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# Peak inequality

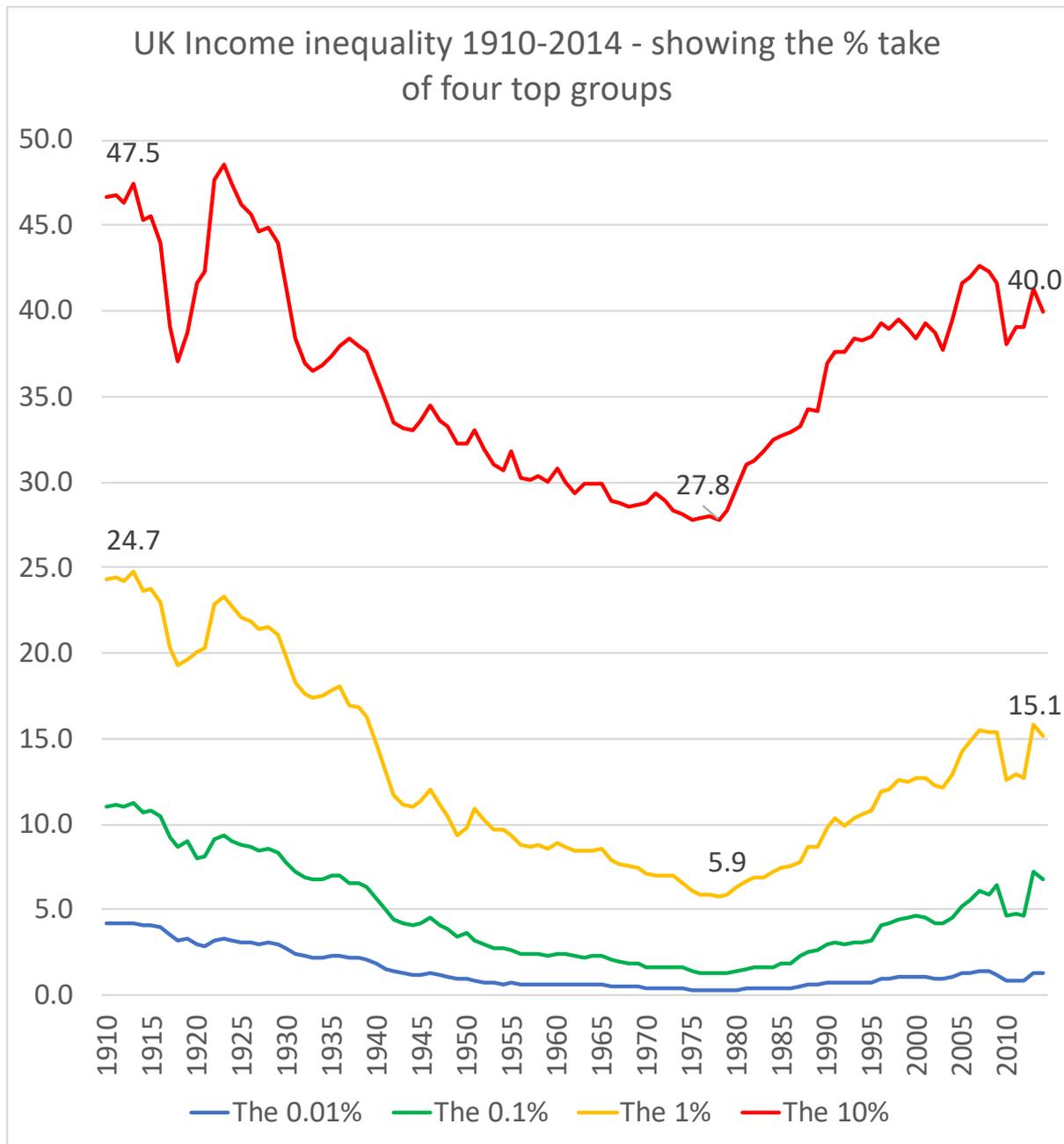
The gap between the very rich and the rest is wider in Britain than in any other large country in Europe, and society is the most unequal it has been since shortly after the First World War. But is great change coming?

BY DANNY DORLING

There are many ways in which inequality can be felt and innumerable ways in which it can be measured. However, it is annual income that trumps all other measures, because it is income that gives us respect and the freedom to do everything from buying a bus ticket to securing a mortgage. We can only live how we live by dint of the income we receive.

Income inequality in the UK is higher than in any other European country, except occasionally one of the Baltic states (during a bad year for them). All other European Union countries enjoy greater income equality. Because of this their citizens are freer to live where they wish, to mix equally, to go to school with each other rather than segregate their children, as the majority of parents in the top 10 per cent of income distribution in Britain feel compelled to do.

