

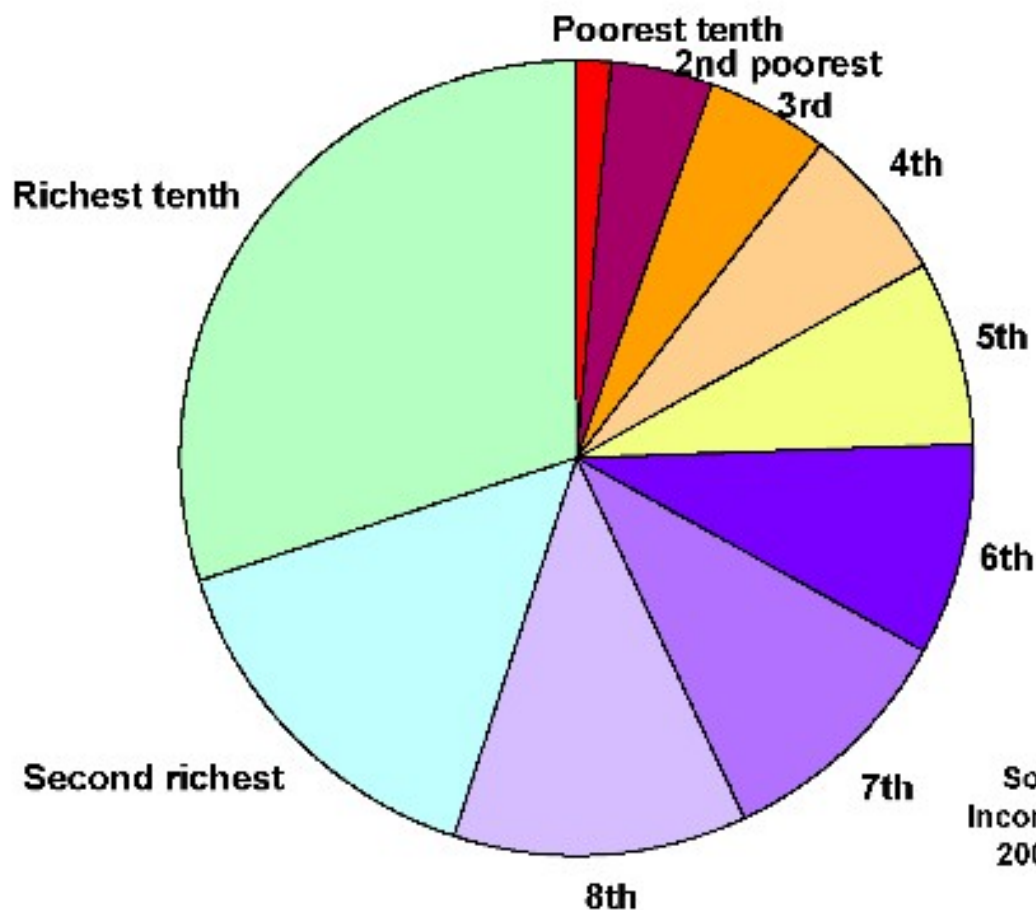
MIND THE WEALTH GAP!

***Can we afford the growing
levels of inequality in our
society?***

No, we can't!

