

The five key facts the left needs to know about inequality

Danny Dorling

Income inequality may soon start to fall, but this isn't a cause for great optimism. Inequality is at far higher levels in Britain than other large European countries, with hugely damaging effects for society and quality of life, as well as for politics: high inequality tends to go along with political disengagement and high levels of far-right voting.

1. Income inequality may be about to fall.

There is a possibility that we are reaching a peak in income inequality. The last time income inequality in the UK peaked was 1913. Reaching the peak does not mean the immediate decades ahead will be at all pleasant. Furthermore, the peak is reached earlier for those with less. The quintile ratio of income inequality peaked at 6.4:1 in 1990 (after Margaret Thatcher was forced to resign). But the take of the 1 per cent continued to rise until at least the financial crash of 2008. Their greed fuelled that crash as their take rose right up to that point (see Figure 1).

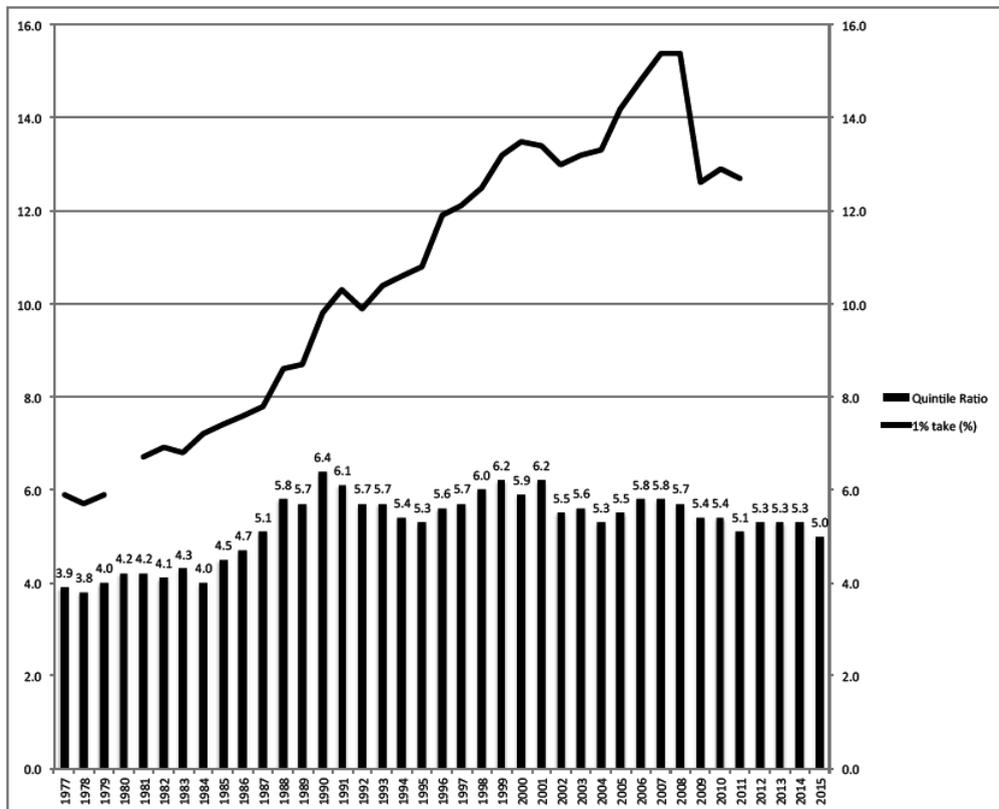


Figure 1: Household income inequality, quintile ratio 1977-2016, and 1 per cent take 1977-2012, UK

Source: ONS (2017) Household disposable income and inequality in the UK: Top fifth / bottom fifth excluding the incomes of the best-off 1 per cent of households, which rose during this period. The take of the 1 per cent is shown as a separate line, derived from the World Wealth and Income Database (no data is available on the UK 1 per cent for 2013 to 2016).

