

Dorling, D. (2012) Rack of Inequality, New Left Project , 25th September,
http://www.newleftproject.org/index.php/site/article_comments/rack_of_inequality

Rack of Inequality

by **Danny Dorling**

As the gap between the richest and poorest in Britain widens to new extremes, almost every other little gap between us is being pulled apart. No matter where you are along the income spectrum, among your small group of friends and associates a few who were already doing well are moving away from you – they are ‘bettering themselves’.

Even way up the income scale, you might be on the bank board, but if you are the director responsible for procurement, rather than finance, foremost in your mind is the finance director’s pay, and what other job you could do that would continue your financial status. Below you, job cuts are being made and salaries are barely rising with inflation. Further down they have been frozen. You feel simultaneously cheated by the winners above you and fearful of ever joining the losers below.

No matter how much you try, or how well you do, you are climbing a ladder where the rungs above are continuously widening faster than those below. You will always feel a long way down; no matter how high you climb. Down below, no matter where you are placed, the situation looks worse than a year ago. Maybe you are disabled but no longer deemed deserving of disability benefits; but at least you are old enough to still qualify for housing benefit for your own bed-sit. It’s getting worse for you, but it’s getting even worse for the youngsters below you. Above you people complain about receiving no pay rises, and though their mortgage payments are less, above them their bosses are getting paid more.

We are given many scapegoats to blame that are much easier to understand than a society being stretched out on the rack of inequality: 'globalization', 'the mess the last government left', 'greedy bankers', 'all those foreigners', 'the feckless and lazy'. And we are now more likely to blame others for their apparent failures. As Alison Park **commented** on the latest British Social Attitudes Survey: 'If you look back at the previous recession, you find that people became more sympathetic... that hasn't happened this time.'

We all need to pay a little more attention to the numbers. In May of last year the High Pay Commission **reported** that, if current trends continue, then by 2030 the best-off 0.1% of earners will see their remuneration rise to 140 times average income. The last time someone in the top tenth of a percent of the income distribution was deemed to be worth 140 other people was when we had a fully functioning aristocracy. It was when Queen Victoria was on the throne.

To get to where the High Pay commission said we are heading, one in a thousand people must receive an annual pay increase of over £100,000 each year – for the next 20 years. It may seem impossible, hopefully we will make it impossible, but that is the course on which we are currently and still, 16 months later, **set**. Near the very top of the ladder the gaps between the rungs are growing by £11 an hour in wage rises! In other words, if current inequalities continue, then for each and every hour, from today until 2030, the richest 0.1% will be paid £11 more for their 'labour' than what they received for the hour before!

Inequalities have been rising for some time. Just before he became Deputy Prime Minister, Nick Clegg **lamented** that between 1997 and 2008 the best-off fifth saw their post-tax incomes rise so much more than others that they were receiving 7.2 times the incomes of the poorest fifth by the time Tony Blair left office (as opposed to 6.9 times as much when he became Prime Minister). The 2011 statistics from the Institute of Fiscal Studies suggested that inequalities were increasing substantially again and in a far shorter period of time, not least because incomes at the bottom are now falling in real terms. Now in autumn 2012 the idea of reducing benefits in real terms has been **floated**.

Most people within the best-off fifth do not feel much better-off, despite the widening gulf between their lives and the lives of those who rely on average or low incomes. If you work full time and earn around £14 an hour you just **qualify** to be in the best-off fifth. You are in the middle of that group if your pay is close to £21 an hour. That translates to an annual salary of just over £40,000, twice the national average income.

The vast majority, nine out of ten people in Britain, receive an income of less than £40k a year. But if the people above you are receiving average pay rises of £5,000 a year, your £40,000 income begins to feel paltry. Compared to the top 1%, the remaining nine tenths of the top 10% are also being **squeezed**. So maybe the 99% are beginning to all be in it together? Those with an income just below the top 1%, who mostly live in London and the South East, lose out in competitions to buy homes in similar streets and to pay school fees at similar schools to where their parents' went. For them too, those above them have financially been moving away farther and faster, and they too feel squeezed. I am not suggesting we pity the rich, just that there needs to be a little more understanding. The redistribution that would be good for most of the rest of us would also be good for them. As inequalities grow, the top toffs become even more distant from the rest, and at the bottom more children are labelled as chavs. Toffs and chavs are both products of rising inequality.