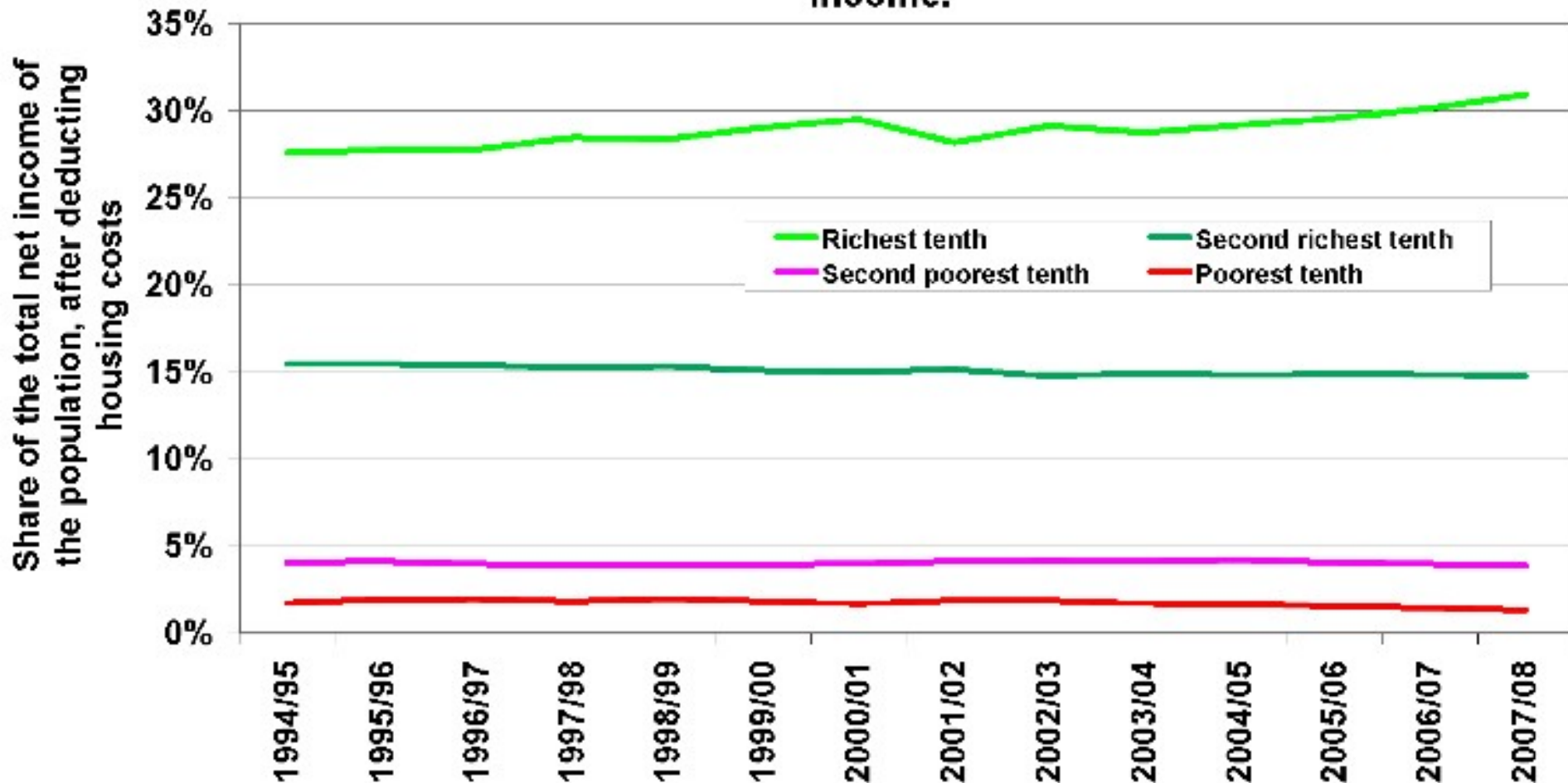
Edinburgh's Active Citizenship Group, 24 March, 2010

The income of the richest tenth is more than the income of all those on below-average incomes (i.e. the bottom five tenths) combined



