
Capitalism and Inequality: Brexit versus *really* taking back control.

Mounting evidence during the past decade is painting an ever-clearer picture that inequality damages society at all levels. Professor Kate Pickett, co-author of the *The Spirit Level: Why More Equal Societies Almost Always Do Better* (2009), and Danny Dorling, Halford Mackinder Professor of Geography at Oxford University, have each played key roles in gathering and analysing data.

Pickett argues that growing inequality in Britain is having an impact on health, and Dorling explores whether inequality in Britain was a factor in the vote to leave Europe? He says that to feel more in control we need to become a more equal society.

Kate Pickett

No longer taboo

Much has changed since Kate Pickett started working with Richard Wilkinson (co-author of *The Spirit Level*) to look at the impact of inequality on health and social problems in the early years of the new millennium.

She recalls a conversation with a Labour Member of the Scottish Parliament who said how important he thought their research was, yet when she asked what he was going to do about it, he shied away, saying that public discussions about inequality were not allowed by New Labour.

Ten years later, leaders across the world were voicing their concerns very publicly about the impact of inequality. In 2013, former US President, Barack Obama, called it “the defining challenge of our time”; for Pope Francis it was “the root of social ills”, while Christine Lagarde (Director of the International Monetary Fund) said that “the economics profession has downplayed inequality for too long.”

Political leaders are not the only ones opening up the debate. Oxfam broadened its traditional focus on reducing poverty by starting a 10 year campaign to reduce inequality. Pickett points out that when she and co-founders started The Equality Trust, it was the first organisation in Britain to campaign against inequality; now there are several (including the High Pay Centre and the Resolution Foundation), with related activities going on in a number of think tanks.

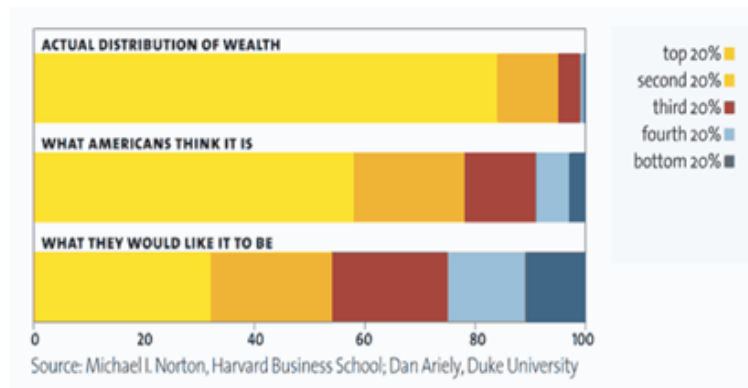
“So, political discourse has shifted and civic society is starting to discuss these issues more.” She says.

People want a fairer distribution

Research suggests that public opinion and attitudes would support a reduction in inequality. A Harvard Business School study of 5000 Americans found huge discrepancy between what they would *like* income distribution to be, and what it actually is.

OUT OF BALANCE

A Harvard business prof and a behavioral economist recently asked more than 5,000 Americans how they thought wealth is distributed in the United States. Most thought that it's more balanced than it actually is. Asked to choose their ideal distribution of wealth, 92% picked one that was even more equitable.



In the study, 92% chose the most equitable distribution option as the most desirable, regardless of whether they were Republican or Democrat, men or women, African, Hispanic or white.

Opinion is similar in the UK, says Pickett. “If we look at British Social Attitudes Survey, year after year, about 80% of us think that inequalities are too great and would like the government to do something about them.”

