1

introduction

> Inequality is bad and getting worse. (Angel Gurría, Secretary-General of the Organisation for Economic Co-operation and Development (OECD))[1]
>
> Last year 26 people owned the same as the 3.8 billion people who make up the poorest half of humanity. (Oxfam)[2]
>
> Top UK CEOs earn annual wage of average worker in 2½ days. (*Financial Times*, 4 January 2019)[3]
>
> Reducing excessive inequality … is not just morally and politically correct, but it is good economics. (Christine Lagarde, Managing Director, International Monetary Fund)[4]

Never before have economic inequalities been so high up the news agenda. Not only campaigning organisations like Oxfam but also staid, sober, international organisations like the OECD say that inequality is too high. Inequality is said to be one of the reasons that the UK voted for Brexit, and the United States elected Donald Trump as President.[5] The economist Thomas Piketty toured the chat shows in 2014 with a book that analysed the causes of inequality; *The Economist* magazine in 2018 published a cartoon mocking the very rich (see Figure 1.1). And mainstream politicians in the United States are now advocating wealth taxes and new high rates of income tax.[6]

Concern is high now partly because economic inequality is at historically high levels. The OECD says that income inequality in developed countries is at its highest level for the past half century.[7] The combination

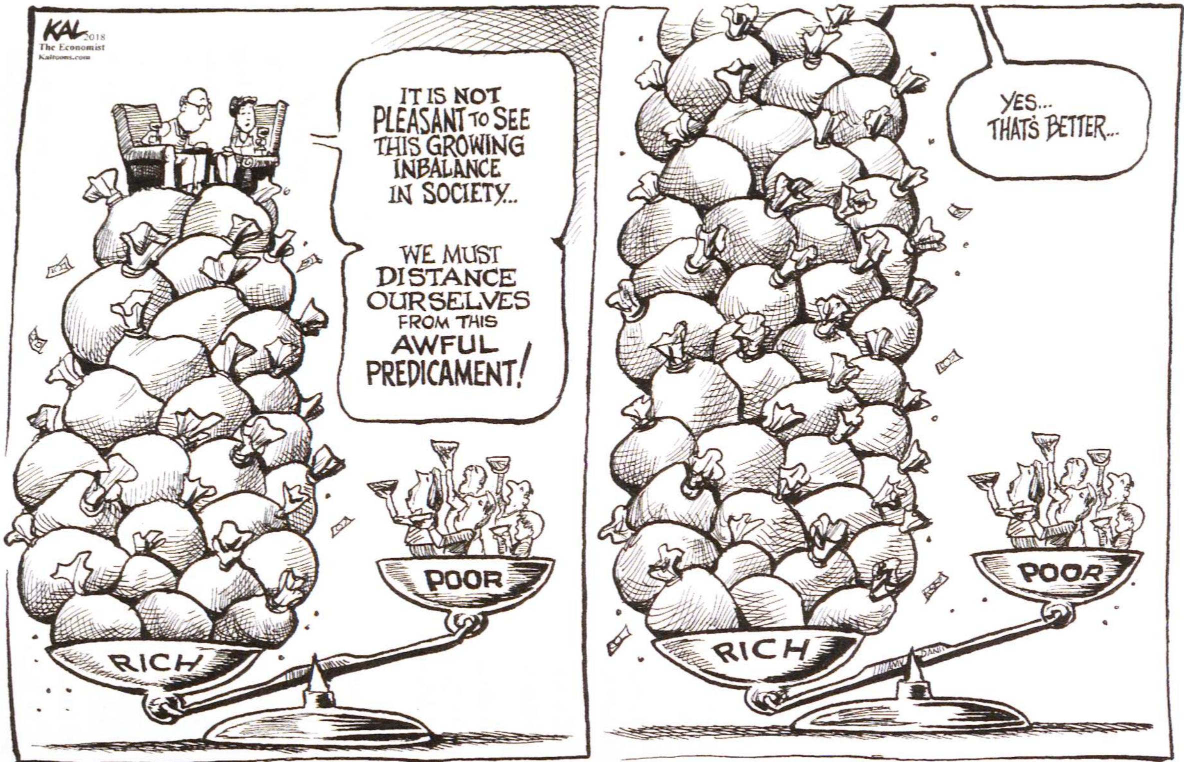

Figure 1.1

Source: Kevin KAL Kallaugher, The Economist, 29 November 2018, Kaltoons.com. Reproduced with permission

Note: 'Inbalance' in original.

of low growth and rising inequality has meant that, between 1980 and 2014, the richest 10% of adults in the United States captured 55% of the economic gains.[8] We also know more about how much inequality there is thanks to many researchers' hard work in uncovering and processing new sources of data. This has given us estimates from many countries over many years of the fraction of national income that goes to the very rich, and of how unequally distributed household wealth is.[9]

But there is also an increasing amount of academic research on the apparently harmful impacts of inequality. Unequal societies seem to be less healthy, less trusting, and tend to have more crime and violence. Many economists now recognise that a high level of inequality is not a natural, and certainly not a necessary, consequence of a vibrant economy; instead, key international organisations are worried that inequality is a drag on economic growth. We used to hope that, if there were some in society who had a lot less than others, then maybe this would be just a short-term blip, or that people could improve their lot with hard work and effort. We now know that a great deal of income mobility is short range and that, far from living in a world where all young people have equal chance to shine, where people end up in society is heavily influenced by where they started from. Indeed, there is a suggestion that high levels of inequality reduce social mobility, perpetuating divisions between families that have and those that have not (a society with lots of social mobility would be one where everyone has a similar chance of rising to the top, or falling to the bottom, or at least where that chance does not depend on their family background). And there is a fear – as set out by economists Joseph Stiglitz and Thomas Piketty – that these processes, combined with the way that economic inequalities affect our political debates, mean that the world will soon see economies with the sorts of gaps between the elites and the masses last seen in the early twentieth century. That would be profoundly undemocratic, and most definitely unfair.

In this book, I set out what is known about *economic inequalities* in the UK, or the differences in people's earnings, their disposable income and their wealth (I will define these precisely later), and I summarise what the academic literature says about the causes and consequences of high levels of inequality. Some might think that there is nothing wrong with some people being very well off, so long as their riches are deserved through hard work, effort or skill. My view is that inequality in the UK is too high, that too much of it represents inequalities in opportunities, and that we

would all benefit if we could become a little more equal. That view is based on the evidence presented in this book – although not all of it is definitive, and these are ongoing areas of academic enquiry – but it also reflects my expert judgement after 21 years of implementing, studying or advising on social policy and social inequalities. With that in mind, I will also set out what could be done to move the UK off its high-inequality path.

