

Turning The Tide On Inequality

by *Danny Dorling* on 25 October 2017



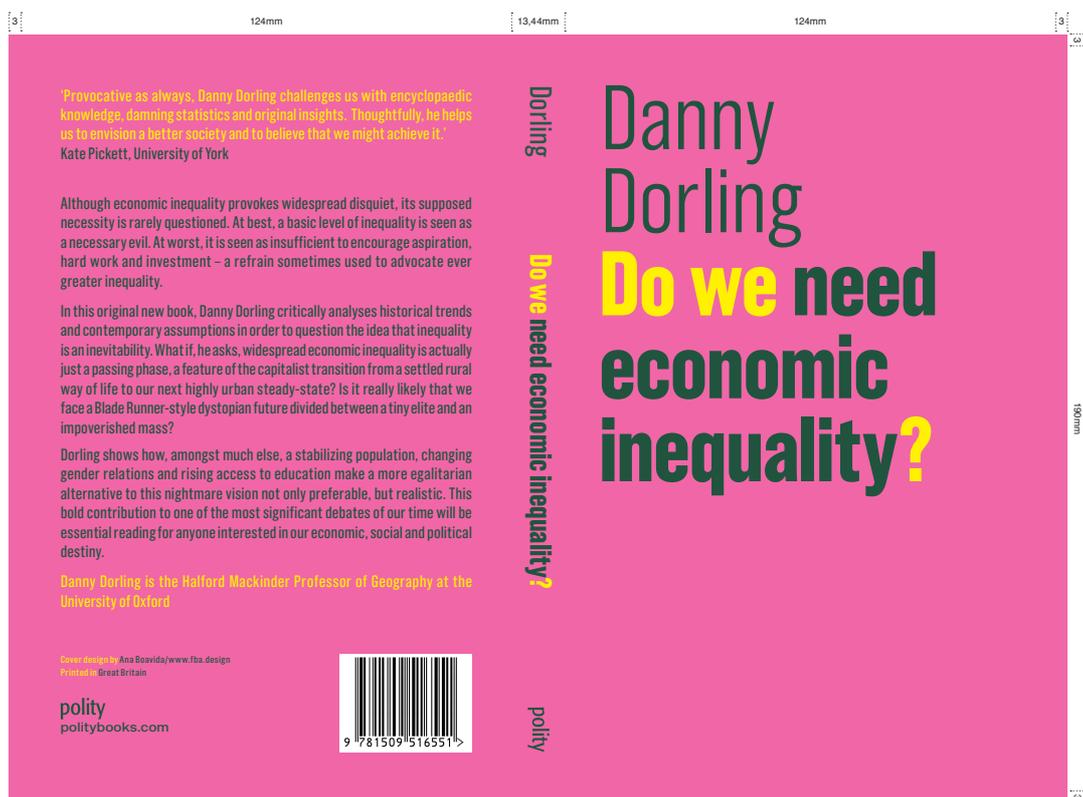
Danny Dorling

It is hard to believe that it is any coincidence that by far the most economically unequal large country in the European Union, the UK, was the one that narrowly voted to leave it in 2016. The UK has severe social problems due to severe economic inequality. These include an inability to see unfairness as a problem, and a susceptibility to simplistic immigration-blaming arguments.

The remainder of Europe enjoys greater equality. In every other large European country the ruling elite are far more closely connected to the people because they are economically less separated. Living standards for the median family in France and Germany are higher than in UK, and the quality of housing is higher.

The UK provided the best warning within Europe of what goes wrong when you allow inequality to rise and rise ever higher. Nevertheless, there remain wide variations in economic inequality within mainland Europe that may well also be very instructive.

After the UK, the second most unequal large country in the EU is Spain. For those of us that have studied inequalities for many years there is a somewhat depressing regularity emerging between where a country ranks on the league table of economic inequality, and then its economic, social, and political difficulties.



Note: This article is based on the Book “Do we need economic inequality?”

People may say that the issue of separatism in Spain has little to do with economic inequality; but higher inequality between households within a country is often a symptom of so much more going wrong. As the former BBC economics editor [Duncan Weldon](#) recently put it when trying to explain the rise of Trump in the USA: “it’s the inequality stupid”. Weldon was not talking about the inequality between US states, but the inequality between families within those states.