Everyone is affected by inequality

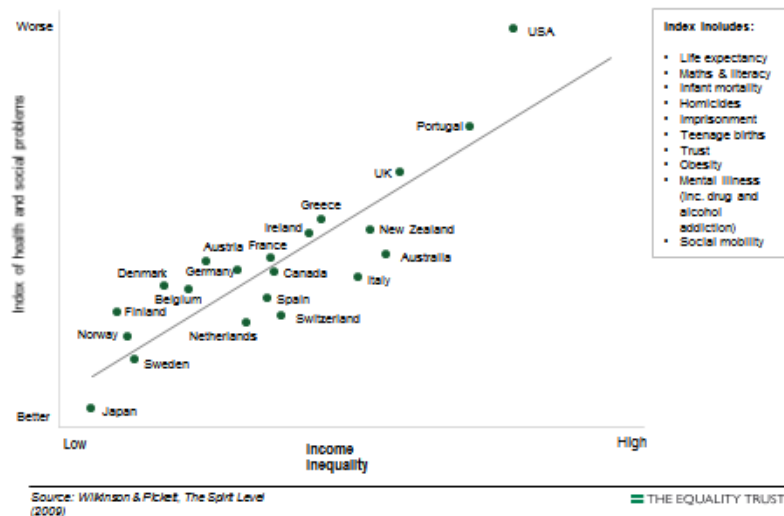
The reasons why we need to act on inequality get ever more compelling, says Pickett. While writing *The Spirit Level*, she and Wilkinson devised an index of health and social problems, and related this to inequality in developed countries.

They found that health and social problems are worse in more unequal countries. Indeed a whole raft of problems get worse, including shorter life expectancy, and higher infant mortality, obesity and addiction. Social relationships also suffer. Because fewer people trust each other, there is more violence, lower social capital and the position of women is not so good. They also found issues around children’s life chances, with child wellbeing being lower, more teenage pregnancies, and lower educational attainment.

“The impact is large” says Pickett. “Some of these problems are up to 16 times greater, and, it isn’t just the poor who are affected, although they are the worst affected. We are all subject to the impact of that greater inequality.”

Pickett (and Wilkinson) published the following chart in 2009,

Health and social problems are worse in more unequal countries



since when, new research continues to strengthen the evidence. Other analyses of data for the decade leading up to 2015 show how child wellbeing fell in rich countries where inequality was growing.

“Sweden is a good example: it has the fastest growing inequality in the OECD and is seeing a decline in educational attainment and child wellbeing.” says Pickett.

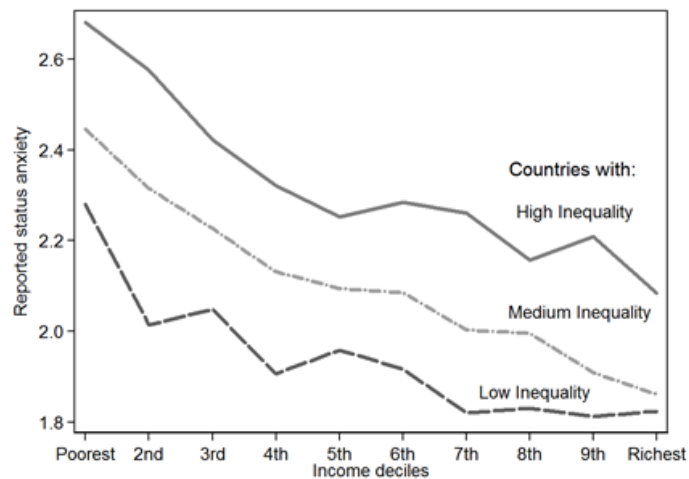
The pattern is similar in the US, where studies of changing inequality in different states find those with least increases in inequality have the best change in life expectancy. According to Pickett, research suggests a seven year lag between changes in inequality and impact on death rates.

Causation, not just correlation

For Pickett, the pattern of results is significant. “We are starting to get more of this time series evidence and longitudinal evidence which means we are surer and surer that this is a causal relationship; that it is inequality causing these problems and not just a correlation.” she says.

One of the fastest growing areas of research is on the psychological and psycho-social impact. Pickett says that where she and Wilkinson had hypothesised that inequality makes people more anxious about their social status, research now shows this to be true.

Data from European countries shows status anxiety rising as income distribution becomes more unequal, and the effect is seen right up to the richest 10% of the population.



Status anxiety is higher at all levels of income in more unequal countries. Redrawn from Layte and Whelan (2014), data kindly provided by Richard Layte

In other words, there is more anxiety throughout the whole population.

This results in three conspicuous responses, says Pickett:

- People withdraw, which is why we see more depression
- A rise in narcissism (this is notable in the US, where a 2011 study found a strong correlation between inequality and narcissism)
- More people seek comfort in shopping, drugs or alcohol.