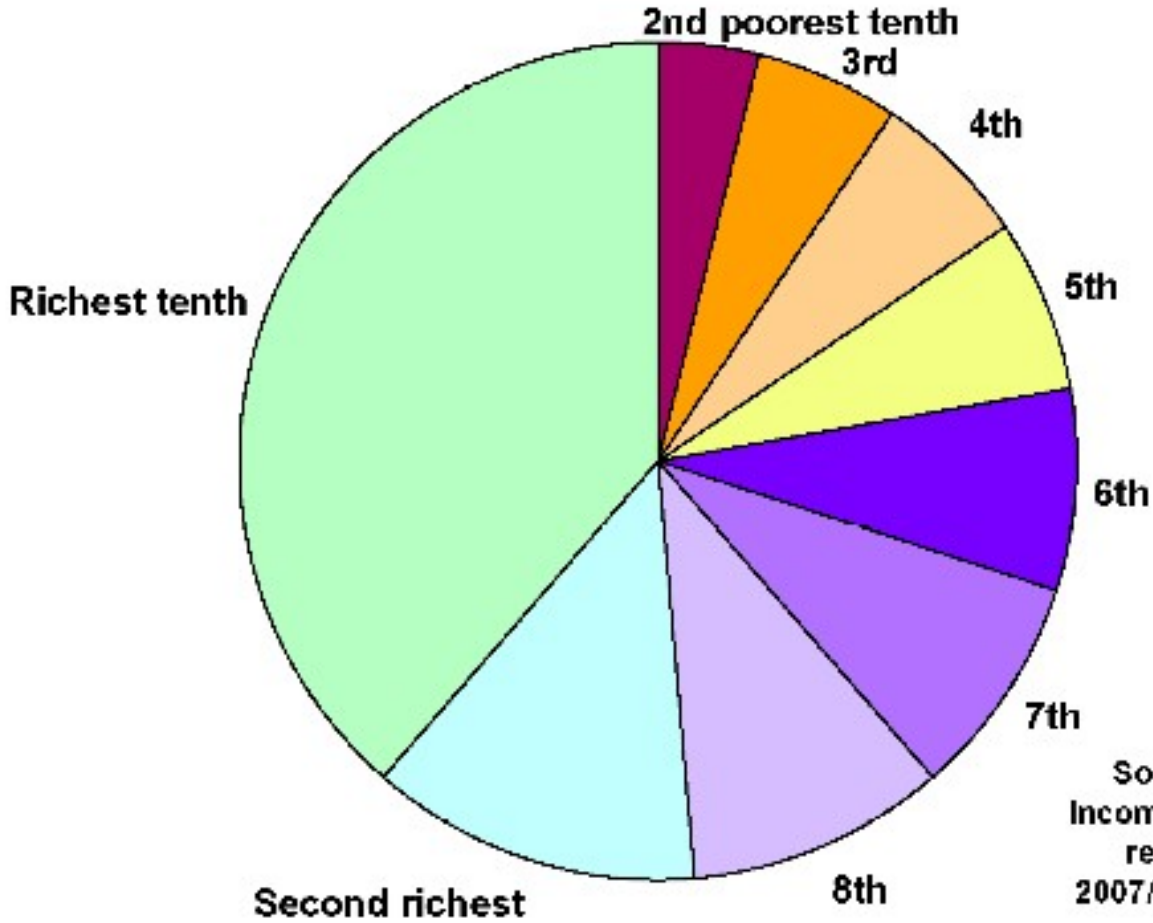
Source: Households Below Average Income, DWP; the data is the average for 2005/06 to 2007/08; UK; updated Aug 2008

The richest tenth now have 30% of total income, noticeably more than a decade ago. The poorest tenth have just over 1% of the total income.



Source: Households Below Average Income, DWP; Great Britain; updated Aug 2009

Four-fifths of the total increase in incomes over the last decade has gone to those with above-average incomes and two-fifths has gone to those in the richest tenth



Source: Households Below Average Income, DWP; the data is the difference in real incomes between 1997/98 and 2007/08; Great Britain; updated Aug 2009

