

Ashoka University

Perspectives of Inequality:

A Piketty - Boo Study

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Economy, Politics and Society

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Abstract

The theme of ‘inequality’ continues to remain one of the most researched, discussed and debated topics in developmental economics. Despite all the work and literature, economists, social scientists and policy makers have not yet been able to develop a strong understanding of this complex and multifaceted theme. Questions such as ‘why are some countries poorer than others?’ or ‘what policies can alleviate inequality?’ continue to intrigue us as much as ever before. When Pulitzer Prize winning journalist and writer, Katherine Boo, set out to write her award winning non-fiction book titled “*Behind The Beautiful Forevers*”, she too was motivated by such similar questions like “What is the infrastructure of opportunity in this society? Whose capabilities are given wing by the market and a government’s economic and social policy? Whose capabilities are squandered? By what means might that *ribby* child grow up to be less poor?”.

In an attempt to answer them, she spent three and a half years with the downtrodden and the most afflicted by economic inequality - the inhabitants of Mumbai’s Annawadi slum. In our quest to understand the complicated theme of inequality, we thought that her book, which is a window into its various subtleties and implications, would be a good starting point.

As we ardently followed the lives of the Annawadi slum dwellers, we found ourselves deeply tangled in a web of various other themes of developmental economics which are crucial to our understanding of economic inequality in society. As we explored the lives of the young garbage collectors, the garbage recyclers, the competing slumlords, the small-time entrepreneurs of

Annawadi involved in odd businesses, we actually found ourselves dealing with ideas like globalization, female labour force participation, mortality rates, global financial crises, foreign aid, policy implications, inheritance, education, healthcare etc and their direct realization in the lives of ordinary citizens.

In order to dig a little deeper into these ideas and understand the nuances involved, we complemented our reading of Boo's "*Behind the Beautiful Forevers*" with Thomas Piketty's "*Capital and Ideology*". Katherine Boo focuses on the everyday suffering of the slum inhabitants and their day to day struggles with an almost clinical precision which also offers insights into events of recent history such as the Mumbai Terrorist Attacks and the Global Financial Crisis of 2008.

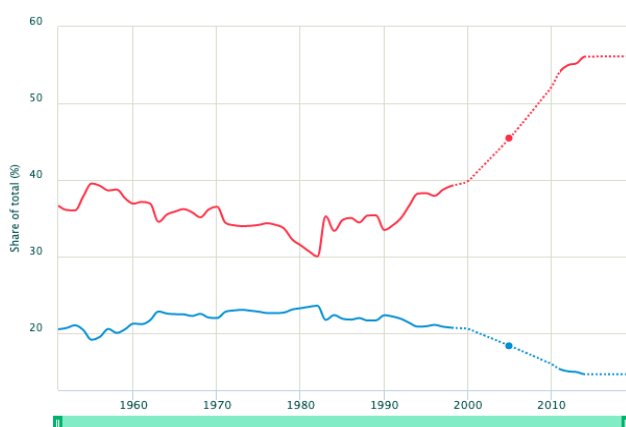
On the other hand, Thomas Piketty gives an in-depth reasoning along with an insightful evaluation of the reasons behind the kind of inequality that has existed in the past and the inequality that exists globally today despite the strenuous efforts of policy makers and society reformers to improve the well-being of the people in the lower brackets of living standards.

Piketty's "*Capital and Ideology*" not only provides an extremely insightful reasoning but also questions the ideologies - political, religious structures, class, the history of the world wars, the changing power dynamics over the decades, and a lot more that have actually impacted the inequality struggles. In short, while Boo details the everyday hardships of the Annawadi slum dwellers, Piketty provides us with a background on why the Annawadians find themselves in this predicament.

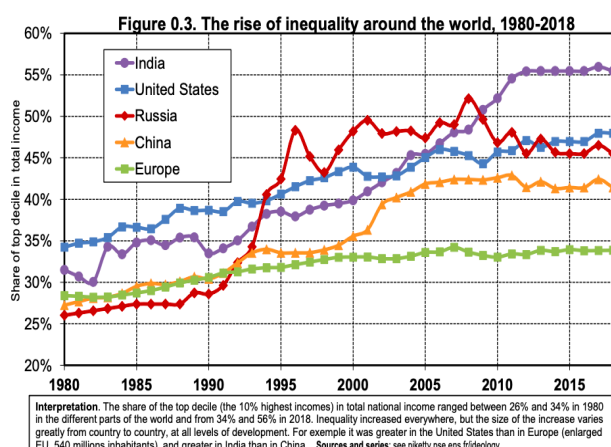
Section: The role of geography in determining the economic trajectory of a society

India's rapidly expanding economy is an interesting case study for socio-economic inequality.

