Knowledge: why the rich will just keep on getting richer across the globe

INEQUALITY AND THE 1% by Danny Dorling
(Verso. £12.99)

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BETWEEN 1979 and 2007 the incomes of the wealthiest one per cent of households in the US went up 275 per cent, compared with an increase of just 18 per cent for the poorest 20 per cent. Indeed the increase for the top one per cent was between four and 15 times greater than that enjoyed by any other income segment. In recent years the rich have got richer and the poor relatively poorer than at any other time in recent history.

These statistics come not from Danny Dorling's new book Inequality and the 1% but from the US Congressional Budget Office. Meanwhile, in this country the Bank of England's chief economist, Andy Haldane, has pointed out how in 1989 the average American chief executive earned 100 times the median US household income, but by 2007 that had risen to 500 times, and there were similar, if not quite so extreme, changes in Europe.

Dorling, however, has assembled such a mass of data, primarily focused on the UK, as to put the issue beyond doubt. The world is growing rapidly richer but the rewards are not being evenly shared. Inequality is soaring and, as Dorling also shows, it has got significantly worse since the financial collapse of 2008. The rich elite of bankers may have got the blame for causing that crisis but it is the poorer sections of society that have borne the cost.

Economists have an explanation for this, as indeed they have for most things. The world is in the midst of a second industrial revolution fuelled by China and, like any earthquake, this has fractured old relationships and twisted and buckled the global economic system.

The squeeze on pay and living standards across the Western world, the demise of so much manufacturing, the near collapse of the world's banking system, the seemingly immovable mountain of personal and governmental debt and the austerity programmes of governments are all, in part at least, the reactions and consequences of a world thrown completely out of balance by the arrival of this new elephant on the block.

But Dorling is not an economist and this is not his explanation. He sees the cause of inequality in governments’ failure to control the greedy. He sees the rich as an undeserving elite who use their money to perpetuate themselves by sending their children to the best public schools and universities so they, in their turn, will have access to the levers of power, wealth and privilege. The solution to the inequality problem therefore is to get rid of the rich.

The book disappoints not because of its anger – which many might share – but because it describes where we are without understanding how we got here, nor what is likely to happen next. It ignores the fact that we now live in a knowledge-based economy where the elites with that knowledge, be they in the media, law, in computers, technology or indeed in finance, can command huge fees for what they deliver. They are in fact a new, rather than a self-perpetuating, rich. In 1980 an investment banker earned much the same as any other similarly skilled professional. By 2007 they were earning four times as much; today, it is six times. But that is only half of the problem, or rather just one per cent of it. The hugely bigger challenge is that the world no longer needs to employ vast armies of semi-skilled and unskilled people, as a result of advances in technology, the internet and robotics. Because they are not needed they earn very little, and most have no prospect of it ever getting seriously better.

This resultant inequality is indeed the major challenge facing society today. Would that it could be solved simply by hanging all bankers from the nearest lamppost or doing something similar by peaceful means, as Dorling advocates. Unfortunately, Lenin and a host of revolutionaries have tried that down the years and it doesn't work. Society needs an answer but it won't be found in this book.

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