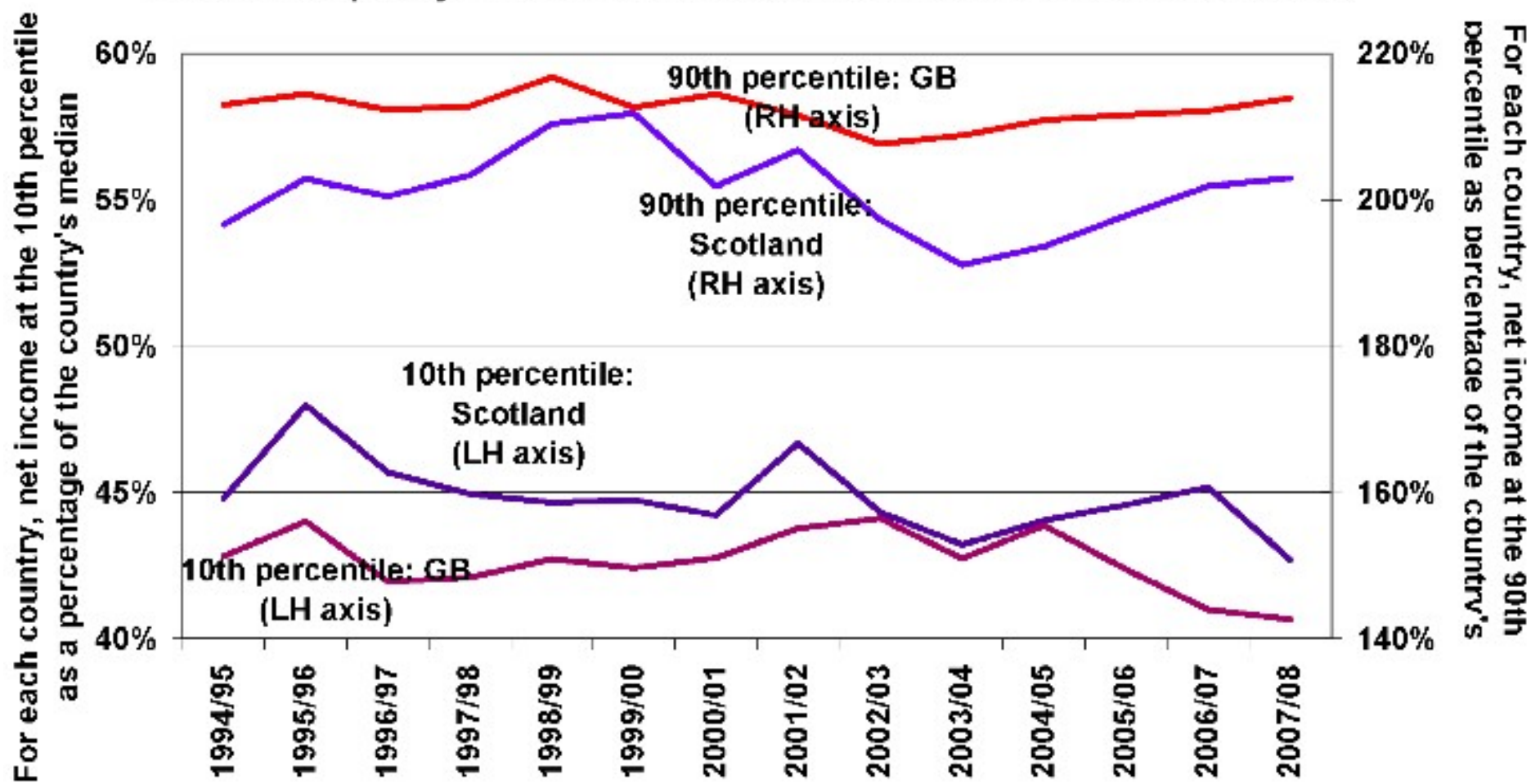
Share of total after-tax personal income of top 0.5%, 0.1% and 0.05%, 1937-2000 - from *National Equality Panel*, January 2010

Figure 2A: Share of total personal after tax income of the top 0.05%, 0.1%, and 0.5%, UK, 1937-2000 (percentage of total after tax income)



Source: Atkinson and Piketty (2007), figure 4.6.

Income inequality in Scotland is less than in Great Britain as a whole



Source: Households Below Average Income, DWP; updated Aug 2009

And wealth?