Spain is not as unequal as the UK or USA. It is at no risk of leaving the EU or starting a war with North Korea. But you might be left wondering whether its national government would deal better with devolution, identity and autonomy in Catalonia if Spain taken as a whole were more equitable as a society. The ruling elite in Madrid might make fewer mistakes were Spain as cohesive as France and Germany have become. What matters most is the inequality between individuals and households in a country. The most equitable countries in the world, Norway, Sweden and Japan have few secessionist movements, no militaristic posturing, and tend not to elect fools to high office.

Inequality And Poverty

Economic inequality is characteristically high in poorer countries of the world. Without exception, all high standard of living countries usually only became very affluent by at first reducing economic inequalities within their own country, although sometimes at the expense of exploiting overseas territories.

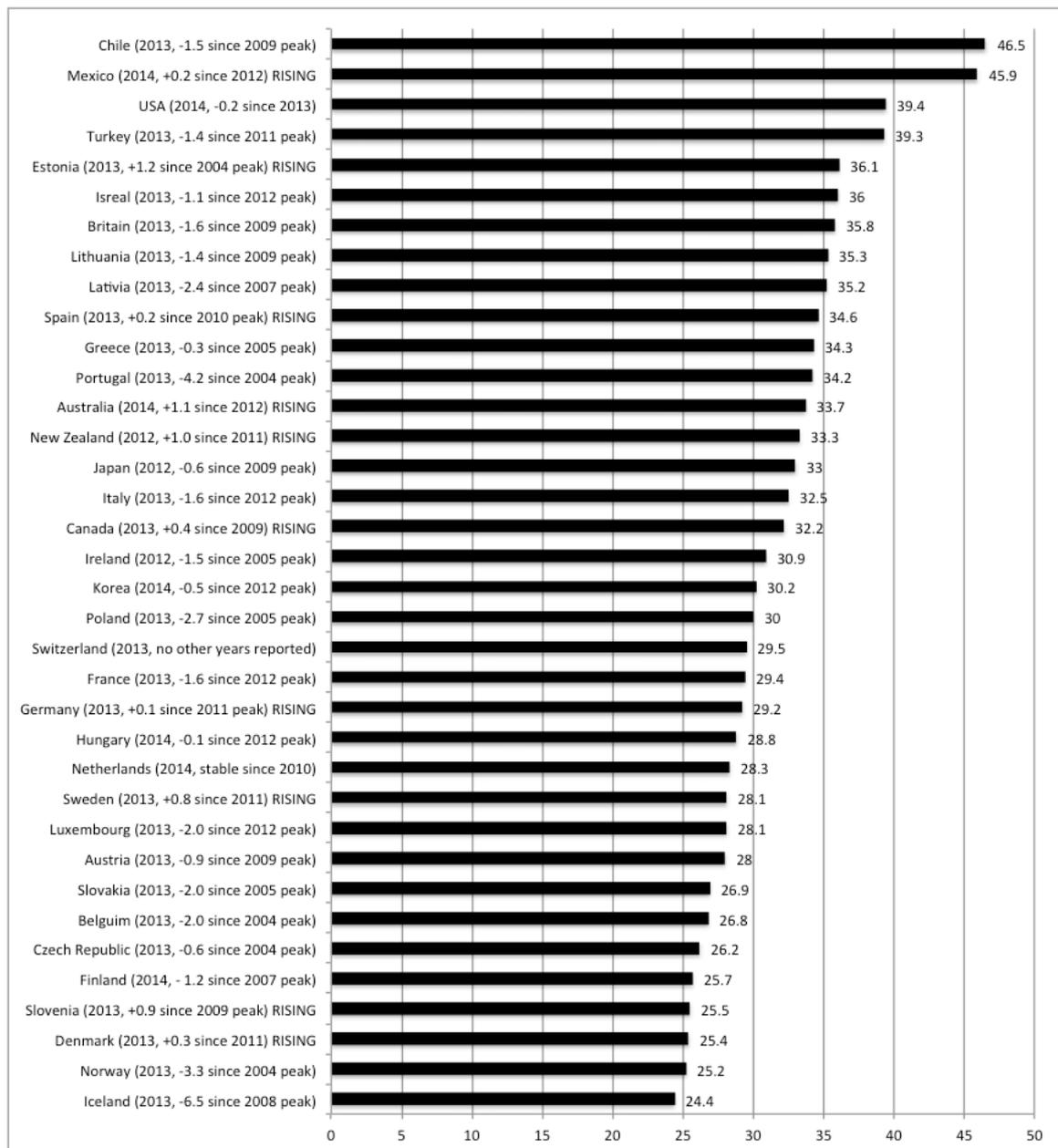
Among OECD countries inequalities are highest outside of Europe, as the table below shows. Very unequal OECD countries tend to have severe problems of crime, social disharmony, political instability and poor health. The most unequal OECD countries are Chile, Mexico, the USA and Turkey. Nowhere within the EU yet suffers the kind of problems that routinely effect people living in these four countries. The USA still practices capital punishment. Turkey is threatening to reintroduce it. Mexico suffers from very high crime and poverty rates and in Chile students protest routinely about attempts to further privatize universities and raise students' fees and loans.