Inequality in what?

What are economic inequalities?

This book will look at economic inequalities, that is the differences in people's earnings, their disposable income and their wealth. These three terms all have precise meanings and it will be good to be clear about them now.

Earnings – or pay, wages or salary – are what people in work are paid by their employer. For many people, earnings are their main, or only, source of income (across all people in the UK, 58% of our disposable income comes from earnings (after deducting taxes); see Figure 1.3 below).

In this book, I use the word *income* to refer to all the different sources of money that are coming into a household. As well as the earnings from employers, people can receive money from their own business or from being self-employed, or investment income from financial assets (such as interest on bank accounts, or dividend payouts on shares), or other sorts of income from other sorts of assets (buy-to-let investors get rental income, for example). Households may also receive money from the government in social security benefits or tax credits, such as the state pension or child benefit. Having received these different sources of income, most of us will have to pay taxes on some of that: what is left is *disposable income*. In Chapter 3, most of the discussion about income inequality refers to this concept of *disposable income*; the exception is when I look at the share of income going to the very rich, which measures income before deducting taxes.

My *wealth* is the value of all the physical belongings that I own (less any debts I owe), plus the value of any financial assets, like money in a bank account, shares or a pension fund. Income and wealth are two very different things. It is possible to have a high income but no wealth, and one can be very wealthy but have little income (like the tropes of the impoverished landowners of the early twentieth century, or elderly widows in large,

impossible-to-heat houses). But income and wealth are usually related. If I have a low income, then that it is going to make it hard for me to generate much wealth of my own, and most forms of wealth do produce an income of some form, or can be sold and the money invested in assets that do produce income. And I will show in Chapter 3 that wealthy people in the UK tend also to have high incomes, and vice versa.

The distribution of income in the UK

The key facts on income inequality in the UK come from data collected by government statisticians. Every year, they ask tens of thousands of adults to tell them about their income (this is not easy: people usually do not like talking about their income, but if they ever call on you, please remember that my research depends on people sharing details of their lives with strangers).[10]

To turn the answers to these questions into a single number of 'income', statisticians decide over what period to measure income, whose income to measure, and what counts and does not count as income. There are several points about the definition used that you need to know (for more detail, see **mikebrewereconomics.com/WDWK**). First, the measure of income misses out on many things which can be important in determining your overall standard of living, such as what you are able to do when you are not at work, how much you benefit from free public services, and whether you own your own house (government statisticians do use another measure of income – known as 'income after housing costs' – where what is spent on housing is deducted from income, but this does not accurately reflect the savings that people can make if they own their own house, and in this book I always use the conventional 'before housing costs' measure). Second, we add up all the income of people living in the same household; this means that we cannot look at inequalities between (say) men and women in the same household. Third, income is measured over a short period of time – the last few weeks, more or less – and expressed in a weekly amount (alternatives would be to measure annual income, or even income over a lifetime). Finally, we measure income at a point in time. In general, I am less concerned about income inequality if individuals are moving about the income distribution from year to year, so that those who are well off now are likely to be poor later on. However, we know that, although incomes do change, the vast majority of moves are short-distance.[11]