Peak inequality is when the town you live in is so segregated that the school-aged children do not mix – not between schools, not socially, not at all. Peak inequality is where the best-off people in your workplace demand “housing allowances” because they could not possibly live near those who clean their workplace, or those who ensure the photocopier works, or who keep the computer servers working night and day.



We live in times of peak inequality. It pervades almost every aspect of our lives in Britain in ways that we now accept as normal. Like goldfish in a bowl of dirty water we have adapted to think that our tank is normal. But it isn't.

Among all European nations we have become the most inequitably rewarded – we are swimming in the dirtiest of fish tanks. The transition to this state of affairs came slowly. In the 1970s we were living in the second-cleanest large tank of all in Europe; only Sweden’s was cleaner. I say “clean” because as yet there is no evidence of any harm coming from high levels of equality – once a basic level of affluent subsistence has been achieved, there is no downside to being more economically equal.

Nowhere are the repercussions of living with gross inequality more evident than in health. The physical health inequalities that come with tolerating the highest income inequalities in Europe are not as extreme as the damage to our mental health (as documented in Richard Wilkinson and Kate Pickett’s new book *The Inner Level*), but they are still shocking. For instance, a child born in Sweden is half as likely to die in childhood as a child born today in the UK. There are no causes of death among children that are significantly more frequent in Sweden than in the UK. By 2015 the UK ranked 19th out of 28 in the European league table of neonatal mortality: deaths within the first 28 days of life. In 1990 we had ranked seventh. Bulgaria ranks 27th and Romania 28th, but infant mortality in both is falling. Since 2015 we have seen a statistically significant rise in infant mortality across Britain: no other state in Europe has experienced that. And this is despite, not because of immigration.

Immigrants, who are on average younger and healthier, are essential for the running of our health services. Their presence has prevented overall life expectancy from falling across the UK – though it is already now falling for many groups in many parts of the country. In everywhere else in Europe life expectancy is rising faster than in the UK (it is rising fastest in Norway and Finland). Until 2015 the UK had not experienced growth in numbers of grieving parents since during the Second World War – when infant mortality last rose for two years in a row.

After a time the statistics begin to turn you numb. You become used to bad news. Year after year the number of children waking up in shabby temporary accommodation rises. It now does so with each passing Christmas Day. A record 130,000 children were living in bed and breakfasts over Christmas 2017.

You become used to hearing that ever greater numbers have recourse to food banks (1.3 million parcels were given out in the year to April 2018), to such an extent that you almost forget that as recently as the 1990s there were no food banks in Britain. There was no need for them, before inequality reached its new peak – just as there was a time when the soup kitchens of the 1930s all disappeared once equality rose high enough. When the income share of the bottom 90 per cent is used as the comparator, today our levels of inequality are

the same as in 1930. That is why the soup kitchens and feelings of hopelessness have returned.

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How did we get here? What went wrong? Equality for the bottom 90 per cent peaked in 1978 when they took home 72.2 per cent of all the income there was to take that year. This high point had followed us reaching a slightly smaller (and almost always ignored) peak of 71.5 per cent in 1968. Between those two dates we stumbled along a ridge of high equality and we could have chosen to go even higher. In hindsight, it is far easier to see. At the time, no one in Britain had a clear idea of just what a momentous period the late 1960s and early 1970s were.

We could have followed the paths later taken by the Netherlands, or France, or Germany. In fact, we were so equal by the early 1970s that we were most similar, as a society, to Sweden – we could have been Scandinavian! We could have had a sovereign wealth fund – one based on oil, like Norway's. We could have been leaders in technological and scientific innovation like Finland. We could have been as stylish as the Swedes and as laid-back but also as environmentally conscious as the Danes.

The equality of the early 1970s was held up by quicksand. It was not something that was being slowly built upon a strong foundation – of having all been poor before, and all now being in it together. Those who had been exceedingly rich in the past resented the equality that was coming. They resented the good-quality comprehensive schools that began emerging in that decade; the decent housing; the full employment that allowed people to tell their boss where to stick it; the growing lack of deference for the old rich, from the publication of books that a man would never wish his wife or his servants to read (*Lady Chatterley's Lover* in 1960) through to “God save the Queen/ The fascist regime” (the Sex Pistols, 1977) – by which time it was too late. The political shift towards greater inequality had been made in 1974.

The swing of votes towards the Tories in the second general election of that year was abrupt: Harold Wilson's Labour Party won but with an overall majority of only three seats. In 1975 the Conservative party itself took an abrupt jump to the right with the selection of Margaret Thatcher as its new leader. In 1976 Jim Callaghan gave a speech at Ruskin College, Oxford, that showed the tone within Labour was changing, too.

This did not happen because of the oil crisis, Nixon abandoning the Bretton Woods monetary system, or any other international event outside the UK's control. It happened because of a very British problem. Britain differed

fundamentally from other countries in Europe in the 1960s and 1970s because its wealth had been built on a huge empire. And now the loss of our empire meant we were forced to get used to having less.