No redeeming features

Pickett has a brief reply to those who argue that a degree of inequality fosters aspiration and drives the creativity that leads to wealth which can then trickle down. It is simply not true, she says:

“There is less creativity in unequal society (measured by fewer patents per capita). Children’s life chances are lower, and when we pay people ridiculously large salaries their companies don’t do any better; in fact they do worse.”

Pickett sees no redeeming features in allowing inequality to grow. “It damages business. We have economists like Joseph Stiglitz talking about how inequality creates cycles of boom and bust. We know it gets in the way of poverty reduction, and by increasing consumerism - driven by anxiety - it is bad for the environment too.”

So, who is doing what to reduce inequality? Pickett is encouraged that world leaders are now talking about the issue, although she maintains that the rhetoric in Britain - “with our toxic levels of inequality” - lags behind.

We have the evidence; so why don’t we act?

After the vote to leave the EU, she pins hope for Britain on its commitment to the United Nation’s package of 17 Sustainable Development Goals to be achieved by 2030. Goal 10 is to reduce inequalities within and between countries.

“It is up to us now to hold our government to account to achieve [these] goals, and I would argue that Goal 10 is a central one for achieving many of the others.” She says.

It troubles Pickett that in spite of so much evidence, there is little change in policy and political action to address inequality. “Because I am an epidemiologist and work in public health, I know how strong our evidence base is on what causes inequalities in health.” She says.

“We have known for 30-40 years what the social determinants of health are, and what the root causes of health inequalities are, and we haven’t managed to change them at all. In fact they are growing. So despite a strong UK tradition of research in that area we have not managed to change inequalities in health on the ground.”

Equally, even when evidence shows what policy works and what doesn’t, Pickett says too often we carry on making the same mistake. She cites the Troubled Families Programme and the Family-Nurse Partnership, which aimed to increase the health and wellbeing of pregnant teenagers. Neither scheme has shown impact, yet both continue.

Her frustration begs the question: “So what does it take for us to bring our scientific research into the public arena and then make change happen?”

Danny Dorling

No such thing as “too equal”

Professor Dorling starts with the premise that greater equality is a feature of economic progress; that it is hard to become an affluent country without first gaining greater equality. Yet, he is quick to point out that to carry on being affluent you have to carry on being equal: “Other than finding diamonds or oil, you have to have equality to carry on developing economic progress.”

No country has yet encountered problems from being “too equal”, notes Dorling, before stating that Britain is the most unequal country in Europe. This is his cue to exploring what led to Brexit, and what people really wanted when they voted to take back control.

First, he shares a few thoughts, to clarify his perspective on Brexit:

1. The precursor to Brexit wasn’t just inequality; it was an enormous economic slump. The crash of 2008 dwarfed earlier recessions of the 1970s and early 1980s, and was both longer and deeper than the crash of 1929.
2. Britain had joined the EU in the 1970s, at a time when we were a far more equal society; second only to Sweden in Europe. Perhaps there was an argument back then for staying out, but we didn’t. We certainly can’t say that being in the EU is what’s made us less equal. After all, some of the European countries are the most equitable in the world.
3. The EU that we have been part of provides us with a wide-ranging regulatory system that governs a vast spread of important issues, from the efficiency and safety of our fridges to the cleanliness of our beaches. It’s a system we couldn’t possibly afford to set up ourselves.
4. What the EU has done is “very boringly save us lots of money.” Now that we have voted to leave, we are going to discover what being a member of the EU really means, and whether that was what was holding us back.

What Dorling goes on to suggest is that in Britain we have allowed inequality to rise to a point where society is breaking. Europe is more the scapegoat than the cause.

Unequal in Europe

Dorling measures inequality in societies by the take of the top 1% or of the 10%. He prefers this to the ratio between these two decile groups, which can too easily give a high inequality ratio if the poorest suddenly become a fraction poorer (due to austerity measures or economic collapse).

By his measure, the UK is the most unequal in all Europe.

3: most unequal state in the EU (by the take of the 1% + 10%) Socially, the gaps between the haves, maybe-haves and have-not's became wider in the UK than anywhere else in the EU.