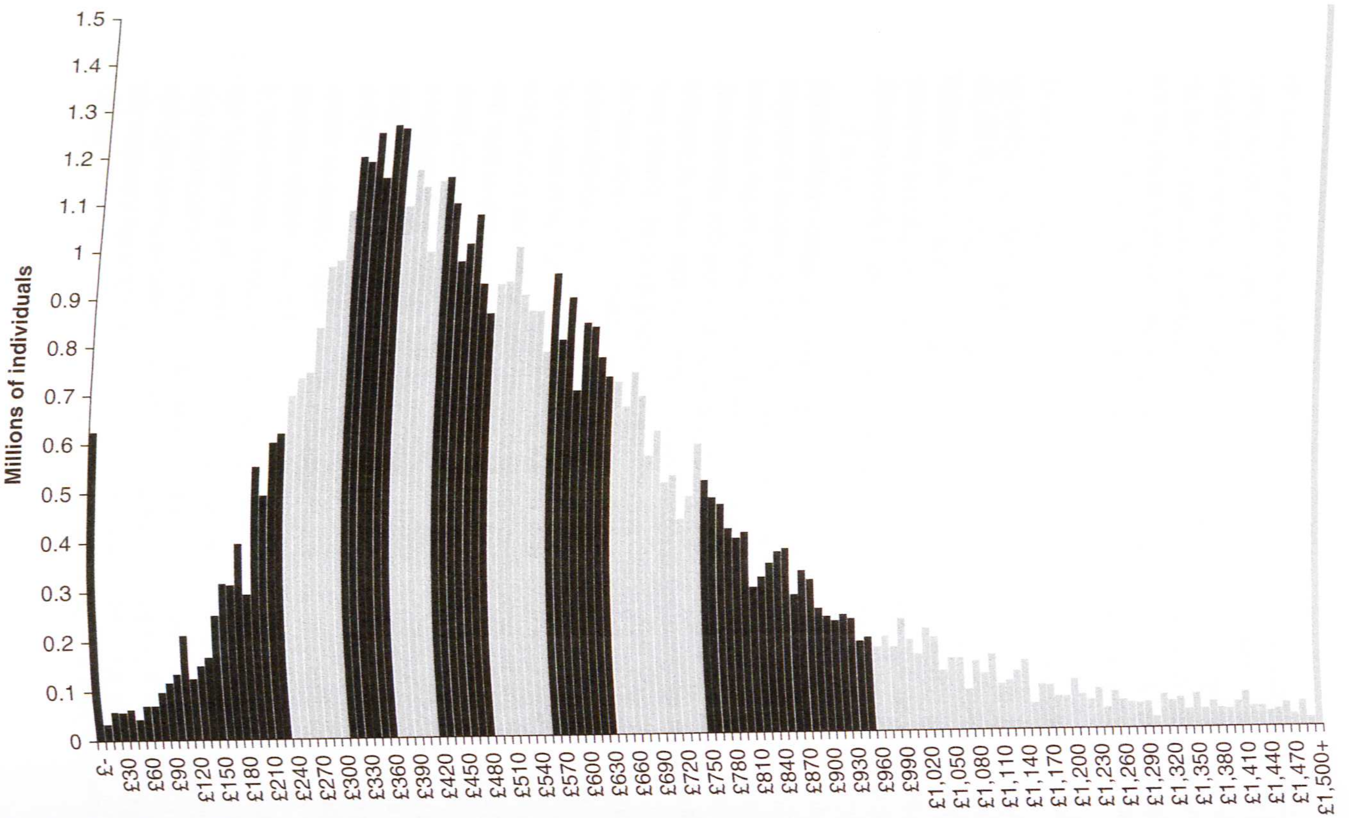

Figure 1.2 The distribution of income in the UK, 2016-17

Figure 1.2 shows the income distribution in the UK in 2016–17 (data for 2017–18 was released in March 2019, too late to be fully incorporated in this book).[12] Each bar represents a band of income £10 a week wide, and the height of the bar shows how many people have that much income. Here, 'income' has been added up across all members of a household and adjusted by the number of adults and children living in the household.[13] A lot of people are clumped together towards the bottom of the income distribution – around £300 to £400 a week – and a few people have high incomes that stretch out towards the right. At the very right of the figure, you can see the people whose income goes 'off the scale': there are more than 1.5 million in this bar, or about 2% of the population. It also seems to be the case that there are 600,000 people with no income at all. This would be alarming if true, but the consensus is that many of these do really have some income but have not reported it to the survey.[14] The mathematical average income in 2016–17 – that is, 'average' in the sense of 'add up everyone's income and share it out equally' – was £594 a week, considerably higher than the median income of £494. The fact that these are different reflects that some people in the UK have very high incomes. The figure also marks with alternate black and white shading what are called *the decile groups*: each of these groups contains 10% of the population.

It is also helpful to understand the different ways in which households in different parts of the income distribution get their income. Figure 1.3 shows what fraction of income comes from the four main sources, calculated separately for each decile group of the income distribution. Overall, 58% of household disposable income comes from (after tax) earnings from employment (as an employee of a company or charity or public sector body), 17% from social security benefits and tax credits, 11% savings, investments and people's private pension (payments of the basic state pension are counted in 'social security benefits or tax credits'), and 10% is income (after tax) from self-employment earnings or profits. Earnings become more important as a source of income as we move up the income distribution from poorest to richest (other than the very top, where there is a lot of income from self-employment), as does income from savings (although there is also a lot of income from savings at the very bottom of the income distribution). Income from social security benefits becomes more important as we move down the income distribution.

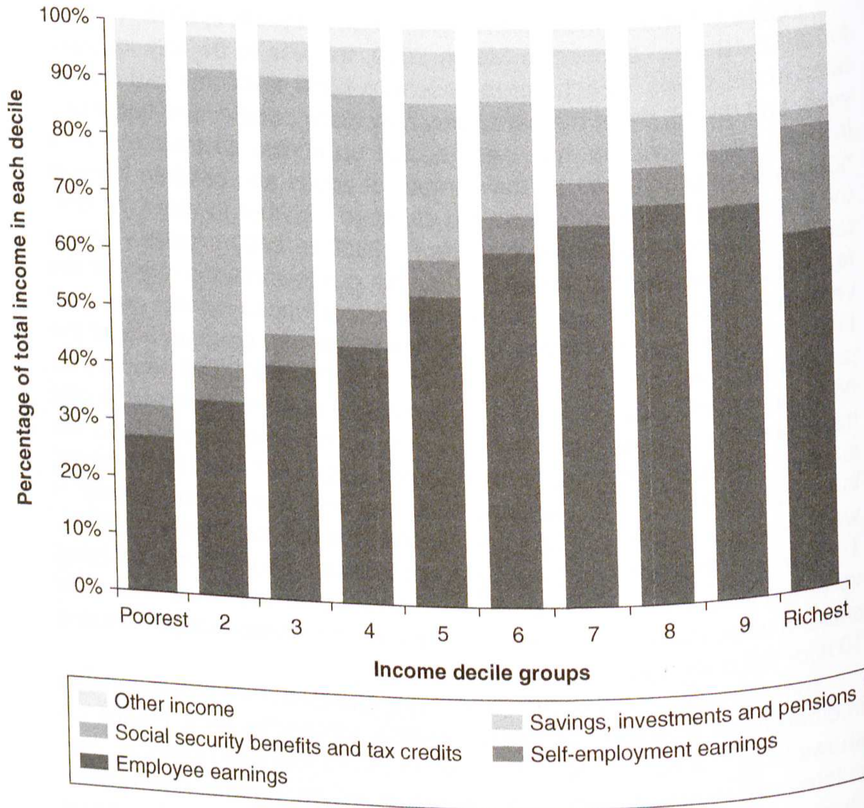

Figure 1.3 Sources of income across the UK income distribution, 2016–17

Source: Based on analysis provided by the Institute for Fiscal Studies of 'Households Below Average Income' data

Inequality of outcomes or inequality of opportunity?

There is an argument that we do not need to care about inequalities in *outcomes*, like income or wealth, provided that we live in a world where everyone has an equal *opportunity* to be rich or poor.[15] The idea is that our economic outcomes reflect the choices that we make, and it is right for us to face the consequences of those choices. But outcomes are also shaped by opportunities, and the extent of our opportunities are limited

(or expanded) by our family, our employers, institutions, the current state of the economy, and so on, and are ever-changing. In a society where we cared only about equality of opportunities, would we give extra assistance to those who developed a longstanding illness? What about to someone whose employer went bankrupt because of competition from China? Or because of a fraudulent finance director? Would we help those whose opportunities are reduced because they are caring for children, or elderly parents, or whose marriage has broken down? In practice, identifying which unequal outcomes reflect unequal opportunities and which different choices is almost impossible. We can also argue that our opportunities to thrive as a citizen or to exercise our rights are inevitably constrained by our economic resources. More worryingly, it seems that the more unequal outcomes are now, the more unequal opportunities will become in the future, thanks to how parents strive for the best for their children, and how our democracies and politics seem to work (I discuss this more in the next chapter). Equality of outcomes is an excellent goal to strive for – and some of the suggested policy changes in Chapter 5 will help us move towards that – but we also need to care about inequality in outcomes.

Inequality or poverty?

There is also an argument made that we should be focused on relieving or alleviating poverty in the UK, and that we do not need to care about overall inequality. This seemed to be the view of Tony Blair, Prime Minister from 1997 to 2007, who said that 'I don't care if there are people who earn a lot of money. They are not my concern. I do care about people who are without opportunity, disadvantaged and poor.'[16] Of course, this does not have to be an either–or situation: it is possible to think that high rates of poverty and high levels of inequality are both problems we should try to tackle. The arguments that I will present later suggest that inequality is harmful to society over and above the harm that can be caused by living in poverty. They are separate problems, and an anti-poverty strategy would look different from an anti-inequality strategy even if policy makers happily accept that poverty, like inequality, is a relative concept. But there are strong links: reducing inequality in economic resources and increasing equality of opportunities will make reducing poverty a little easier.