We know - and ask - much less.

Please note: this is a finding

Much more unevenly distributed. Top 1% households have 5 times the median [middle not average] equivalent net **income**, the wealthiest 1% have 13 times the median **wealth**.

We need to be able to put them together to understand the patterns that sustain and reinforce inequalities.

Deepening inequality

Pay differential between chief executives and average workers in top 100 FTSE companies

100: 1 in 2008 - £2.8 m package

10:1 in 1970

Why? Have they **earned** more - or are they just **paid** more?

The Spirit Level: Why More Equal Societies Almost Always Do Better

By Richard Wilkinson and Kate Pickett,
2009 - and now in paperback

‘because more equal societies work better
for everyone’

www.equalitytrust.org.uk

‘Great inequality is the scourge of modern societies’

‘We provide the evidence on each of eleven different health and social problems:
physical health - mental health - drug abuse
education - imprisonment - obesity
social mobility - trust and community life
violence - teenage births - child well-being.

‘For all eleven, outcomes are very substantially worse in more unequal societies’

And not only that study

Michael Marmot's Commission, *The Social Determinants of Health*, WHO, 2008 **plus his UK reports**

OECD, *Intergenerational Social Mobility: a family affair?* 2010: 'Obstacles to social mobility weaken equal opportunities and economic growth'

Eaton & Eswaran, 'Well-being & affluence in the presence of a Veblen good', *Economic Journal*, July 2009: **Greater affluence can seriously damage a nation's health - and wealth.**

Keynes on Capitalism

'Capitalism, wisely managed, can probably be made more efficient for attaining economic ends than any alternative system yet in sight.

In itself, it is in many ways thoroughly objectionable'

J.M. Keynes, 1927, emphasis added.

And apparently more objectionable in UK, US & NZ than many similar countries.

Why? And why do we put up with it?

Structural & societal problem

‘The Welfare State is only a way of redistributing **some** income without interfering with the causes of its maldistribution’

G. D. H. Cole,

July 1955, emphasis added.

So changes need to be structural.

All UK Taxes

Percentage of Gross Income, 2007-2008

	Income tax & NI c %	Council tax %	Indirect tax %	All Taxes%
All	18.2	2.8	13.9	35.0
Top fifth	23.1	1.8	10.0	34.9
Bottom fifth	4.7	6.1	27.9	38.7

‘The art of taxation’

**‘consists in so plucking the goose
as to obtain the largest amount
of feathers
with the least amount of hissing’**

Jean Baptiste Colbert,
Finance Minister to Louis XIV of France,
1665-1683

Just taxes

‘It is not very unreasonable that the rich should contribute to the public expense, not only in proportion to their revenue, but something more than in that proportion’,
because a tax on ‘the luxuries and vanities of life [which] occasion the principal expense of the rich ... would in general fall heaviest upon the rich and in this sort of inequality there would not, perhaps, be anything very unreasonable’

Adam Smith, *The Wealth of Nations*, 1776, Book 5.

Working out bonuses

‘If the rest of the country knew what we were being paid, there would be tumbrels in the street and heads carried round on pikes’ (Lord) David Freud to a work colleague in mid-1990s (2008).

We need to distinguish between what is **paid** and what is **earned** - not just an issue for policy but for society - all of us.

More inequality means more poverty & social exclusion

Now well-established so policies cannot continue to discount this as they have done.

‘What thoughtful rich people call **the problem of poverty**, thoughtful poor people call, with equal justice, **the problem of riches**’ - Richard Tawney, 1913, emphasis added.

Greater urgency - push further & harder,
and not just in the right direction

Mainstream social inclusion upstream

**‘More equal societies work better
for everyone’
- and for the poorest
best of all**

Wilkinson & Pickett's *Spirit Level*, 2009

www.equalitytrust.org.uk

Questions

Some are paid more than they earn, others earn more than they are paid - how can we change it at both ends?

How do we shift the debate upstream to discuss the distribution first?