The table below shows both how unequal each country in Europe is and how it compares with other countries in the OECD outside of Europe. Furthermore, it shows whether the rate of inequality is still rising, or when the peak was

reached if inequality is now lower. In most rich countries in the world inequality has now peaked. The measure of inequality used here is the OECD favoured measure of the Gini coefficient of income inequality.

Income Inequality Gini Coefficient,

0 = Complete Equality; 100 = Complete Inequality, 2013



Source: McGuinness, F. (2016) Income Inequality In The UK, House Of Commons Library Briefing Paper No. 7484, 24 November, Updated Using Source: [https://Data.Oecd.Org/Inequality/Income-Inequality.Htm](https://data.oecd.org/inequality/income-inequality.htm), Accessed March 2017. See Text For Up Dates Through To October 2017.

In Europe in March 2017 the most unequal country was Estonia. However, Estonia is a very small country and so the estimates of inequality are based on a very small survey. By October 2017 it was no longer the most unequal country. Latvia and Lithuania are similar, and all have an inequality level on a par with that of Israel.

The image is a screenshot of the Social Europe website. At the top, there is a red navigation bar with the 'Social Europe' logo and social media icons for Facebook, Twitter, LinkedIn, YouTube, and RSS. Below this is a secondary navigation bar with links for 'ABOUT', 'BOOKS', 'PAPERS', 'PODCASTS', 'SPOTLIGHT VIDEOS', 'SOCIAL EUROPE TALK', and 'ADVERTISE ON SOCIAL EUROPE'. The main content area features an article titled 'Turning The Tide On Inequality' by Danny Dorling, dated 25 October 2017. A circular profile picture of Danny Dorling is shown next to the article text, which begins with 'It is hard to believe that it is any coincidence that by far the most economically unequal large country in the European Union, the UK, was the one that narrowly voted to leave it in 2016. The UK has severe social problems due to severe economic inequality. These include an inability to see unfairness as [...]'. To the right of the article is a book cover for 'A Chronicle of Crisis 2011 - 2016', Social Europe Edition, featuring a blue and white geometric design.

When considering large Europe countries, for many years it has been the UK which is most economically unequal. In 2015 the arithmetically average household in the best-off 10% of the income distribution in the UK had 17 times more money to live on each year than the arithmetical average household in the poorest tenth of UK society. This seventeen-fold gap is *enormous* and has only become so large by growing relentlessly decade after decade from the very late 1970s onwards.

Gross inequality colours almost every aspect of life in Britain in a way the British find hard to see because they have become acclimatized to living in such an inequitable society. The British private and ‘public’ (the even more elite private) schooling system is only maintained by very high income inequalities. Furthermore, the incredibly high annual incomes of Britain’s best-off 1% are key in making the 17:1 discrepancy so large. The table below shows how that inequality ratio in the UK compares with other large European countries.

Annual income of the best-off / worse-off 10% of households (2015)

| | |
|---------|------|
| UK | 17:1 |
| Spain | 14:1 |
| Italy | 11:1 |
| Germany | 10:1 |
| France | 7:1 |

Source: Stotesbury, N. And Dorling, D. (2015) *Understanding Income Inequality And Its Implications: Why Better Statistics Are Needed* *Statistics Views*, 21st October

Note: *Income Is Disposable Household Income: Income From Wages, Self-Employment And Capital, Plus Social Transfers, Minus Direct Taxes Paid. Household Income Is Adjusted (‘Equivalised’) To Take Account Of The Amount Of Scale Economies That Different Sizes Of Households Can Achieve.*

This table shows the inequality ratio for the five most populous countries of Europe. A very wide range of inequality experiences are now seen across Europe. Note that here France and Germany appear more different by this measure because the top 1% in Germany take more than in France, but their Gini coefficient of income inequality is more similar to each other. Because of this wide spread of experiences Europe has become the home of natural experiments to determine the effects of economic inequality.

Elite Education And Stupidity

When tested up to age 24 children and young people in France and Germany are found to be far more able at mathematics than those in Spain and Italy; but in turn they are more able than children and young adults who have recently grown up in the UK. Educational outcomes across European countries are generally better in more equal countries. And the elite in unequal countries are less educationally able than the elite in more equitable countries. What is more they tend to assume they are superior.