The take of the 1 per cent appears to have fallen since 2010 partly because of greater tax avoidance after that date. They report lower incomes to HMRC as more of them have incorporated companies with no employees since that date, in part to launder their income. However, some of the apparent fall in Figure 1 may be real. Above the 1 per cent, the 0.01 per cent (who feature in the *Sunday Times* rich list) have continued to increase their incomes and hence their wealth greatly through to 2016. Most of the very richest people in Britain claim citizenship of another country and can avoid paying full taxes as a result.¹

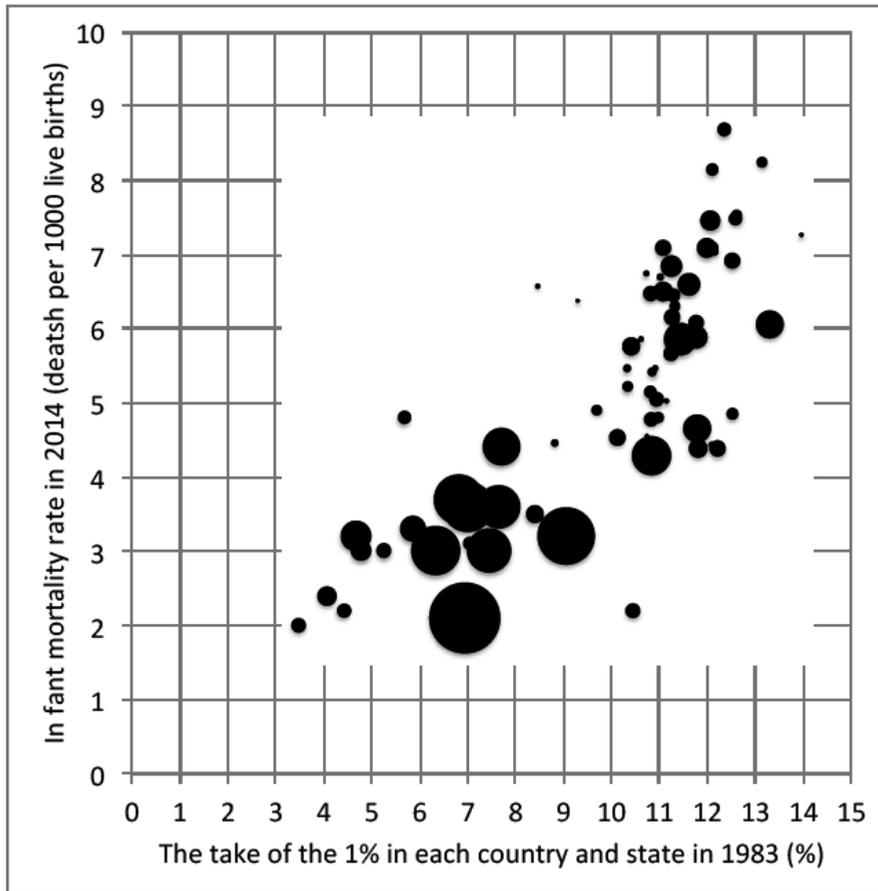
Worldwide we are just beginning to see evidence emerging that the very richest, but not the richest eight people in the world, are beginning to see their fortunes turn. Among the richest the most recent Forbes annual billionaires guide found that the number of billionaires in the world has dropped slightly from 1826 to 1810. The total wealth of those that were left had fallen by \$570 billion to roughly \$6.5 trillion in 2016. They had been rocked by ‘market turbulence’ including falling oil prices. This was the first fall in their wealth since 2009.²

2. Wealth inequality falls lag behind falls in income inequality; and the impact of high inequality is felt for decades

When income inequalities begin to fall, wealth inequalities tend to fall about a generation later. Similarly, they rise more slowly than income inequalities rise. Wealth inequalities in the UK were lowest in the late 1980s despite income inequalities rising during that decade.³ We should expect any fall in income inequalities not to result in falling wealth inequalities for many years to come, not least because twice as many people in the UK now pay rent to private landlords than did a decade ago. Furthermore, the translation of a peak in income inequality to sustained falls in income and then wealth inequalities requires sustained political intervention. The rise of the Labour Party between 1913 and 1945 was just one of many such interventions.

The society-wide repercussions of high income inequality in the past lasted at least a generation. Figure 2 shows all 19 countries and the 50 states of the USA for which there was data on the take of the 1 per cent in 1983, a generation ago. It shows how those inequities correlated with the most recent available data on infant mortality in each country and US state. A circle drawn in proportion to its current population represents each area; the largest circle is Japan. The

Figure 2: The take of the 1 per cent and babies under 1 year dying a generation later, 19 countries and all US states



Source: *World Wealth and Income database accessed December 2016, infant mortality data from the Centre for Disease Control (USA) and Gapminder.*

relationship is clearly not *directly* causal as 31 years separates the two datasets. The figure shows the long-term repercussions of tolerating high inequality.