The World Inequality Database, Piketty's findings and several other economic agencies have often reported extremely rising and concerning levels of inequality between the top 10 percent (as represented by the red line in the graph below) and bottom 10 percent (i.e. the blue line) in India.



Source: World Inequality Base, India, 1940 to 2019



Source: Capital and Ideology, Thomas Piketty, 2020

Interpretation: India has one of the highest levels of Inequality in the world.

Katherine Boo very spectacularly points out this ‘rich and poor’ duality of India in her introduction of the Annawadi slum in Mumbai when she states, “Annawadi sat two hundred yards off the Sahar Airport Road, a stretch where new India and old India collided and made new India late”. Annawadi’s love-hate relationship with the airport is worth talking about in the context of economic development.

One of the important points of discussion in developmental economics is the role of geography in determining the prosperity of a region. The ‘geography hypothesis’, often backed by the likes of Jeffrey D. Sachs (2003), claims that the prosperity of a nation is fundamentally determined by geographical factors like location, climate, resources and ecology. In Annawadi, we see a manifestation of how geography plays a key role in shaping the economic activities of its inhabitants. Annawadi was born when a group of labourers were trucked in from the southern Indian state of Tamil Nadu to repair a runway at the Sahar International Airport. Realizing the possible opportunities in the field of construction provided by a big project like an airport, the labourers decided to settle down near it and this settlement grew over time into the Annawadi slum.

Even today, the young and old of the slum find their livelihood in the vast amounts of garbage generated by the airport and the surrounding large hotels that have sprung up over time to cater to the travellers. While many inhabitants make a living out of collecting and sorting garbage, many others make money by recycling them. In short, the existence of Annawadi is closely tied

to its geographical location and it is the geography that directly determines the prosperity and economic development of the slum.

As opposed to the predetermined geographical factors, the ‘institutions hypothesis’, often backed by the likes of Acemoglu (2003) and Subramanian (Rodrik, D and Subramanian, A. 2003), believes in the role of human factors — particularly, the role of property rights and the rule of law. Arvind Subramanian and Dani Rodrik aptly refer to institutions as “the rules of the game in a society”. While one can adequately argue that the development of any society depends on the fairness of the ‘rules of the game’, the influence of geographical factors in determining the prosperity of a region cannot be ruled out, as is evident from the fate of the Annawadians.

Section: How is inequality being justified? - THE ‘JUST DESERT’ PROBLEM and Meritocracy

It is often a common sight to see economists, especially from the neoclassical school of thought, justifying the extent of inequality that exists within society by the ‘*Just Desert*’ principle or in other words their belief that “*individuals get what they deserve*”. This means that according to the neoclassical world of economics, ‘inequality’ is rather within the *utopian horizon* of neoclassical economics i.e. the distribution of income in a capitalist and competitive market matches what they believe is to be a “utopia”.

Apart from the world of neo-classicism, there are several researchers and students in sociological and economics backgrounds who would argue that despite efforts to curb inequality, inequality is only increasing. And this does make intellectual sense because while we aim to reduce inequality, we as a society also aim for growth and progress.

With growth, the economy is always bound to become more unequal as it is only a certain proportion that can lead the path to grow. In other words, capitalists who are governed by their intrinsic nature of profit maximisation would never be able to maximise their profits if everyone becomes a capitalist. If everyone becomes rich, how would the rich feel rich anymore? It is an innate human nature to become better than others. And it is due to these human characteristics “[within] our financial institutions that they perpetuate the continued widespread attachment to endless economic growth and financial accumulation” (Magnuson. 2017), which is responsible for social issues such as inequality.

Similarly, Thomas Piketty in *Capital and Ideology*, mentions how blaming the poor for their poverty has become one of the “principle distinctive features of today’s inequality regime” (710).