The only countries (for which there are comparable statistics) in which the richest 1% earn more than in Britain are Argentina, Singapore, South Africa and the United States. In Finland, France, Japan, New Zealand, Norway and Spain the richest 1% earn only nine times average earnings (or less) – in Switzerland only 7.8 times; in Sweden 6.7 times; and in the Netherlands only 5.4 times the average income. The Swiss have bankers, the Swedes industrialists, and the Dutch host multinational companies. They *all* just don't tolerate such excess. If you want to know what a more equitable country looks like, take a trip to Holland. If people in mainland Europe want to know what it is like to live in a country with pre-1942 levels of income inequality, and pre-1918 levels of health inequalities, they just have to travel here and look in wonder. In an atlas of Britain **published** last year, Bethan Thomas and I map the local fall-out across the country of tolerating historically extreme and continuously rising inequality. We showed where levels of anti-depressant prescriptions are rising fastest, in which boroughs of London the average self-employed person earns a fortune, and where the deepest cuts to essential services are being made while others line their pockets.

The *Sunday Times* had recorded the best-off individuals in Britain taking an initial hit from the 2008 crash, but then recorded their wealth rising by 30% in a year. The year to 2011 was slightly more muted: average wealth amongst the very rich rose by 'only' 25%. These are credit-card rates of interest being received. Meanwhile national GDP and average real income has often been falling. There are now fears that the double dip long recession may dip a third time, and all the time inequalities are growing as, on average, people become poorer. The very richest of all, the 1000 richest people in Britain, saw their average personal wealth rise from £336million each in 2010 to £369million by 2011, and then to £414million by 2012. That's a minimum average annual income of at least £60million. And, of course, it pulls all of them further away from the rest of us, even from the very richest of us.

This can't carry on. There really is not enough money in Britain. At the very top, the richest single individuals' income fell in 2010 according to the rich list. In the year before the very richest saw a slight reduction as the final New Labour administration achieved a little redistribution. In the United States in the last year for which there is complete data (2008), the income share of the best-off 1% fell by half a percent.

To bring inequalities down before, from 1912 through to 1942 and then all the way to 1978, it took a new political party, agitation and, at the start of that period, the fear of revolution. But before all that, it took a new understanding. What had been occurring then (and what is taking place now) is unsustainable, detrimental to all, grossly unfair, and deeply damaging to the fabric of society, especially one facing austerity.

Many of the ways in which we reduced income and wealth inequalities before would work again. Almost all of the methods used in other countries, right now, would work here. We could even be a little imaginative and find new ways to bring us closer together rather than forever stretching further apart. It is possible to make it anathema to pay anyone in a public body more than twenty times anyone else. That would begin the reduction. Why not cut most the funding to public bodies which insist on excessive pay at the top instead of cuts to already slashed welfare budgets?

As for the private sector, where the vast majority of the very rich work, it is possible for public bodies to insert a clause in their contract that says they will not employ private contractors who do not pay the living wage (Boris Johnston manages it in London). It is similarly possible to insert value-for-taxpayers-money clauses which bar the wasting of public funds on contracting private firms who pay excess top salaries. Look at which accountancy firm is paid to audit the public sector body's finances near where you work. Why allow any private company to tender for any public sector work if it pays anyone in excess of twenty times any other person in its business?

And what of those not in work, who are the poorest? If we want the inequality rack to stop stretching, then the rungs at the very bottom need to rise. In the UK is it any longer possible to increase benefits at the bottom during a recession? George Bush did it just before leaving office in 2008.

It is possible to introduce a small basic income for all. It exists in Sarah Palin's Alaska. A small annual European basic income may be proposed soon across the Euro-zone, initially as a commitment to solidarity and a cushion for collapsing local welfare systems, but in the long term as the only feasible route towards a harmonisation of tax and benefits systems within Europe. Inequality within the Eurozone would fall.

In the UK the last time we saw income and wealth inequalities begin to fall substantially, in the 1920s and 1930s, was under Liberal, Tory and Coalition governments and following a financial crash. There are so many alternatives to our current dilemma there is no space to list them. However, it is also possible to imagine mainland Europe embracing more solidarity while within the UK our policies become ever more socially divisive. At least in the short-term.

Pay restraint at the top saves more money than any programme of government cuts to public sector jobs can ever achieve. Pay and benefit increases at the bottom are the most efficient means of increasing consumer demand. It was redistribution of wealth which changed this country from thirties misery to swinging sixties. Do the same again and by the time my children are my age

Britain will be at the European average for income inequality, rather than the economically most unequal of all the large European countries. What kind of a twisted view of social justice and human nature would you need to oppose a little more social justice and a little less economic extremism?

Danny Dorling is professor of human geography at the University of Sheffield. He is the author of *So You Think You Know About Britain* and, most recently, *The No-Nonsense Guide to Equality*.