3. Gross inequality shows that there is money for services

Just as infant mortality is higher in more unequal countries and US states, so too is elderly mortality. Between 2011 and 2016 NHS trust funding was increased by 11 per cent, not enough to keep up with demand, including the modest ageing that had taken place up to then. Spending on adult social care fell by 10 per cent over the same period. Delays to discharges from hospitals increased by 37 per cent in just the two years prior to 2016.⁴ The only plausible cause of the unprecedented rises in deaths among the elderly that occurred in 2015⁵ (which have risen again in late 2016 and early 2017) was this limited and reduced funding.⁶ At the same time corporation tax has been cut to ‘*by far the lowest in the G7 group of leading economies*’⁷; costing the government £8 billion a year by 2016-17 and rising – up from £5 billion a year in 2014.

Because the 1 per cent in the UK now take more than in any other European country and appear to pay the least in tax, they have money to squander. The richest amongst them pay their personal chefs £70,000 a year and their house-managers up to £120,000 a year. One tutor who helped provide extra lessons for their children told the *Financial Times* that he charges them up to £1000 an hour. But he no longer goes on holiday to work with these families because they are so obnoxious.⁸ The profligacy of the wealthy is something we have become too used to in the UK. Recent stories include the purchase of expensive cars, such as the fly-fishing edition of the Bentley Bentayga, which costs £80,000 more than the standard price of the car but comes with ‘hand-made rods and a host of fly fishing paraphernalia, contained in a luxurious three-piece trunk set’.⁹

In Europe Britain is uniquely tolerant of inequality. No other large European country taxes the rich so little and lets them take so much at the expense of the rest, and especially of the poor. And *no other large European country* spends so little on health or is seeing life expectancy begin to fall for the majority of its population.

In France the worse-off half of the population are now 39 per cent better off than they were in 1978, the top 10 per cent are 44 per cent better off and the rest are 35 per cent better off. Inequalities have been held steady there for almost forty years, in contrast to the UK.

Among large rich nations only the USA is now worse than the UK. Since 1978 the worse-off half of people in the USA have seen absolute falls in their income; the middle 40 per cent have seen a 42 per cent rise; the top 10 per cent have seen a 115 per cent rise; and the top 0.001 per cent (who, by definition, already had a shocking amount) received the largest rise in absolute levels of income: 685 per cent.¹⁰

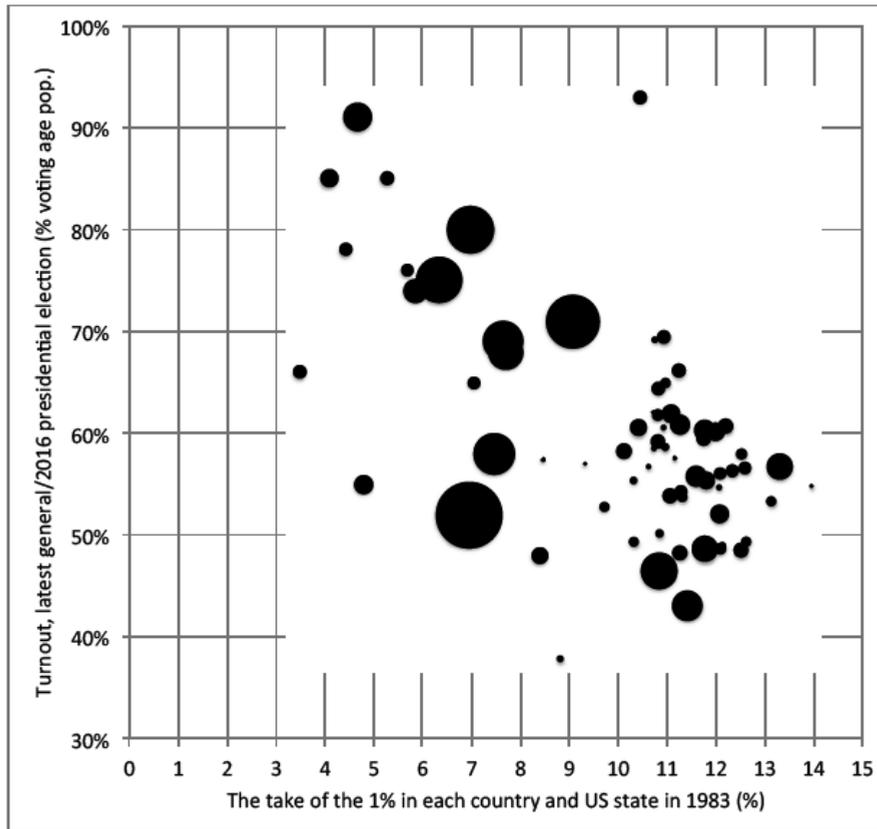
Every year since 1978, no matter who you were in the USA, those above you did better than you in the last four decades, and the poorest half of the population became absolutely poorer.