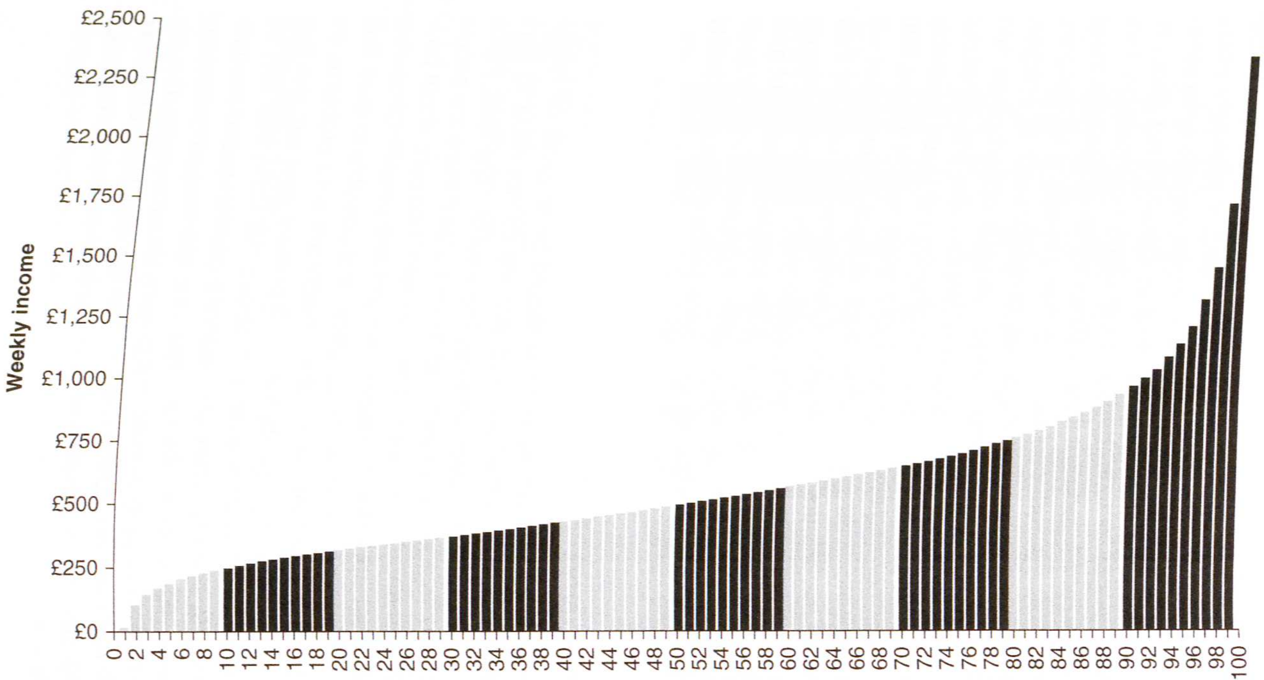

Figure 1.4 A Pen's Parade for the UK income distribution, 2016–17

Source: Data provided by the Institute for Fiscal Studies, derived from the 'Households Below Average Income' data-set

How can we visualise or measure inequality?

When thinking about income inequality, Jan Pen, a Dutch economist working in the 1970s, imagined a parade of people walking, with the poorest at the front and the richest at the back, and their height being proportional to their income, so that the person on average income was the height of an average person. This parade would start with some very short people. After half the people had walked past, we still would not have reached an averagely tall person; some time later, the parade would end with some giants.

Rather than watching actual people parade, we can draw this on a graph, with the height of each bar representing someone's income. In a perfectly equal society, everyone would have the same income, and the bars would all have the same height. In all real societies, the graph will have bars that get taller and taller as we move to the right.

Figure 1.4 shows Pen's Parade for the distribution of household income in the UK in 2016–17, but having left out the richest 1% of individuals (over 0.6m people), and having labelled the horizontal axis according to people's rank in the distribution of income, with the poorest person scoring 0 and the richest person scoring 100, and so on (these are called centiles or percentiles).

This figure also splits the population into 10 equal-sized decile groups. The boundary between the bottom (poorest) and second bottom of these decile groups is the 10th centile of the income distribution: a person at this point in the income distribution is richer than 1 in 10 of the population, but poorer than 9 out of 10. At the other end, someone at the boundary of the top (richest) and next-to-top decile group is at the 90th centile, and they are richer than 90% of the population but poorer than 10%. Reading off the vertical axis, you can see that a person at the 10th centile of the income distribution (on about £250 a week in 2016–17) has about half as much income as Mr or Mrs Average at the 50th centile – the middle of the distribution (on about £494 a week). And Mr or Mrs Average have slightly more than half as much income as someone at the 90th centile (on £962 a week) – that is, someone who is just outside the richest 10% of the population. These figures give us one commonly used measure of inequality, *the 90:10 ratio*. This is the income of the person at the 90th centile divided by the income of the person at the 10th centile, and the higher the number, the more inequality there is. For the UK in 2016–17,

this was 3.9 for income (it was 6.3 for the United States, which tends to be top of the inequality league table, and 3.3 for Sweden, which tends to be a very equal country). The 90:10 ratio is easy to explain, and has a practical advantage that it does not use the data on incomes from the very top or bottom of the distribution that are often measured less accurately, or with more uncertainty, than more normal incomes. But its simplicity means that it is a broad-brush measure: a hypothetical inequality-reducing policy that took money from people at the 80th centile and gave it to people at the 20th centile would not change the 90:10 ratio.

Where are the top 1%?

I left the richest 1% out of Figure 1.4 so as to stop the scale on the vertical axis from shooting off the page. The 99th centile of weekly disposable income in 2016–17 was £2,317, which is more than twice (it is actually 2.4 times) the income of the 90th centile, but there were about another 660,000 adults and children in households with incomes above that. I will come back to the experiences of the very rich several times in this book, because of the way they affect measures of inequality, and their influence on the economy and society (and I will also show that the value of the 99th centile quoted above is probably an underestimate of the truth).

Income shares and Lorenz curves

Pen's Parade lets us visualise inequality, but does not measure it. A useful way to compare income distributions is to think about 'income shares', and then to plot these in a variant to Pen's Parade where people are lined up from the poorest to the richest, and we plot *the share of total income that goes to them plus all the people on their left* (i.e. who have less income than they do). In an economy where everyone has the same income, the poorest 1% in society will collectively have a total income of exactly 1% of the economy-wide total. But in the UK, the poorest 1% of people, all of whom had less than £16 a week income in 2016–17, are collectively going to have a share of the total UK-wide income that is a lot less than 1%, and the richest 1%, all of whom had at least £2,317 a week in 2016–17, will collectively have a lot more than 1% of the economy-wide income.

