

*Termites of the State: Why Complexity Leads to Inequality.* By Vito Tanzi (New York, Cambridge University Press, 2018) 447 pp. \$29.99

*Is Inequality in America Irreversible?* By Chuck Collins (Boston, Polity Press, 2018) 141 pp. \$12.50

These two books, which are diverse in style and length, are the products of writers with vastly different backgrounds. But they have a common theme, and they reach some strikingly similar conclusions. They cite similar figures, from similar sources, to demonstrate that the United States, and indeed many countries in the world, are becoming more unequal, both as a result of an economic dynamic and a movement away from redistributive taxation. In other words, both pre- and post-tax inequality is rising. In this way, both books address what has become, in the wake of the global financial crisis, the most pressing political issue of the age. Both authors recommend higher rates of taxation, more aggressive approaches to tax evasion and tax avoidance, as well as—more surprisingly—a basic minimum income to be paid to all citizens.

Collins, the Director of the Institute for Policy Studies' Program on Inequality and the Common Good, is an engaged activist from a think tank created in the 1960s to promote systemic change by encouraging social movements. His is the more extensive set of measures—luxury consumption taxes, the repeal of mortgage and housing tax deductions for upper incomes, and universally funded childrens' savings accounts. The premise of his book, however, is precisely that of Tanzi—"that inequality is not the result of optimal and efficient market forces, but of a set of rules, shaped by those with power" (26). Collins contrasts his position with that of "most mainstream economists" who have a view of a "pristine free market allocating resources according to market principles" (26).

It is not clear that "most economists" conform to that stereotype any more. Tanzi, the former long-time head of the International Monetary Fund's (IMF) Fiscal Affairs Division and later a senior government official in Italy, has long worried about governments becoming too big and claiming too large a share of resources. Although he might be thought a peculiar ally for Collins, he offers a deeply reasoned account of why and how Collins is right, also concerned to attack what he repeatedly terms "the religion of market fundamentalism" (79). For Tanzi, the story of inequality is only one-half the story about the advance of market fundamentalism propagated by the political right. He describes how "in academia, but less so in international institutions and in government circles, the pro-market thinking acquired many followers" in the late twentieth century (87). The right, and its push for lower taxes based on bad economic analysis (such as the abuse of the famous Laffer curve), is partly responsible for destructive and disruptive outcomes. Tanzi complains that the U.S. push for a universal adoption of performance-based pay on efficiency grounds was also advanced in the Bretton Woods institutions, the IMF, and the World Bank (364). But the left was also

responsible, given the return of statist thinking after the collapse of communism. Tanzi explains how “the termites created by socialist thinking too refuge in the woodwork, waiting for a better time to reemerge” (74).

Tanzi draws deeply from public-finance theory, the work of Richard Musgrave, and the Italian tradition of *Scienza delle Finanze* to explain how the absence of good rules encourages crony capitalism.<sup>1</sup> Good rules are simple rules; the more complex rules become, the more space they offer to “termites,” who abuse the rules for specific interests. Tanzi uses both Italian and American history to illustrate the evolution of ever-greater complexity, obscurantism, and cronyism. According to Tanzi, the United States has 23,000 different governmental forms. But Tanzi is also aware of how regulations respond in many cases to real needs, as well as how they are gamed and abused. His reflections on the way in which even well-designed constitutions can be undermined and protections eroded echo many recent reflections, such as the work of Steven Levitsky and Daniel Ziblatt, *How Democracies Die* (New York, 2018). He points out that in Italy, Benito Mussolini existed with, and because of, the continued application of the Savoyard constitution from the revolutionary year 1848, suggesting that the same kind of abuse of a good constitution could easily occur in the United States. The major policy responses to the financial crisis, monetary-policy activism, and increased regulation have made the complexity of regulation and consequently the possibility and the fact of abuse worse.

Neither Collins nor Tanzi are historians, but they offer largely valid and compelling historical accounts of the origins of the present predicament and of current policy proposals. Some of the incidents to which Tanzi alludes in his astonishingly wide-ranging account, however, may not stand up to the experts. For instance, Tanzi’s explanation of the Irish potato famine of the 1840s as a consequence of the British government’s failure to provide public assistance and its permission to export grain at a time of famine may be too simple. Modern scholars also explain that a well-intentioned attempt to redistribute in the crisis made matters worse, as higher taxes drove merchants and more prosperous farmers who might have supplied food needs into emigration, thereby decreasing the amount of resources and food available to tackle the crisis. During certain genuinely tragic situations, attempts to produce better policy can make suffering worse.

A more striking problem arises from the contrast between the policy environments of the Great Depression and the aftermath of the 2008 financial crisis. In the earlier crisis, policymakers may have tackled inequality effectively, with measures that included large tax increases in most countries, but only in the framework of nationalist solutions that often augmented cronyism and had destructive side effects, including war.

1 See, for example, Richard Musgrave, *Public Finance in Theory and Practice* (New York, 1973).

Because it focuses on one large country and its legislative environment, Collins' study does not center on the problem of policy spillovers and interactions, which applies much more powerfully and threateningly to many of Tanzi's cases. But both books reflect a clear need to lay out a reform agenda to show how international action and coordination can respond to the challenges raised by complexity.

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*A Short History of Mozambique.* By Malyn Newitt (New York, Oxford University Press, 2017) 254 pp. \$24.95

Newitt's *Short History of Mozambique* weighs in at less than half the length of his earlier *History of Mozambique* (Johannesburg, 1993), with which it overlaps in some coverage. It will also become a standard work. Newitt states and sharpens themes from his earlier work for the sixteenth through twentieth centuries, but then plunges into the unfamiliar and fraught territory of Mozambique's twenty-first century experience. The book has two good colonial-era maps, one of concession companies and the other of provinces, ports, towns, rivers, railways, and airports in the early 1960s. The brief notes, the bibliography of suggested readings (mostly in English), and the index are less than one-quarter the length of the same features in the 1993 book. Advanced scholars will want to consult both of Newitt's histories of Mozambique, not just this one.

Readers of the *Journal of Interdisciplinary History* will appreciate Newitt's use of the rich records of contemporary European observers, travelers, missionaries, and Portuguese archival sources, many of which he translated and edited himself. He generously weaves their perspectives throughout his historical narrative, emphasizing political, military, economic, and Portuguese strategic intentions. As is often the case, without comparable records from Africans, the narrative reveals more about European views, including their misunderstandings about Africans. Although Newitt interrogates perspectives and reads against the grain, his methods are archival and textual. Readers come away with a clearer sense of, say, the German Jesuit Mauriz Thoman than of many Mozambicans (42–47).

Newitt necessarily turns to a variety of economic and political analyses when he moves into Mozambique's recent economic policies and the political decisions that shaped them. Newitt begins with his long-held and fitting perspective that Mozambique's physical geography shaped its history. The east to west trajectories inscribed by Mozambique's rivers promoted regional networks that were and remain more important than an imagined national whole. Mozambique's extremely long coastline, comprising one-third of East Africa, organically tied its peoples into the Indian Ocean maritime and islands world, and to the seasonal monsoons. Newitt explicitly refutes Frelimo's (Front for the Liberation of Mozambique) nation-building mantra of a single people