Income Inequality Indicator: The 1st-to-10th Ratio for the 25 Wealthiest Nations

Country	Income share (%)		1st to 10th Ratio
	1st decile group	10th decile group	
United States	1.60	30.00	19
Singapore	1.64	28.97	18
United Kingdom	2.70	28.00	10
Portugal	2.60	25.90	10
France	3.40	25.30	7
Greece	2.00	25.10	13
Italy	2.20	24.70	11
Spain	2.10	24.40	12
Ireland	3.20	23.80	7
Germany	3.60	23.50	7
Switzerland	3.50	23.20	7
Netherlands	3.40	22.40	7
Sweden	3.50	21.90	6
Austria	3.10	21.60	7
Finland	3.90	21.50	6
Belgium	3.60	20.80	6
Denmark	4.00	20.80	5
Norway	3.30	20.60	6
Slovenia	3.70	20.00	5

Sources:

OECD. 2015. In It Together: Why Less Inequality Benefits All. Chapter 'Overview of inequality trends, key findings and policy directions'. OECD Publishing. Paris. DOI: <http://dx.doi.org/10.1787/978926421351204-4-en>

UNU-WIDER. 2014. World Income Inequality Database (WIID5.0b) [Online]. Accessed October 2015. Available from:

www.wider.unu.edu/research/DataBase/en_05/wiid/

UNDP. 2014. Human Development Reports Data [Online]. Accessed June 2015. Available from:

www.hdr.undp.org/content/population-total-both-sexes-thousands. [Original source: UNDESA (2013a).

2012 Revision, World Population Prospects, Population Division Database: Detailed Indicators. Accessed June,

14 2015. <http://esa.un.org/unpd/wpp/unsp/>

United Nations Statistics Division. 2015. UNSD Demographic Statistics [Online]. Accessed October

2015. Available from:

www.data.un.org/Data.aspx?d=POP&f=tableCode:326

Eurostat. 2014. Number of private households [Online]. Accessed August 2014. Available from:

www.epp.eurostat.ec.europa.eu/nui/show.do?table=sdg

Note: income shares data are latest available spanning 2009 to 2013, all from OECD source except Singapore and Japan. (from UNU-WIDER)

“Our top 1% take about 14% of all income.” He says. “No other country’s 1% in Europe does that. It’s an enormous amount of money. If they took what they take in France, we could have another NHS.”

Looking at the next bracket - in which Dorling places himself - Britain’s top 10% take 28% of all income. “We don’t feel too greedy about it because 9 out of 10 of us are taking the same as the top 1% are taking, yet we have to share that out amongst nine times as many people.”

This is a deluded kind of justification, he suggests, which leaves everyone - outside the very top - feeling hard done by. “I can only barely afford to get a mortgage. Most of you can’t even *imagine* having a mortgage. That’s the kind of sick country we live in - where we can’t talk honestly to each other because we live such different lives.”

Take back control

During the EU referendum, “Take Back Control” proved a very effective slogan for the Vote Leave campaign. It is good to have democratic control of your country, says Dorling, but, he warns, we should worry about where that control had gone. He points the finger, not at Brussels, but at those in power in our own society.

“Control had been taken away, but it had been taken away by people at the top of society with a huge amount of money who in effect had bought political parties.” He says.

Another Vote Leave message - that Brexit would bring back £350 million a week to the NHS - also appealed strongly to voters. Not surprising, says Dorling, because Britain spends less on health than just about anywhere else in Europe.

The most worrying aspect of Take Back Control, says Dorling, is that the phrase dates back to the rise of nationalism in 1930s Germany. "Before we got fascism in Germany, we had a rapid rise in income inequality in Germany." He says. "Income inequality is very, very dangerous".

A polarising effect?

Another trend seems linked to inequality; that of political polarisation. After the 2015 election, the UK was more politically polarised than it had been in the wake of any election for 120 years. And Dorling points out that the segregation index of Conservative voters since 1918 looks remarkably similar to the inequality graph of the take of the 1%.

"We are in very unusual times, with a peak in inequality and a peak in political segregation in our country. It is not good to have your vote segregated in certain areas of the country. The Tory vote has been rising and rising in areas of the country which already voted Conservative." In contrast, says Dorling, "Large swathes of our country have no conservative voters, which used to have them, like Liverpool."