This outlook towards inequality coupled with the historical ideology of “meritocracy” that exists today are central to why inequality has become sort of ingrained into the societal structure. While there is a lot of debate around the disparity between the rich and the poor, the way this grim reality is finding societal acceptance is concerning.

According to Piketty, this meritocracy dominance is a phenomenon that is not recent but rather a phenomenon that has evolved over a period of time with concepts such as “law of majority” (711) in France during the 1800s with the upper classes “abandoning idleness and submitting to meritocracy” (711) as a survival mechanism and then later on in the 1980s, the “meritocratic hypocrisy gaining in further importance” as economic growth started rising.

Piketty concludes that “inequality is above all, ideological” (711) and ‘ideology’, as we know, is one that is psychological, historical and philosophical, built out of understanding over years, decades and centuries. This is the ideology over a period of time that has in effect led to the “The Economics of Superstars” put forward by American economist Sherwin Rosen, a piece we discussed in the very early parts of the Foundational Course, which elaborates on how it is the only the very meritorious in either money or skill who dominate the markets, which has led only to a “few small number of people earning enormous amounts of money and dominating the activities..” (1)

This *rise in the meritocracy* ideology is what we believe has led to a false sense of superiority and divisiveness in the society. As certain privileged sections of society believe that they are more meritorious, they also believe that they have increased power and dominance over the others who are othered only due to lack of merit.

Thus, as Piketty mentions “it is becoming increasingly common to blame the poor for their poverty” (*Capital and Ideology*, 710). In the same breath, Katherine Boo reflects upon the psychology of Wealthy Citizens in Mumbai who “accuse the slum dwellers of making [Mumbai] filthy and unliveable”. Boo also reiterates that it was rare to find a person who wouldn’t blame their dissatisfaction on others in this “unequal” city of Mumbai. This mindset and behaviour of certain classes in society has given further rise to the ‘ideology of inequality’. And thus, according to us, apart from economic redistribution and equal access, it is also important to psychologically retrain the mind and behaviour towards an equal society. This is where education and increased awareness of the realities of inequality would help. In addition to the above, it is quintessential for societies to move out of the old belief systems that have existed, so that the “ribby child” of Annawadi can dream of the life of a rich Mumbaikar.

Section: The Problem with Redistribution and the Politics of Inequality.

While the world literacy rate and global healthcare has shown massive improvements over the years, India still seems to be lagging behind. In terms of literacy rate, economist Amartya Sen denotes that India's "higher education is remarkably well developed, but a large proportion of the population is still illiterate" (224). This, Sen believes, has led to substantial reduction in the returns to each additional unit of capital invested in India (Table A1, 1995, Dreze and Sen) as a less literate population would lower the efficiency of certain decisions and policies.

Thus, Piketty concludes in his earlier yet insightful book *"Economics of Inequality"*, that Inequality in India is less about an unequal distribution of resources but more about an unequal distribution of human capital (60). This unequal distribution of human capital can be explained by the lack of efficiency in the distribution of resources and working of the public education and healthcare sectors, often leading to the surprising scenes described by Katherine Boo in her book, where Annawadi boys despite completing schooling still lacked the opportunities to enter better jobs and livelihoods;

"Those who finished seventh or eighth grade just ended up scavenging, doing road-work, or boxing Fair and Lovely lotion in a factory. Only boys who went to private schools had a chance to finish high school and go to college." (106)

This particular scene from Boo's book mirrors what Thomas Piketty in *Capital and Ideology* and Amartya Sen in *India: Economic Development and Social Opportunity* have been trying to reiterate at several occasions in their discourse.

India despite the “undeniable successes of the inclusion of the lower classes in the political and justice system” (356), still lacks in the areas of social development and social welfare. This, Piketty points out, is however accompanied by the successes of the caste-based reservation system due to the lack of a need for tax legislation while nudging certain particular sectors of society to progress further.