4. Fewer people vote in elections when inequality is high

High economic inequality leads to political apathy, and more attempts to stop adults being registered to vote. There is a very close correlation between turnout in general and presidential elections and the levels of economic inequality that are tolerated. Affluent countries and US states that had high inequality in the 1980s all have far higher inequality now. In contrast, most of those that controlled inequality in the 1980s still have low economic inequality now and their populations are far more politically engaged and hence vote far more often in elections.

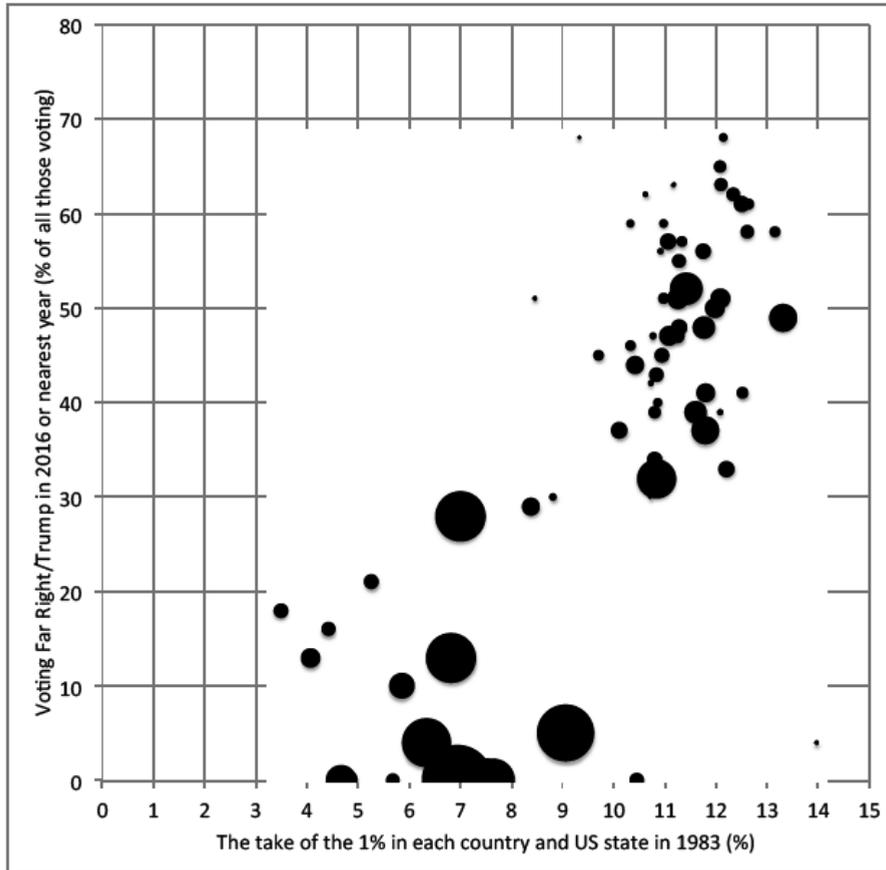
There are occasional outliers. The highest circle in Figure 3 (*see overleaf*) is Singapore where voting is practically compulsory. If you don't vote in an election there, you have to pay a fine to be allowed to ever vote again. Singapore was also an outlier in Figure 2 above. Its infant mortality rate is remarkably low because the maids who act as servants for the middle classes are pregnancy tested there every 3 to 6 months and forbidden from having children. If you prevent the poorest people in society from becoming parents, and fine people who do not vote, you can present the impression of being a better place to live.