If you ever balk at the brashness and rudeness and stupidity of so many British politicians please understand that it is not entirely their fault that they are so often so awful. They were brought up in Britain at a time when it was becoming a more and more unequal society. This has often affected them adversely. In the worse cases they come to celebrate high inequality as a rewarding of 'top talent'. It would be funny if the educational implications were not so sad.

Similarly, better health is enjoyed by older people living in more equitable countries. Middle-aged people are all on average more productive at work and do not need to work as many hours in a week to get by when their pay is more equitable. People in more equitable European countries are far more innovative, they invent more medicines, machines, and make better jobs of managing themselves. And again, on average, everyone in a more equitable European country also pollutes less and consumes more sensibly, eats better and becomes less often obese.

As yet we have not been able to identify any European country that has suffered any problem from becoming too economically equal. The most economically equal countries in Europe are also those that score most highly

on the world happiness index: Norway, Denmark, Iceland and Switzerland. These also happen to be the [happiest countries](#) in the world.

We first discovered that inequality mattered hugely for everything from health to imprisonment almost ten years ago when Richard Wilkinson and Kate Pickett published “The Spirit Level”. Since then an enormous increase in evidence that inequality matters has emerged, from happiness to carbon footprints, from education to political behaviour. Far right political parties and ideas are more popular in more economically unequal countries. Fewer people bother to vote when inequality is high; democracy suffers greatly.

In recent years almost everyone, from American and Chinese presidents to the Managing Director of the International Monetary Fund, the Pope and the Business leaders that meet at Davos, they have all identified the problem of economic inequality as being key:

- ‘income inequality is the defining challenge of our time’ [Barack Obama](#) 2013
- ‘divide the pie correctly.’ [Xi Jinping](#) 2014
- ‘working for a just distribution of the fruits of the earth ... is a commandment.’ Pope Francis 2015
- ‘inequality is sexist’. [Christine Lagarde](#) 2016
- ‘rising inequality threatens the world economy’ [World Economic Forum](#) 2017

Changing The Climate

It is also becoming clear that economic inequality has a great effect on climate change. People in the most unequal of affluent countries unnecessarily consume and pollute far more than do people in more equitable affluent countries – and it doesn't even make them happier!

Four years ago Thomas Piketty spelt out very clearly what would happen if inequalities were not contained in his book *Capital in the Twenty First Century*. Since then, and with the help of a huge amount of additional evidence, it is just becoming possible to see that we are finally beginning to curtail inequality again. We last turned the tide towards greater equality in the years after 1914.

It requires a huge amount of work and commitment to change the direction of the tide, to say that it is wrong that the rich become ever richer, to realize that it does not benefit anyone – even them. Back in the 1920s and 1930s across Europe there was a change in the moral sentiment. Greater equality became seen as essential. The rich were taxed to pay for the First World War, and the old order was recognized as both having been unjust and dangerous. Unfortunately, economic inequality was allowed to rise in Germany and Japan in the 1930s. It took decades to establish greater economic equality across all of Europe and the USA did not even begin this process until after World War Two.

So far, almost a decade after the great economic crash of 2008, we can finally see that in a majority of countries around the world economic inequality has begun to fall, albeit only slightly. Most importantly hardly anyone is impressed when they hear of another's high salary or great wealth anymore. The moral sentiment has again changed and we have already become used to that change. But a few people with great wealth and high incomes will try as hard as they

can to hold on to that money, what they see as *their money*. After all, they only ever became so rich by being excessively greedy.

In the UK the Brexit campaign was lead by a small number of very rich newspaper proprietors who did not want to see their wealth and power diminish in an ever more equal and unified continent. A few rich individuals, some of who remain anonymous, funded most of the Brexit campaign. These included people who wanted the tax avoidance islands that Britain protects to remain places where they could store some of their wealth. They scared the British people with stories of how immigrants would take away their houses and jobs. They want Britain to remain as the most economically unequal country in Europe, and London its most expensive capital.

*This article is based on evidence collected in the **book** by the author: “Do We Need Economic Inequality? Published by Polity (Cambridge) and the **article**: Dorling, D. (2015) Income Inequality in the UK: Comparisons with five large Western European countries and the USA Applied Geography, 61, 24-34*

This is the latest in a series on inequality in Europe sponsored by SE, the Hans-Böckler-Stiftung and the Friedrich-Ebert-Stiftung