In Figure 1.5, I plot these income shares for each centile in the UK income distribution. This produces a curve that starts at zero, initially rises

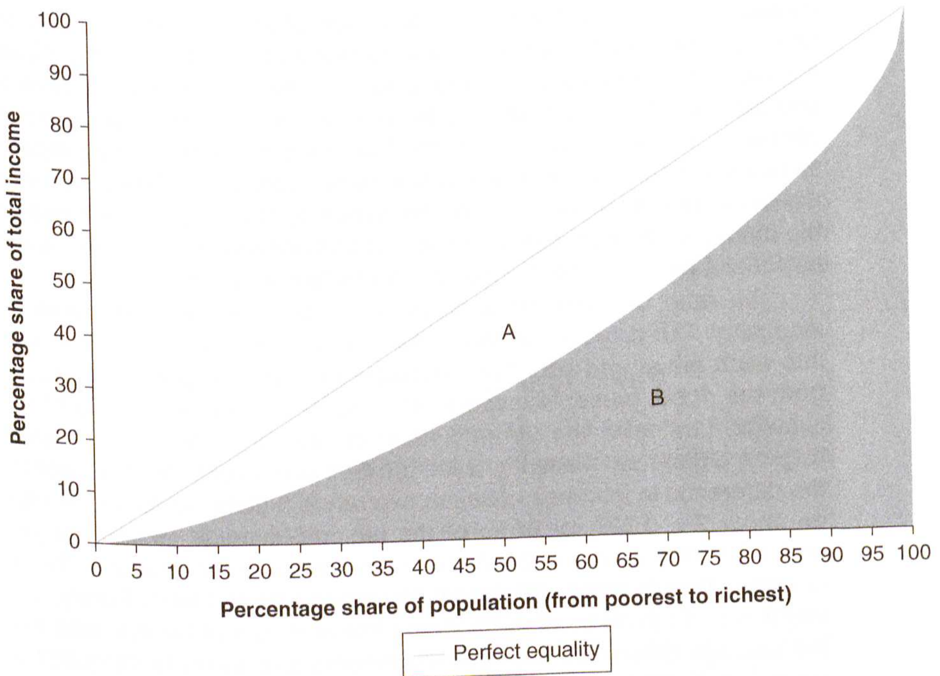

Figure 1.5 The Lorenz curve for the UK income distribution 2016–17

Source: Based on analysis provided by the Institute for Fiscal Studies of 'Households Below Average Income' data

slowly, but then rises more and more quickly until it reaches 100%. It is called a Lorenz curve, and you can use it to read off income shares. If you start from a point on the horizontal axis, go up until you hit the curve, and then read across to the vertical axis, you can read what fraction of total income goes to the poorest section of the population. In the UK in 2016–17, the poorer 50% got just over 28% of total household income. Or you can start on the vertical axis and read the graph the other way, so you would see (for example) that half of total household income went to (coincidentally) the richest 28% of the UK.

The Lorenz curve is the idea behind one of the most commonly used measures of inequality: the Gini coefficient (or index). The Gini coefficient

measures how close the Lorenz curve (as plotted in Figure 1.5) is to being a straight line (which would correspond to our perfectly equal society). Mathematically, it is the area A divided by the total of area A and area B. The more inequality there is, the 'curvier' the Lorenz curve will be (i.e. it will start off close to the horizontal axis before rising rapidly to reach 100%). If everyone had the same income the Gini coefficient would be zero as there would be no inequality. If a single person had all the money in the economy and the rest had nothing, then the Gini would be 1. For the UK in 2016–17, the Gini coefficient was 0.337.

The ratio of areas on a graph is a rather abstract measure of inequality. But it turns out that if two random British people bumped into each other, and you then subtracted the poorer person's income from the richer person's income, and expressed that as a ratio of the average income in the country, then on average you would expect to get a difference of exactly twice the Gini coefficient. (In other words, the difference in incomes between two random Brits would on average be about 2 × 0.337, or 67%, of the national average income, or just under £21,000 a year in 2016–17 in equivalent-£-per-couple-with-no-children. That number will appear to some to be too high. Surely, you might say, if I think of all the people I know, it cannot be the case that the average difference between my income and theirs is £21,000? In reality, that difference probably would be a lot smaller than £21,000 because all the people you know are not a random selection of people from across the income distribution.)

A really important point: most measures of inequality are about living standards relative to other people

When economists talk about inequality, they say that it is a *relative* concept. What they mean is that the amount of inequality depends on how high my income is *relative to other people's*. Imagine the UK redefined its own currency overnight, so instead of using sterling, we used Brewers, where 1 Brewer is valued at £100. This is just a change of labels, and clearly this should have no real impact on our society. Luckily, then, changing from pounds to Brewers will not change any of the measures of inequality that we use: the amount of inequality in a country does not depend on the units used to measure income. That is very sensible.

Now imagine coming back to the UK, still happily measuring income in Brewers, in 20 years' time. There has been some economic growth, and by a huge coincidence every individual's income is exactly twice what it was 20 years ago. If this happened, then most measures of inequality *still would not have changed*. If this seems wrong – perhaps you think that a situation where everyone's income doubles actually makes things worse, because the gap (in pounds or Brewers) between the richest and the poorest is even more insurmountable – then you will need to find other statistics to monitor alongside the traditional, relative measures of inequality that I use in this book.

Economic inequalities in the UK in one chart

Figure 1.6 shows trends over time in the Gini coefficients of individual hourly pay, disposable income and household wealth as well as share of income going to the top 1%.

The key points are that:

- income inequality in the UK was low in the 1960s to early 1980s. It rose rapidly through the 1980s, and has remained at its new higher level ever since (although I will modify this story slightly in Chapter 3 when I focus on what has happened to the super-rich in the UK);
- the fraction of pre-tax income going to the richest 1% of adults rose steadily from the late 1970s to the late 2000s. It fell back after the financial crisis in 2008, but it is rising again and is close to a record high, at just under 15% of income;
- inequality in hourly rates of pay rose throughout the 1980s and 1990s, peaked in the early 2000s, and has fallen since;
- wealth is a lot more unequally distributed than hourly pay or disposable income and, as will be shown in Chapter 3, household wealth in the UK has been growing in importance since the 1970s, driven more by rises in house prices than by active saving.