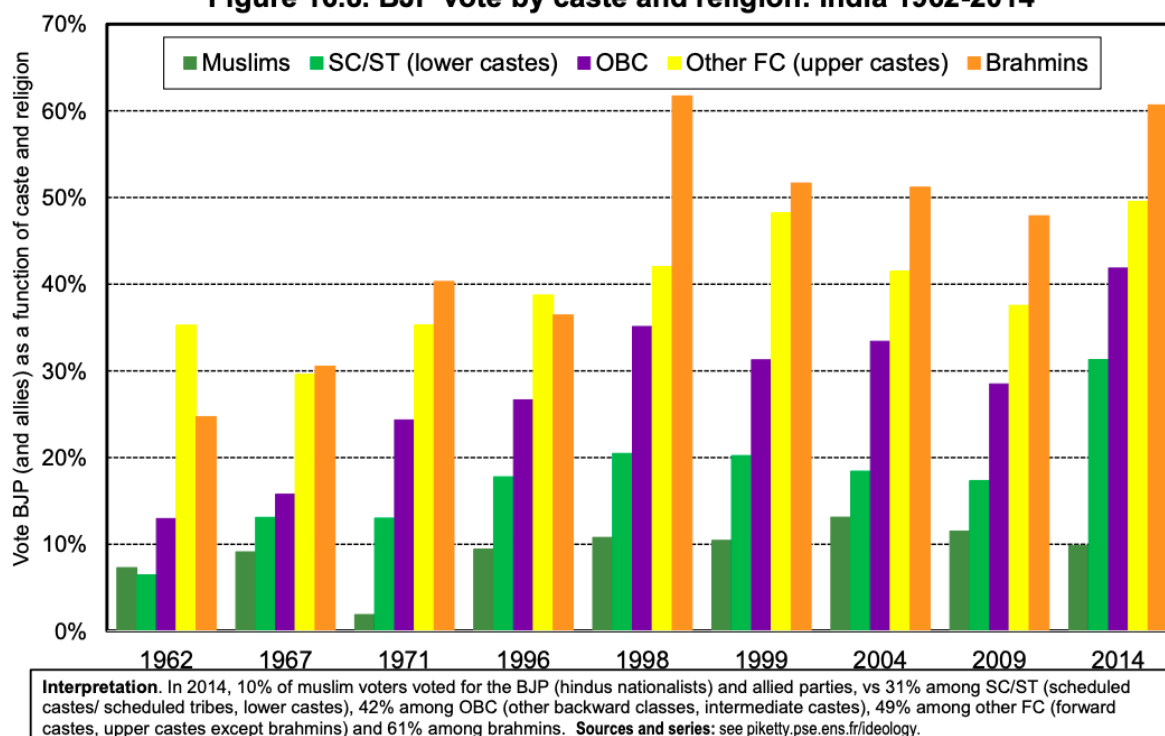
While it is undeniable that India still lacks in the efficient allocation of resources, the lack of efficiency in outcome itself lies in the unimpressive literacy and economic understanding of the society. With better literacy and better efforts to educate every sector, class and caste of the Indian society, as Piketty and Sen have suggested, there could be a better return from not only labour but also from all public expenditure.

Similarly Thomas Piketty points out that simply investing into education is not enough but rather it is more important to invest into quality education for the disadvantaged. (1002). In order to do this, it is essential for governments to stop “the hypocritical practice of investing more in elitist educational programs” (1002) and rather redirect their focus on the people who lack the accessibility to higher and better quality education.

Another solution Piketty in *Capital and Ideology* has proposed and indeed drastically advised is that the Indian Government, in particular the ruling BJP Party, needs to change the way it operates. Piketty has mentioned that although the BJP came in with the ambitions of Pro-Business and Pro-International reform, it is doing it at a major social cost. From Piketty's statements and arguments such as "[BJP's] extremely inegalitarian distribution of the fruits of growth" (948), Piketty believes that India is at the risk of a pushback from its initial ambitions. He relates this to the kind of societal pushbacks America has been facing and quite aptly puts this correlation in the following statement;

"Since much of the electorate is deriving little benefit from globalization and pro-business policies, one option open to these parties is to turn up the identitarian rhetoric, be it anti-Muslim or anti-Latino, and indeed they have done so. But availing themselves of this option affords other parties the opportunity to propose more appealing alternatives." (948).

Piketty believes that by dividing societies and religions, the party and the government is at a risk of a fallout in elections. We see that rather than focusing on the economic front, the government in India is wasting time and effort in religious and identity politics. To further reiterate the government's identity politics, the following graph is an appalling representation of how the government has come into power in the first place.