In October 1974 the south of England effectively voted to abandon the north of England and the rest of the British Isles and to punish the miners who had been on strike. The southerners did not triumph until Thatcher's election in 1979 – but they had begun their fight in the autumn of 1974.

The British establishment had almost no idea of how economically reliant it was on the empire. Almost all leading Conservatives, most Liberals and a significant section of the Labour Party had come to believe that running the empire was the white man's burden, a great sacrifice – something they did at a loss even.

The pound had been falling in value against the dollar since at least around 1910. By the 1960s Conservative politicians blamed immigrants from the Caribbean, and then the trade unionists at home. They blamed the miners in the early 1970s and then the few socialists in government during that decade. Britain joined the European Economic Community in 1973 in search of a solution to its economic woes. At no point, ever, did the British contemplate how the centres of all former empires, from Ottoman to Hapsburg, from Rome to Lisbon, had suffered in the immediate aftermath of the loss of empire.

Soon the British became used to inequality rising with each year of Mrs Thatcher's government, before stuttering during John Major's rule (1992-1997) and rising sharply again under Tony Blair's New Labour.

We reached an inequality high point in 2007 when the bottom 90 per cent only took home 57.4 per cent of all income, the least they had taken since, tellingly, 1929, the year of the Wall Street crash that began the Great Depression.

Tony Blair was the king of income inequality. No British prime minister since Stanley Baldwin had seen the bottom 90 per cent take so little as they did under New Labour. Under Gordon Brown the share of the bottom 90 per cent rose slightly but so did the share of the wealthiest 0.1 per cent. During David Cameron's coalition government inequalities rose again, but not to the heights of the Blair era.

Today, with Theresa May in charge, the statistics are no longer released. Under the Conservatives' austerity regime, HMRC has not received funding rises, despite the obvious benefits of better-regulated taxation in helping reduce the deficit. The Conservatives also appear to have instructed HMRC not to make the publication of income inequality statistics a priority. Resolution Foundation researchers have complained about the lack of good inequality data from

HMRC. However, the fact that FTSE 100 chief executive pay has fallen recently suggests that we have reached peak inequality. History may never repeat, but inequalities always eventually hit a high and then fall.

The American geographer Waldo Tobler once told me that income inequality in the US was stacked like a pile of sand. We were near his home close to Santa Barbara, California, where the sand cliffs are cut steeply by the Pacific and where income inequalities hit their West Coast summit (beneath the Neverland Ranch). He explained that with a pile of sand there was an angle that could be maintained. Cut away sand from the bottom of the pile after that steep angle has been attained and soon the whole collapses.

The income distribution pile in Britain began to be cut away in the early 1990s under John Major. Back then a pseudo-equality began to rise. If you ignored the top 10 per cent, then within the bottom 90 per cent you could begin to see equalities increasing, even as the top 10 per cent took more and more. More money was trickling down from within the upper levels of the bottom 90 per cent. The top of the sand pile was still solid but slowly becoming undermined. The income share of the next 9 per cent above the bottom 90 per cent peaked in 1993, at 28 per cent of all income; by 2014, it had fallen below 25 per cent, according to the World Income Database. This is the latest figure we have.

Equalities are still rising within the bottom 90 per cent. Those in the top 10 per cent but not in the top 1 per cent – crucially, a group that traditionally votes Conservative – have been losing out relatively for 25 years to those both better off and worse off than them. This is the group that struggles to find money for private school fees, that uses private health care if it can and that takes out huge mortgages (because these people are not quite rich enough simply to buy property with cash). They (assuming a household with two adults and two children) have a post-tax total annual household income of £75,000 to £200,000 a year. This is the group that Thatcher looked after but that Tories have since taken for granted on the grounds that they had no one else to vote for if they wanted to protect their accrued wealth, primarily their house prices.

But then, following the financial crisis, even the majority of the top 1 per cent began to lose out. (These are households that earn about £200,000 to £400,000: they are very wealthy but not in the top 0.1 per cent.) The income share of this group peaked in 2008, at 9.6 per cent of all income; by 2014, it had fallen to 8.4 per cent, according to the World Income Database. We are now back to inequality levels for this group last reached immediately before the Second World War, just before the advent of the welfare state, after which their share of income continued to decline. The precedents are all stacking up for a period of great change.

There are certain changes that happen in all affluent states when inequality falls. If we have just passed the peak, we can expect to see the wealthy begin to have less and become less able to separate themselves from the majority of society. Fewer people have the income needed to pay for private school places for their children. State education becomes better funded as the will of the majority becomes more powerful when the majority are not so poorly off. Housing regulation increases and landlords are given less freedom in setting the rent and evicting tenants. Jobs become more secure through the introduction of better legislation. Taxation overall increases, but especially for the rich. Standards of living rise, especially for the poorest but also for the median household.