That rise in income inequality in the 1980s (about 10 percentage points in 15 years) was one of the largest increases seen across developed nations' economies. Figure 1.7 shows that the UK is now close to the top of the international league table for inequality. The UK has the second

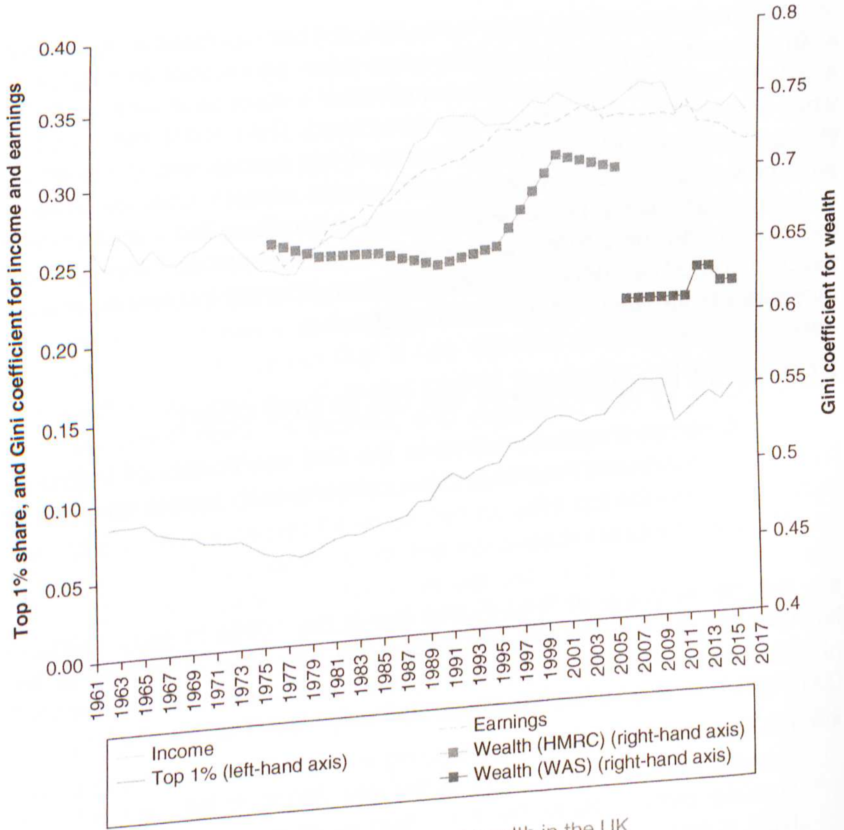

Figure 1.6 Inequality in income, earnings and wealth in the UK

Sources: Income: Figure 3.7 of Cribb et al. (2018), derived from the 'Households Below Average Income' data-set. Earnings: from Box 2 of D'Arcy (2018). Wealth: Table 2.5 of ONS (2018a), Table 2.3 of Hills et al. (2013)

highest level of inequality among the countries with the seven largest economies (the G7), behind the United States. Elsewhere in Europe, only Lithuania is more unequal. Among the countries highlighted in Figure 1.7 (which include the 36 members of the OECD, which tend to be the richest countries, as well as some newly industrialised countries), those that are more unequal than the UK include China, Brazil, India, Mexico and South Africa.

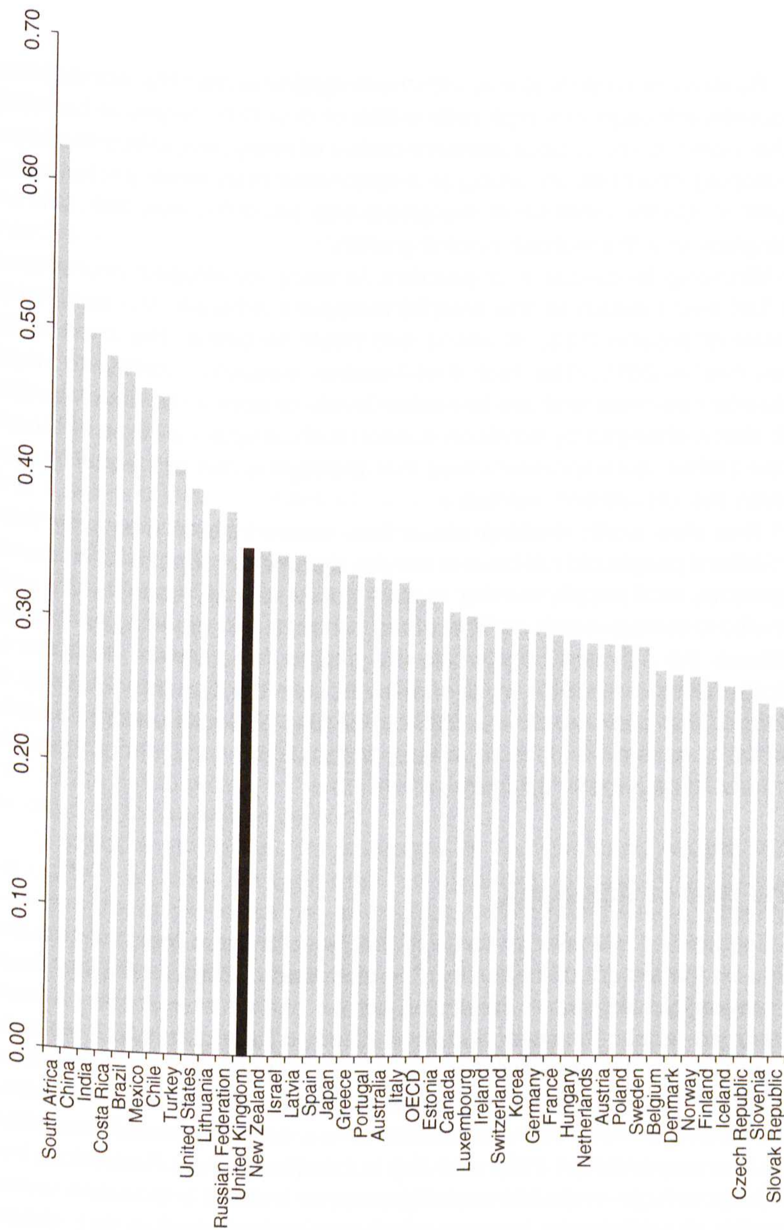

Figure 1.7 The Gini coefficient across OECD and selected other countries, 2016 or latest year

Source: www.oecd.org/social/soc/IDD-Key-Indicators.xlsx

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Researchers also measure income inequality across the world: global inequality, although very high (with a Gini of over 0.7), seems to be falling at the moment. This is because the incomes of many people in some large, developing countries are rising at a faster rate than those in developed countries. On the other hand, the global elite are doing very well, and are seeing some of the highest income growth.[17]

Growing inequality is a problem in many developed countries: if the UK could return to the level of inequality it had in the mid-1970s (a Gini of around 0.25), it would find itself as one of the most equal countries in 2016. The fact that income inequality varies so much between countries that are at similar levels of economic development, and that it changed by so much in such a short space of time in the UK in the 1980s, are important clues that the high levels of inequality seen now in the UK are not inevitable.

