in many facets of our lives …. The objective is to unveil the importance that differences in income and wealth, affluence and poverty, play in our ordinary lives as well as the importance that they have had historically." In his 2011 book, *The Haves and Have-Nots*, Milanovic uses brief literary (and other) vignettes as a device for illustrating and bringing to life aspects of inequality that he has first discussed more abstractly.

By contrast, here literary vignettes, explored in greater depth, are actually the main source material. This yields three main payoffs. First, we get a far richer and more textured account of high-end inequality over the last two centuries than one could ever reasonably hope to derive from hard social science research. Second, this richer account blatantly contradicts both the anti-anti-inequality framework that castigates “envy” while failing to recognize vertical status competition’s engrained and two-sided character, and the assumptions underlying economic models that treat people as caring only about their own consumption of market goods plus leisure.

Third, I offer an overall narrative or trajectory that is of especial interest today, in the era of Donald Trump. The last two centuries have witnessed a Western transition from belief in social hierarchy, to formal and substantive egalitarianism, to rising meritocracy. Societies in which who you “were” as a matter of birth was all-important, have given way to those in which people ostensibly succeed or fail based on their own personal merit and effort.

Meritocracy grows toxic, however, when high-end inequality grows as extreme as it has in recent decades. Ideologically sacralized market competition that yields radically unequal outcomes places our core values of egalitarianism and democracy under threat. Market triumphalism, extreme meritocratic values, and revivified Social Darwinism promote the view that “winners” deserve everything, “losers” deserve nothing, and that the former should be celebrated while the latter are despised and mocked.

There is a problem, however. We still live in a society in which all adult citizens – despite rising vote suppression – can participate in choosing our political leaders if they are sufficiently organized and motivated. The fact that the “losers,” by sheer weight of numbers, therefore get to decide elicits, not just plutocratic anxiety and the development of mechanisms for wholesale capture of the political system by the super-rich, but also a need for narratives that will seduce, or at least placate, enough of the plebes. In short, the "losers" must be fed huckster-heroes on the one hand, and false enemies on the other.

Today's dominant mechanism for this is faux populism and identity politics. One gets a Donald Trump, for example, posing as the tribune of people whose economic interests he has little or no actual policy-based interest in advancing. He "aligns himself not with the pocketbook interests of low-wage workers but with the cultural values and preferences of working-class Americans." For example, he loves McDonald's, whereas "Democrats think it's very important to make sure SNAP benefits are redeemable at farmers markets so rich and poor alike can enjoy the benefits of eating local, seasonal produce." (Yglesias 2016). Many voters rightly discern from this that "there's a bigger cultural gulf between affluent liberals and the white working class than there is between Trumpkins and the WWC" (Krugman 2016). So, as a matter of identity politics, millions of them vote to "have their own healthcare coverage yanked away" (Gaba 2016).

No such political narrative could take hold unless it had strong cultural underpinnings. These, in turn, relate to a divide that one can see in American and English literature going back to the nineteenth century – that distinguishing between the (often liberal) members of the intellectual elite, and the (often conservative) members of the business elite. The intellectuals often are more remote, or even estranged, from the cultural values of people whose economic interests they may favor. The business elite, already locked in dignitary conflict with the intellectuals over the two groups' rival ranking metrics, seems to find populist garb a snugger fit – at least, once we move into the post-World War II era. Given this narrative, this book helps to flesh out our understanding of why, in an era of rising high-end inequality, millions of people whom one might have thought would blame it for their frustrations choose instead to embrace one of its crassest champions.