Figure 16.8. BJP vote by caste and religion: India 1962-2014

Source: Capital and Ideology, Thomas Piketty, 2020

By evaluating the above graph, it can be noticed that the majority of BJP's vote bank in 2014 was derived from the upper caste Hindus and the Brahmins. In our perspective, this inequality of support for the ruling party from the different segments of the society, hints at the fact that the political rhetoric being advanced by the government and their decisions seem to be appealing and beneficial only to certain sections of the society.

This is where the politics of inequality, whether social or economic, is playing a significant role. By releasing schemes that would raise a certain religious group over another, the government is banking on subsequently higher votes over a period of time but this at the same time would lead to higher inequality. To summarize, the vote bank politics and political propaganda based on

caste and religion in essence could trigger further social inequality in society, thereby deepening the 'ideology of inequality' in our minds.

Continued over in next section...

Section: The rise of religious inequality

Boo's book *Behind The Beautiful Forevers*, has shown several scenes of Hindu-Muslim prejudices and the barriers faced by Muslims in India - a reflection of the kind of religious inequality faced by people of a certain section of the society. The below are some of the statements/visuals in Boo's Book;

"What if Annawadi Hindus decided the slum's Muslims were part of some plot?" (126)

"Muslims were overrepresented in the criminal justice system—and when they sat on the floor to eat, they laughed about the terrible food." (88)

"All day these Muslim garbage people have been fighting so loudly." (69)

"To him, it was like standing on the roof bragging that a Muslim family was out-earning the Hindus." (64)

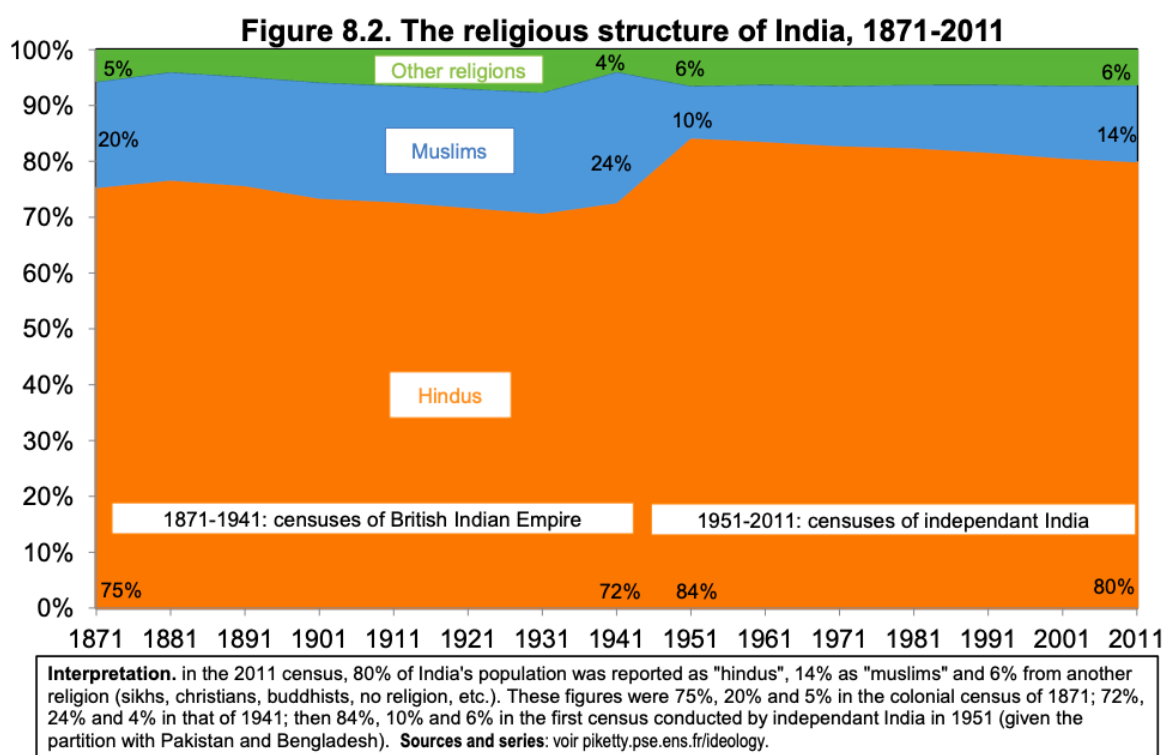
"judge by the piles, the Muslim garbage people were less poor than had been assumed." (63).