It is also worth thinking about how much income inequality there would be if people did not have to not pay income tax or national insurance payments, or if people did not receive social security benefits like child benefit, universal credit or the state pension. Unsurprisingly, the gap between the rich and poor would be greater if there were no taxes on income. It would not be much larger, though: the Gini would go up by about 0.03 (remember, it was 0.337 in 2016–17). Social security benefits and tax credits do a lot more to keep inequality down: without them, the Gini would be another 0.11 higher.[18]

The rest of this book

In Chapter 2, I will set out some of the research from the past two decades on the impact of inequality. It is clear that countries with high levels of inequality have worse health outcomes and greater social problems than more equal societies, and I will discuss the arguments – made by, among others, Richard Wilkinson and Kate Pickett – that these problems are worse *because of* high levels of inequality. I will set out the evidence that inequality hurts economic performance, and may even have caused the financial crash of 2008 and the subsequent Great Recession. I will show how high levels of inequality seem to make it impossible to have equality of opportunity, because of what parents do to give their children the best chance in life, as summarised very recently by Matthias Doepke

and Fabrizio Zilibotti. And I will summarise the landmark work of Thomas Piketty, who argued that, left unchecked, the way that wealth accumulates and is bequeathed from generation to generation risks leading to ever-growing inequalities and the emergence of a super-wealthy elite.

In Chapter 3, 'What do we know about inequality?', I present the key trends in economic inequality in the UK. I will explain how the UK became so much more unequal during the 1980s, why inequality stopped rising in the 1990s, and how it has been changing since the financial crash in 2008. Given the importance of the very rich in the key theories of why inequality can be harmful, I will zoom in to see what is known about the top 1% in the UK – the 536,000 people with the highest incomes – as well as the top 0.1% and top 0.01%. And I will show that the widely held view that inequality in the UK is not getting worse is based on statistics that conceal a sharp rise in the share of income going to those with the highest incomes, and actually may not be true.[19] I will also look at what we know about the distribution of wealth, where new, better sources of household data show that ownership of wealth is far more widespread than it was a century ago. But there remain enormous differences between those who have little or no (or even negative) wealth and those with, for example, homes that have more than doubled in value in the last 30 years (in real terms) or generous pension pots. And I will assess the relevance to the UK of Thomas Piketty's prediction that growing wealth inequalities and inheritances are set to return our economies to levels of inequality last seen at the dawn of the twentieth century.

Chapter 4 addresses the challenge of 'What should we do about inequality?'. My calls for action fall into six areas: towards a fairer labour market; curbing excessive pay at the top; redistributing wealth; providing security and opportunity for all; promoting social mobility; and publishing better analysis about the state of economic inequalities in the UK. Some of the policy responses respond to the facts about economic inequalities as set out in Chapter 3, or attempt to address the causes; others respond to the way that inequalities harm our society, as set out in Chapter 2. Some of these will seem radical, or politically unfeasible. But if those in power want a different outcome, then we can choose different paths, and who can say how politically feasible it will be to have ever-growing divides in society? Finally, a section at the end suggests further reading and gives details of the key data sources and **mikebrewereconomics.com/WDWK** looks at some of the detailed issues involved in measuring incomes and inequality.

There is much that is missing from a short book like this. There is no space to talk about geographical inequalities in the UK, but it is worrying that they remain stubbornly persistent.[20] There is a new concern in the UK about differences between generations or cohorts, driven by the undeniable fact that the old idea that each generation will be better off than its predecessors has broken down for Millennials (those born after 1980).[21] I will not look at income mobility, or about incomes over the lifetime.[22] I will not talk about other forms of inequality, such as in health, nor about differences between different groups in society – such as between men and women (think of the gender pay gap) – or differences in, say, wealth between those of different ethnic backgrounds. I will not talk about social class, even though, in the UK at least, class is part of the reason why inequalities persist across generations.[23] And I will not look at the link between inequality and politics. The focus of this book is on the UK, but I will show how the UK compares with other developed countries.

2

background

The 'politics of envy' is a phrase used to pour scorn on those seeking greater equality. The accusation is that those wanting more equality are envious: they simply cannot tolerate that other people have become more successful, and they want some of that wealth for themselves. But one reason that curbing inequality is now recognised as a global priority is the recent build-up of evidence that shows, or claims to show, that high levels of inequality are actively harmful.

The research falls into two areas, with researchers arguing that:

1. high levels of inequality make us less healthy and die younger, be more violent and less trusting, be more anxious and less happy;
2. high levels of inequality hurt economic performance, and greatly exacerbated – and possibly even caused – the financial crash of 2008 and the subsequent Great Recession.

Meanwhile, other researchers have been arguing that inequalities perpetuate from one generation to the next. Researchers have presented evidence to argue that:

1. high levels of inequality reduce social mobility, or make it impossible to have equality of opportunity, because of what parents do to give their children the best chance in life;

2. the way that wealth accumulates and is bequeathed from generation to generation risks leading to ever-growing inequalities and the emergence of a super-wealthy elite.

These are bold claims, and it is hard to prove convincingly that there is a cause and effect relationship for all of these phenomena. Research, rightly, continues, but there is no doubt that these new studies have changed the public narrative on inequality, and altered policy in key institutions.

Claim: inequality makes us more stressed and less healthy, less trusting and more violent

Richard Wilkinson and Kate Pickett were among the first to assemble a comprehensive charge sheet against income inequality. Their first book, *The Spirit Level* (2009), reviewed hundreds of papers and presented new research that show how people in more unequal societies tend to be more obese, less healthy, die younger, be more stressed and have more mental health problems, take more drugs, be less trusting and be more violent, and have children who do less well in school. Their work had a powerful impact on public debate in the UK, and was praised by politicians from both the Conservative and the Labour Parties.[24] Figure 2.1 shows their summary of this relationship, with the level of income inequality being higher in countries with more social and health problems. It is not the case that these problems go away as countries get richer, and what we see is not caused solely by the fact that the most vulnerable end up at the bottom of society and experience these problems more than others. Instead, Wilkinson and Pickett argued that high levels of inequality make these social problems worse, and do so right across society.