The wealthiest members of society discover that they have not greatly lost out. They still live at the “best” addresses, but more often in apartments created from the division of single grand houses (some of which had been subdivided during previous periods of greater equality). And the rich do not have to fear the poor so much. The wealthiest people in more equitable European countries – France and Germany and especially Scandinavia – live longer and happier lives than the best-off in Britain. The irony is that greater equality helps the rich as well as the rest.

The sand of Britain’s income distribution has kept on falling away from higher up the cliff, approaching the top. By 2013, the income of the top 0.1 per cent (excluding the top 0.01 per cent) had peaked at 5.8 per cent, or 58 times mean average incomes (and many multiples more of median income). The next year it was down to 5.5 per cent, a point last attained in 1927 (after which it fell almost every year for 50 years to reach 1 per cent in 1977 – or ten times mean average incomes). We do not yet have statistics from 2015 onwards. But based on the trend, we can speculate that income peaked for the top 0.01 per cent of highest earners in that year, for the top one in 100,000 in 2016, and the top one in one million in 2017. And then, in 2018, the income of the very highest-paid person of all in the UK fell when Martin Sorrell stepped down from WPP because of allegations of misconduct. In April 2018 we reached the first inequality peak since 1913. (Thankfully it was well below that previous peak – a high point only attained by owning the largest empire the world had known.)

Sorrell shows us what income inequality means and achieves. The advertising industry he worked in displays the economics of inequality at play: convincing those with less to buy more of what they did not need to enrich those already best off. Look at how badly he has taken his demotion, how determined he says he is to rise again, if you wish to see the energy of those widened inequalities laid bare. Sorrell is the poster boy for British inequality. He owns that brand.

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So what's next? There is no guarantee that this is the peak. What looks like a peak is often a false summit. But the signs are there in so many other indicators: health, housing, voting, education, Brexit. The signs are so strong that I am calling peak inequality this time. And I have never called it before.

Will we allow economic inequalities to climb yet higher again? Or will we vote for the alternative? For the first time in four decades in Britain we are being offered a viable mainstream European social democratic socialist alternative. The choice is no longer to be the most economically unequal country in Europe, with all that entails.

My grandad was born in 1916. Before he died in 2013, he told me of the remarkable changes he had lived through. He told me what he saw during the general strike of 1926, and of how everyone dressed the same in his village in the West Riding. He told me of the crash of 1929 and how the Americans sacked the men who counted unemployment and so never knew how high it had risen. He showed me his diary entry for the date that Hitler became chancellor: it was just another normal day in 1933, but economic inequalities were then reaching new heights in Germany (and Japan). He told me that his generation would never again trust those who had allowed two world wars to take place. He told me how, after 1945, he watched as decade after decade after decade almost everything got better, until at the end he would sit on a bench in early retirement and wonder at the variety of colour in the clothes that people walking past him now wore. And of how little most of them knew of suffering, or hunger, or unemployment, or fear over the doctor's bill or the pit owner's cruelty. And then he watched us throw it all away.

It is too late for me. But my children could see what he saw during his lifetime if we now ensure that the peak of inequality has been passed – and we start on the long road down.

*Danny Dorling is Halford Mackinder professor of geography at the University of Oxford and author of "Peak Inequality: Britain's Ticking Time Bomb", which will be published by Policy Press on July 17. Special offer for New Statesman readers: Visit <http://policypress.co.uk/peak-inequality> and quote POPINS18 to pre-order Peak Inequality for £10 with free postage, valid until 31 July.*



**Figure 5.10.1: Gini Coefficient of income inequality, OECD countries, 2015**

Country	Gini Coefficient, 2015
Mexico	0.459*
Chile	0.454
Turkey	0.398*
United States	0.39
Lithuania	0.381*
Russia	0.376*
United Kingdom	0.36
Israel	0.36
Latvia	0.35*
New Zealand	0.349*
Estonia	0.346*
Spain	0.344*
Greece	0.339*
Portugal	0.338*
Australia	0.337*
Japan	0.33*
Italy	0.326*
Canada	0.313*
Netherlands	0.303
Ireland	0.298*
Poland	0.298*
Switzerland	0.297*
France	0.297*
Korea	0.295
Germany	0.289*
Hungary	0.288*
Luxembourg	0.284*
Austria	0.274*
Sweden	0.274*
Belgium	0.266*
Finland	0.26
Czech Republic	0.257*
Norway	0.257*
Denmark	0.256*
Slovenia	0.251*
Slovak Republic	0.247*
Iceland	0.246*

Source: OECD, <http://www.compareyourcountry.org/inequality?&lg=en>

Starred statistics are from before 2015 as 2015 data was not available in 2018

Dorling, D. (2018) Peak Inequality: Britain's ticking time bomb, Bristol: Policy Press