No-one likes to lose

In the EU referendum, large parts of relatively well-off Britain voted to leave. Dorling sees this is another indicator of inequality, because it leaves so many people feeling that they are losing.

"You can be better off than average, but still be losing. You can be better off in the south of England, but still see no way in which your children will be able to get a house with a mortgage because you have to be much much better off for that." He says.

In Britain today, Dorling says inequality is fragmenting society and that we have fallen out of kilter with our European neighbours. "A country with high and rising inequalities is a country which pulls apart and in which peoples' complaints about life can justly rise." He says.

"The middle class in this country have no idea how much you get on job-seekers allowance per day, because they cannot imagine living on it. Whereas in a normal European country, you have a normal welfare state and benefits you can actually live off, at least for 2 years."

In tertiary education, Dorling laments the UK's high university fees and praises the European approach, where "your country collective pays for your children to go to university. In Denmark, they even pay for you for a year to be an intern, because they are your children - your country's children - not an asset of economic units who has to maximise their own utility..."

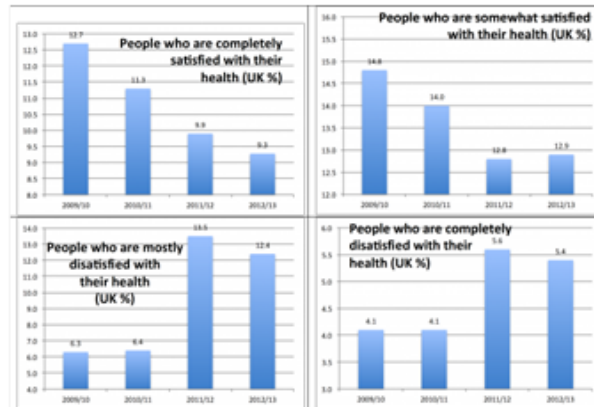
Of course, the referendum also highlighted strongholds of Remain voters; places like Cambridge, London and Oxford. As Dorling points out, these places are full of young people - more young than average - who have done well in life, and not yet had to leave because they cannot afford the rent to live on there.

He insists that immigration was not the reason for voting Leave. "Most of the areas with greatest immigration - notably London and Northern Ireland - voted to remain," he says.

Yes, net immigration has risen in recent years, but in a context where everywhere people are more mobile, and crossing borders. The trouble is, if things are getting worse, immigrants can be a scapegoat. "If your schools are not progressing as fast as in other countries, if your health is not improving, workers not as productive, you blame it on the immigrants because you don't want to blame it on you and your friends."

One startling indicator that people in Britain are feeling less good comes in the 'happiness' Index, first published following the intervention of David Cameron in 2010, but little publicised since. One component is a question (recorded as an official statistic) which asks "Are you satisfied with your health?" Between 2010/11 and 2011/12, the number of people who say they are either mostly or completely dissatisfied with their health shot up.

The antecedents to the vote: the rapid decline in living standards after 2010, failing health and rapidly rising mortality due to austerity – recorded in part of the ‘happiness’ index.



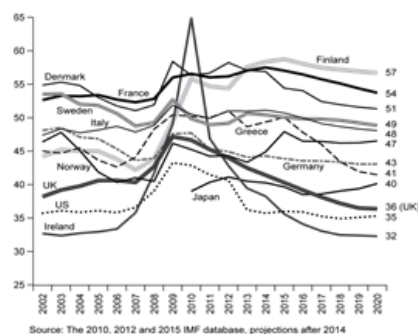
A question of tax and spend

We should be sceptical of politicians who say these problems are everywhere, says Dorling; that in the global race, we are all unequal.

Instead, he urges us to consider the impact of government policy, such as tax cuts which favour the richest, and to look at the amount of GDP that we tax and spend in the UK.

A majority of the electorate voted for something other than this. They did not vote for what they will get because no one knows what they will get. Do we know what others have?

Figure 2: State spending as a proportion of GDP, twelve rich countries 2002–2020 (%)



(This slide shows how this has changed over time and how it compares with other countries in Europe).

If you want good schools, good hospitals and good public health services, says Dorling, then taxing and spending publicly is more economically efficient than spending privately.