From the above statements, it is quite clear there is a sort of divide and identity politics between the Hindus and Muslims in India. It seems that it would not be socially acceptable that a Muslim family could be earning more than Hindus, that there was a so called 'over-representation' of Muslims in the criminal system of India, and there were fears that Muslims would be part of

terrorist plots (In Boo's book, this is in context of the 26/11 attacks and the Gujarat Riots in 2002). Apart from these statements, the constant discrimination of Muslim women and families is mentioned on several occasions throughout Boo's Book.

As an explanation to the prejudices being faced by the Muslims, Piketty in *Capital and Ideology* points out that since 1947, there is some sort of "*tracts circulated accusing the Muslim population*" for almost every terror activity/riot happening in the country and according to him, the BJP is only making it worse. He believes that the BJP, in a bid to maintain its majority Hindu support base, is pushing through a series of "laws to pressur[ize] Muslims" (947) such as the initiation of regulations on the "slaughter of animals", religious conversions and citizenship. In addition, in order to heighten this prejudice towards Muslims, the "school and university curricula [are] being revised to present the entire history of India in an exclusively Hindu manner and in anti-Islamic light" (947).

By proposing laws and regulations which can be interpreted as 'anti-muslim', the government is, in essence, creating a boundary between religions, thereby heightening religious inequality in India. The electoral benefits that the government is trying to enjoy from such actions can be explained by the unproportionate religious structure in India as can be seen in *Figure 8.2* (Piketty) below



Source: Capital and Ideology, 2020

In essence, through such laws, the government is making the society even more inegalitarian than what it already is. This is evident from the results of a study titled “Wealth Ownership and Inequality in India: A Socio-religious Analysis” which has shown that it is only a certain section of the Hindu higher caste that “boasts four times more wealth than those [owned by those] classified as Scheduled Castes (SCs)”. As per the same study, Muslims only own 8% of the country’s total assets. (*Source: Business Today*). This wealth inequality in the Indian society takes roots from the social inequalities instigated by certain government decisions. This is where we believe that socio-religious inequality cumulatively adding into wealth based inequality could be even more concerning to the country’s already high disparity between the rich and the poor.

Section: Property Inequalities and Inheritance : Piketty's *Inheritance for All*

“So your parents are dead and you’re a rich boy now,” one of the other boys pointed out to the father-killer. Even after the boy explained how a double-murder conviction would interfere with the inheritance, the other children couldn’t stop talking about the cars and the clothes he could buy.” (Boo 89)

The above is an extract from Boo’s book, which shows the children’s imagination of the kind of material wealth the sixteen year old could obtain as his father was not alive. To them the death and that the child murdered his father didn't seem to hold much sentimental value but rather they seemed to be more obsessed with the higher status the boy could hold due to his father’s death. This is a reflection of several things- The boys who belong to a lower class in the societal structure have dreams to achieve a higher position in society. Secondly, when there is so much competition and eagerness to go up the ladder, life matters little. To them, death is a common sight.

Along similar lines of property inheritance, Thomas Piketty mentions that in India “property inequalities were compounded by status inequalities” (369). This is because the property ownership in India, especially in the form of farmland, is largely on the basis of different status and caste structures, again re-asserting the points raised in the Religious inequality section earlier. Therefore, Piketty clearly points out that one of the key ways for India to close the inequality gap would be “An ambitious agrarian reform, backed by a more redistributive tax system to pay for better health and educational services” (359).

Thus, he finally proposes a new system for Inheritance - '*Inheritance for all*', a strong and impactful policy that could radicalise the way money was redistributed in an economy. Through this system, Piketty, like the children in the above scene from Boo's book, aims that every person at the age of 25 years receives a capital transfer financed from a progressive tax on wealth. (983). This he believes could "infuse new energy into the society and the economy", as it could open up new opportunities for the young adults to carry forward an entrepreneurial spirit such as "start a new business"(983) or secure themselves and their future.

While we believe a model like this could be quite a game changer in the redistribution of income, it too has its hurdles. First of all such a model would be extremely difficult and costly to implement in a country like India and thus Piketty makes it a point that this is primarily applicable to rich countries like the US. However, what it seems to be lacking is the realisation that it is the developing countries like India that often struggle with higher levels and burdens of inequalities in the first place. The reason for a difficult implementation of such a policy is the very rapidly rising young population in India and such a policy would in essence place a heavy burden on the public expenditure.

