Danny Dorling

Do we need economic inequality?

'Provocative as always, Danny Dorling challenges us with encyclopaedic knowledge, damning statistics and original insights. Thoughtfully, he helps us to envision a better society and to believe that we might achieve it.'
Kate Pickett, University of York

Although economic inequality provokes widespread disquiet, its supposed necessity is rarely questioned. At best, a basic level of inequality is seen as a necessary evil. At worst, it is seen as insufficient to encourage aspiration, hard work and investment – a refrain sometimes used to advocate ever greater inequality.

In this original new book, Danny Dorling critically analyses historical trends and contemporary assumptions in order to question the idea that inequality is an inevitability. What if, he asks, widespread economic inequality is actually just a passing phase, a feature of the capitalist transition from a settled rural way of life to our next highly urban steady-state? Is it really likely that we face a *Blade Runner*-style dystopian future divided between a tiny elite and an impoverished mass?

Dorling shows how, amongst much else, a stabilizing population, changing gender relations and rising access to education make a more egalitarian alternative to this nightmare vision not only preferable, but realistic. This bold contribution to one of the most significant debates of our time will be essential reading for anyone interested in our economic, social and political destiny.

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Do We Need Economic Inequality?

The Future of Capitalism series

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To Alison Dorling

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Bell Curves

> The person who's poor and contented is rich enough. But infinite riches are nothing to someone who's always afraid he'll be poor. God, help us not be jealous.
>
> Iago, Othello, Act 3 Scene 3[1]

Shakespeare's England was not a rich country. By the year 1600 the average income in England would buy you the equivalent of $1,000 (£800) a year today, not much more than $2.50 a day (£2).[2] Worldwide over 3 billion people still survive on around $2.50 a day. We are still living in Shakespearean times.

Four hundred years ago Gross Domestic Product (GDP) per capita in Holland was 2.5 times greater than in England. The Dutch were the first people in the modern era to begin to grow rich on trade. The British were the second, but in both cases these riches were amassed by just a few.

By 1800, when adjusted for inflation, the UK's GDP per head had doubled to $2,000 (£1,600) a year per person and inequalities rose to the highest they had ever been.[3] GDP more than doubled in the next century to reach $4,500 by 1900. It then rose abruptly to reach $8,000 by 1957, $16,000 by 1990; then slowing to peak at $25,000 (£20,000) in 2007, after which it fell, only recovering to its 2007 level by 2017.

The capitalist transformation created a wider *spread* of incomes and a greater *concentration* of wealth than ever seen before. Across Europe the wealth share of the poorest 90% of people halved between 1600 and 1800 and then halved again by 1900.[4] Today only a very small minority of households in the UK receive an income above the average GDP per person, or have above-mean-average wealth. The bottom fifth of households currently receive, on average, about the equivalent income of the average British person a century ago.[5] We tend to overestimate both progress and stability.

There is nothing stable about a distribution of income inequality that fluctuates as wildly as that shown in figure 1.1. Between 1984 and 1990 the ratio of the top to bottom UK income quintiles rose from 4.0 to 6.4. This happened for political reasons: 1984 was the year in which the last great

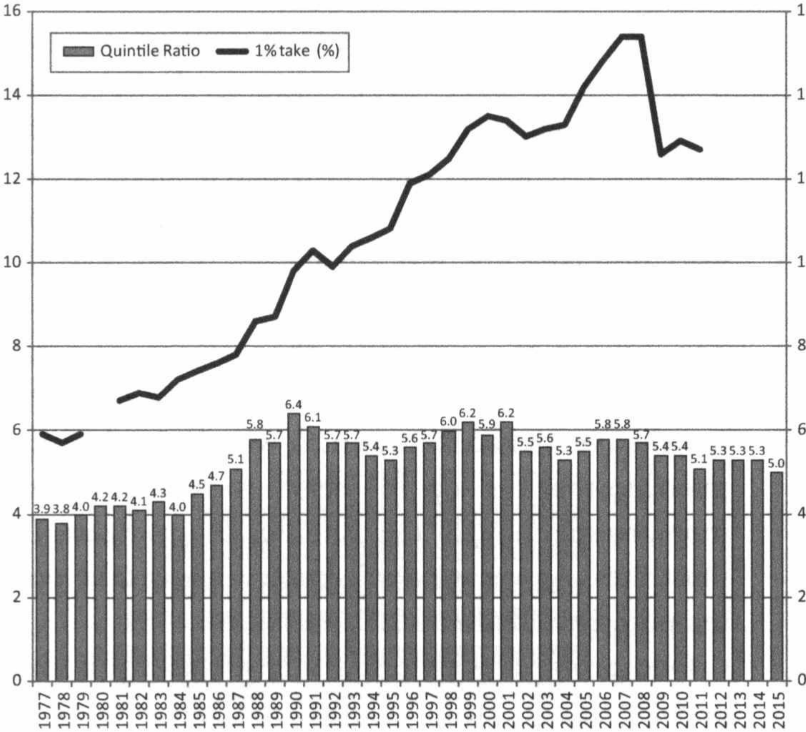

Figure 1.1 Household income inequality, quintile ratio 1977–2015, and 1% take 1977–2012, UK

Source: ONS (2017) *Household Disposable Income and Inequality in the UK: top fifth/bottom fifth excluding the incomes of the best-off 1% of households, which rose during this period*. The take of the 1% is shown as a separate line, derived from the World Wealth and Income Database, http://wid.world/.
Note: Quintile ratio is the ratio of the average income of the best-off fifth of households to the average income of the worse-off fifth of households.

miners' strike occurred, they lost; 1990 was the year when Mrs Thatcher finally resigned, when she lost.

Mrs Thatcher was an advocate of inequality. She believed ability was distributed along a bell curve in which a few people were very unable, most were ordinary, and just a few were super-able. She talked of the super-able, of encouraging some of our children to grow taller than others, like 'tall poppies' and of how no one admired a man who travelled by public transport. It was during her premiership that the top 1% began to take more and more, as she thought they should, and as figure 1.1 illustrates. As yet we don't know if their take only temporarily fell after 2010.

One problem with discussing inequality is that people cannot easily comprehend the entirety of what is being talked about. Consider the current global distribution of income inequality and consider all the people on earth today. A graph that did justice to the actual numbers of people and the degree of income disparity seen worldwide would have to be too huge to draw in this book.

Worldwide, the top 1% receives so much that they make the average earnings of the remaining 99% appear insignificant. The top 0.1% takes so much as to make the earnings of the otherwise best-off 9.9% look insignificant. Figure 1.2 uses a