Yet this is not what we have seen in Britain, he says, taking education as an example: “We have given more and more money to people themselves so they can choose how to spend it, and we have watched the educational statistics come down, so that we have the lowest PISA rankings (by the age of 24) in Europe in numeracy, literacy and problem solving.”

Dorling is concerned that countries with traditionally high levels of public spending, like France, are coming under pressure to make cuts. "My hope in France is that the French are going to work out that they are not a failed state, that their education and health systems and productivity are better than ours." he says.

More equal steps

In conclusion, says Dorling, if we want to take back control, here is a list of what that really means:

- Tax at the "normal European rate". Otherwise, he insists, you can't have normal European services.
- Spend more on good health and education systems. "Unless you spend more; what you get is the middle class - or the upper middle classes - abandoning them. The rest of Europe has hardly any private schools."
- Have housing laws which are fair to tenants. "At what point is the population under 40 going to work out that this might just about be in their interest?" he asks.
- No sanctions and student loans for the young. Dorling refers to one million (mostly young) people sanctioned in 2013 under new measures for minor misdemeanours while claiming benefits. The total amount of sanctions levied that year, he says, was more than all the fines levied in Magistrates' Courts across England and Wales, and in all the Sheriff's Courts in Scotland.
- Introduce a fair system of voting (such as Proportional Representation)
- Don't allow the 1% who take a 7th of everything every year in the UK to also run political parties, newspapers, companies, even university building programmes unchallenged. This is best done by reducing their income and wealth.

Against this backdrop of proposed measures, is Dorling optimistic about reducing inequality? Well, yes, if only because he thinks we have reached a level that simply cannot endure.

"You can do what Margaret Thatcher did, and improve the living conditions of the best-off 30% of society and manage to win majorities in 1983 and 1987. You cannot have policies which will only benefit the top 1% and manage to keep control for that long."

Questions

1. *How can we tackle psychological factors behind public perceptions? It seems that politicians aren't free to speak, and how can we break the feedback loop of newspapers that are controlled?*

KP: Politicians *can* speak freely, and they do. Bernie Sanders had the courage to say he was a socialist in the US! We need charismatic leadership to say the truth, talk about the evidence. The media problem is an enormous one; but that may shift with time because younger people are using new kinds of media. And we must recognise the huge positive change that has happened over short periods of time, because of grassroots demand.

DD: Yes, we need to talk up good news, to counter melancholy, and to measure success! Rising equality in the US in the 1920s/30s went largely unnoticed because it wasn't being measured.

2. *Don't we need to be more angry to get important messages across, because publishing reports and evidence - the civilised thing to do, and what I have done to highlight shortcomings in social care - simply doesn't cut the ice.*

KP: Yes, I think we do need to be angry. I think we will see rising mortality, and rising food insecurity, so we do need different ways to get messages across and change things. One example is TED talks, which reach huge audiences.

DD: We need to get through a pervading false consciousness. Old people dying in misery will be those who have had relatively comfortable lives, because the poor won't live that long. You are going to need a lot of money to be able to pay for care, and if you can, how do you think your carer will feel about you?

3. *Is class relevant in discussions of inequality?*

KP: Class matters, and more for some societies than others. But we don't measure it because if I told you that the UK had 20% more working class people than France and more aristocratic people, that would tell you nothing about the social distances between those people. What income inequality measures is the steepness of the social ladder and the distance between the rungs, because it is through money that we express our status.

DD: Class distinctions are less when inequality is low. Also ethnic distinctions are less when income inequality is low (this is more complicated - but partly because people mix more). Also if you don't have a group that is poor, other issues diminish, e.g. fear of crime.

4. *I went to an Academy. Why do you think the government is so interested in privatising schools?*

KP: This is an example where we have evidence about what works and what doesn't. Finland, looked at evidence when its education system was failing, applied the lessons and shot up international league tables (they are still at the top.) By contrast, Sweden adopted free schools, against OECD advice, and its attainment is falling.

DD: Academies started to help just the poorest school in an area, but have developed into a widespread system to encourage schools to compete. Competition sometimes makes things better - when informed consumers have lots of options and can learn from mistakes. It doesn't make things better when you only get one shot at something, because you have no way of knowing.

Ends