And even if it were implemented, making such large transfers to a large proportion of the population would be pretty costly. Furthermore, in a country of high tax evasion in the first place, implementing a higher wealth tax to finance this transfer might lead to lower tax revenues being collected (as per the Laffer Curve discussed in the FC's Inequality lecture 17-18). Another problem with the proposed policy is that there is no guarantee that the transfer made would be

rightfully and ethically utilised. There is a probability that the transfers might be used perhaps for crime or drug use and alcohol consumption imposing further social costs on society.

However, if such a taxation were to be implemented and if a tax regime with Piketty's "*Inheritance for all*" proves to be successful in a country like India, perhaps being provided to people at 25 years with certain conditions like Higher Education pre-requisites, and that their money and choices would be monitored through certain methods, it could radicalise the state of inequality the country faces. By monitoring this payment and putting education-related terms and conditions, it could nudge people to continue with further education, enabling better opportunities. In the long run, this could lead to better living standards.

Section: Globalisation and the impact of the 2008 recession on slum dwellers

Perhaps one of the most significant global developments in the recent past, acquiring exponential pace since the late 20th-century, has been the unprecedented level of interdependence between countries and people of the world through the exchange of goods and services, technology, and flows of investment, people, and information. What began on a global scale with the Columbian exchange in the 1400s has today reached unprecedented scales, accelerated by quicker means of transport and communication, reduced trade costs in terms of freight, international telecommunication and passenger transport charges and declining trade barriers. The dramatic increase in global trade since the founding of the World Trade Organization has been described by economists Arvind Subramanian and Martin Kessler as the "The Hyperglobalization of Trade and Its Future" (2013).

Over the years, the world's economies, cultures, and populations have come to be so interlinked with each other that a minor disturbance in the complex web of interdependence at some place can disrupt the daily lives of people elsewhere in the world. We see a classic example of hyper-globalization in Boo's book where she describes the impact of the 2008 global financial crisis on the daily lives of the slum dwellers of Annawadi. She writes

"Suddenly, once-profitable links to the global markets were pushing the slum-dwellers backward. The price of recyclable goods declined. Temporary work in construction dried up as projects that had stopped in the monsoon stalled again for lack of foreign financing" (119).

This excerpt from her book is a testimony to the fact that the world has become a global village and no individual is isolated from the rest of the world, thanks to the ‘double-edged sword’ of globalization.

We call it ‘*double-edged*’ because, as we continue to appreciate the brighter side of Globalization, Piketty also points out the disparities in the global economy that can be attributed to some extent to Globalization. This is evident from the interpretation of the “Elephant curve of global inequality (1980-2018)”. From the curve published by Christoph Lakner and Branko Milanovic in 2013, it is clear that the global elite (top one percent) have been enjoying massive income growth in the past decades while the Elephant’s slumped tail depicts how the extremely poor have been left behind. Globalization seems to be an alluring factor contributing towards global economic growth, mainly because of the rise in the middle class, as selected developing countries have shown convergence towards developed countries. If we observe the trends shown in Boo’s book, we can qualitatively question how someone from the slum views globalization.

“How aware would a kid from the slum be of the cheese topping pizza”

Conclusion

While Katherine Boo, offers a reflection of the scenes of the slums and the intricacies that come with it, Thomas Piketty has offered a global picture of inequality while paying important and precise attention to a large set of countries along with offering advice, prescriptions and histories of the countries. However, through the ample amount of detail these two books offer, it is very difficult to encapsulate the wide array of social perspectives laid out.

Furthermore, after reading *Capital and Ideology* by Thomas Piketty, we are of the belief that more than anything else, it is important to change ideologies - Religious, Caste, Politics, Racial and Historical ideologies, in order to tackle if not abolish inequality (which in reality, can never be attained).

And a key part to this changing of ideologies is that we need to 'reflect' as Mark Tully in the 2007 book *"India's Unending Journey"*, quite rightly has put across "Western culture does not take into account suffering or illness into consideration while calculating national growth" (48) and in order to tackle inequality, we believe that the first step would be to globally accept a national growth index based on inequality. And this must be accepted as the main and primary growth indicator for annual rankings and make it part of our culture and understanding. This we think would have the capability of changing ideologies of society over a period of time...

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