Figure 3: The take of the 1 per cent in 1983 and electoral turnout in 2016



Source: World Wealth and Income database accessed December 2016: <http://www.electproject.org/2016g>

Figure 4: The take of the 1 per cent in 1983 and voting far-right in 2016



Source: World Wealth and Income database accessed December 2016 and <http://www.nytimes.com/interactive/2016/05/22/world/europe/europe-right-wing-austria-hungary.html> & <http://www.nytimes.com/elections/results/president>

5. High inequality encourages right-wing voting

Finally, high and rising income inequality is correlated with right-wing voting. Income inequalities rose rapidly in Germany and Japan in the 1930s, but in contrast fell in the UK and France at that time.¹¹ More recently, the small rise in far-right voting within Europe can be suggested to be part of a larger pattern, if voting for Donald Trump in the USA in 2016 is included as voting for a far-right party. The two main outliers in Figure 4 are Germany, where (understandably) far-right voting is lower than would be expected, and France where it is higher than would be expected given the relatively low levels of income inequalities in France and the high quality of better-funded public services than in the UK.¹²

Figure 4 (*see previous page*) can be read as a warning of the long-term implications of tolerating high inequality. It eventually results in the population turning to tyrants. The Left in the UK needs to recognise how high the stakes are. They need to understand that those who welcome inequality and who believe it reflects the rewarding of 'talent' are quietly content to see health and social care services underfunded and the weaker die earlier as a result. The Left needs to understand that even if income inequality reaches a peak this year it has taken decades in the past to reduce its level down to what the population of a more civilized European country would tolerate. Fighting for greater equality is the fight for life, the fight against fascism, and the fight against greed.

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Notes

- 1 For an open access record of the top 20 as recorded in spring 2016 see: https://en.wikipedia.org/wiki/Sunday_Times_Rich_List_2016
- 2 K.A.Dolan and L.Kroll, 'Forbes 2016 World's Billionaires: Meet The Richest People On The Planet', *Forbes Magazine*, 1.3.2016, <http://www.forbes.com/sites/luisakroll/2016/03/01/forbes-2016-worlds-billionaires-meet-the-richest-people-on-the-planet/#77ee391641cb>.
- 3 D.Dorling, 'Underclass, overclass, ruling class, supernova class', in A.Walker, A.Sinfield

- and C.Walker, eds., *Fighting Poverty, Inequality and Injustice*, Bristol, 2011, http://www.dannydorling.org/?page_id=2446.
- 4 National Audit Office, *Health and Social Care Integration*, 8.2.2017, <https://www.nao.org.uk/report/health-and-social-care-integration/>
 - 5 L.Hiam, D.Harrison, D.Dorling, M.McKee, 'What caused the spike in mortality in England and Wales in January 2015?' *Journal of the Royal Society of Medicine*, 17.2.2017, http://www.dannydorling.org/?page_id=5946.
 - 6 L.Hiam, D.Harrison, D.Dorling and M.McKee, 'Why has mortality in England and Wales been increasing? An iterative demographic analysis', *Journal of the Royal Society of Medicine*, 17.2.2017, http://www.dannydorling.org/?page_id=5942.
 - 7 V.Houlder, 'Corporation tax cuts cost UK over £5bn a year', *Financial Times*, 9.7.2014, <https://www.ft.com/content/coafbfc4-02af-11e4-a68d-00144feab7de>.
 - 8 E.Jacobs, 'Glamour, travel and loneliness: meet the high-end domestic help', *Financial Times*, 13.2.2017, <https://www.ft.com/new-downstairs>.
 - 9 J.Beckwith, 'Bentley Bentayga Fly Fishing edition created by Mulliner', *Autocar*, 20.7.2016, <http://www.autocar.co.uk/car-news/new-cars/bentley-bentayga-fly-fishing-edition-created-mulliner>.
 - 10 A.Tooze, 'America's Political Economy: Leaving 50 per cent behind ... the very latest from Piketty, Saez and Co.', *America's Political Economy Blog*, 9.2.2017, <https://www.adamtooze.com/2017/02/09/americas-political-economy-leaving-50-behind-latest-piketty-saez-co/>.
 - 11 D.Dorling, *The No-Nonsense Guide to Equality*, Oxford, 2012, <http://www.dannydorling.org/books/equality/>.
 - 12 D.Dorling, 'France shows what has gone wrong in the UK and US', *British Medical Journal*, 2016, http://www.dannydorling.org/?page_id=5808.

WHY ARE WE IN FAVOUR OF EQUALITY?

More equal societies are wealthier, healthier and happier. Equality enables us to take greater joy in one another by meeting on equal terms – and allowing each of us to be the best version of ourselves.

– Tom Kibasi, Director, IPPR