This work attracted a great deal of comment and attention. Much of the analysis presented in *The Spirit Level* was based on relatively simple statistical analysis comparing unequal countries with equal countries. This is not a reliable way to establish a cause and effect relationship. Wilkinson and Pickett know this, of course, and the explanations they put forward are based on the results of hundreds of peer-reviewed papers; the graphical relationships shown in their book were just a powerful way to make a point. On the other hand, not all of the arguments in the book have solid underpinnings in research. The most reliable studies that look at whether

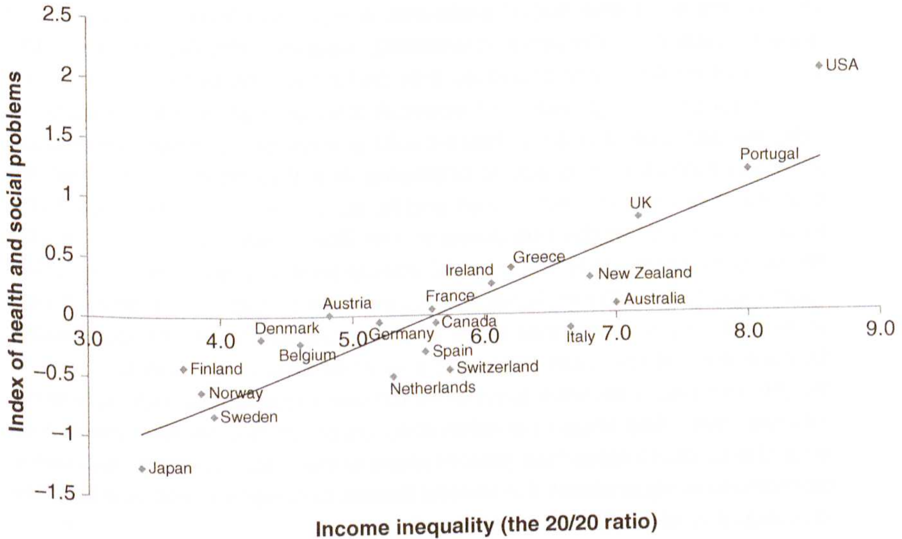

Figure 2.1 Income inequality is correlated with social problems across countries

Source: Based on data made available by The Equality Trust and shown in Figure 2.2 in Wilkinson and Pickett (2009)

income inequality affects health often find no effects, or very small effects.[25] And the idea that income inequality makes some of these outcomes worse *for everyone* in society has not yet been established conclusively (we do know that, for example, people in Sweden have better health than people in the UK, who in turn have better health than people in the United States, across all parts of society, but we do not know whether that is due to the lower level of inequality).

But Wilkinson and Pickett argue that there are many reasons to think that inequality is the true cause. First, there is the sheer weight and robustness of the evidence. It is not just a comparison of the United States against Sweden (say): Wilkinson and Pickett found that various outcomes were related to inequality when comparing different countries, but they also looked within the United States and found that unequal states are less happy, less healthy, more violent, and so on, than more equal states. Wilkinson and Pickett argue that the idea that something

else is making these social problems worse, and that in turn leads to greater inequality ('reverse causality'), seems unlikely, because that would not explain why countries that do bad in one of these social outcomes (such as high rates of obesity) also do bad in others (such as violence and use of drugs). There could always be a hidden factor causing both inequality and social problems, but Wilkinson and Pickett say that many researchers have tried and failed to identify what this might be. Finally, for many of the outcomes in *The Spirit Level*, there are plausible theories why inequality has harmful effects (in the jargon, these are called 'pathways'). In some instances, it is possible to focus on part of a possible pathway and see that there is a true cause and effect relationship. But we cannot roll back time and see what would happen to crime, or health, or trust, if Sweden (say) were to have experienced US-style levels of inequality. And it can be difficult to disprove the counter-claim that, say, the United States has (much) more crime than Sweden because of something unique about the United States or Sweden, and not because of inequality at all. So research continues.

'All the people like us are We, and everyone else is They'[26]

In their second book, *The Inner Level* (2018), Wilkinson and Pickett set out a clearer, unified explanation for why they think inequality leads to these problem outcomes. They say that 'the more hierarchical is society, the stronger the idea that people are ranked according to inherent differences in worth or value, and the greater their insecurities about self-worth'. High levels of inequality, they argue, heighten anxieties (or stress) over our social status; these in turn worsen aspects of consumerism ('keeping up with the Joneses'), lead to feelings of entitlement for those at the top and shame for those at the bottom, and reduce social mixing, trust and social cohesion. Michael Marmot had argued in 2004 that those on low incomes tend to have less autonomy or control over their lives, and fewer opportunities for social engagement and participation, and that these lead to social inequalities in health.[27] We know that anxieties about status can lead to stress, and then ill-health, and the idea of so-called 'social anxiety' has been explored in the popular press by authors including Alain de Botton in 2005. And the idea that having a low income can lead to feelings of shame is discussed by Thorstein Veblen at the end of the nineteenth century, and Adam Smith in the eighteenth

century. The additional steps in the argument made by Wilkinson and Pickett are that high levels of income inequality make social anxieties and the shame of poverty worse, and that anxieties about social status can explain a wide set of social problems.

These claims are not accepted by all, but it seems likely that they are part of the reason why inequality goes hand-in-hand with more social problems, and so it is worth exploring them a little more. Wilkinson and Pickett's argument starts with the idea that, as income gaps grow, there is an ever-increasing cachet to being rich and it becomes more shameful to be poor; money, and what one does with it, become evermore important to our social status. As a result these high levels of inequalities drive us to do things that increase our status or protect ourselves against an encroachment from the less worthy. Here, there are strong echoes of the phenomenon observed by Thorstein Veblen in the nineteenth century. Veblen wrote about how any self-respecting gentleman of leisure can be seen buying things 'beyond the minimum required for subsistence and physical efficiency'. But then, he argued:

> [s]ince the consumption of these more excellent goods is an evidence of wealth, it becomes honorific; and conversely, the failure to consume in due quantity and quality becomes a mark of inferiority and demerit. (Veblen, 1899)

Veblen used the term 'conspicuous consumption' to refer to a situation where one is spending more on goods and services not because of some direct benefit of owning them or using them, but because of what is conveyed by the act of owning that good or using the service. Does a Swiss watch tell the time so much better than one from China? Is flying first class really 10 times nicer than flying standard? Almost certainly not: the reason that people spend in ways like this is bound up in feelings to do with the social status that comes from owning such goods or using such services. The situation Veblen describes might at first seem harmless: like the Emperor's new clothes, does it matter if the rich have frivolous, expensive habits? Well, it wouldn't if their spending habits did not affect the rest of us. But we demonstrate social status with the stuff that we can afford to consume, and such is the status that comes from being rich that the lifestyles led by the very rich themselves become desirable.

You might just think that this is a damning indictment on our culture of worshipping celebrities and Instagramming our lives to death ('I am not allowed to earn lots of money because it might make you sad?!', a sceptical plutocrat might wonder). But this response reflects how our brains are wired. We are social creatures, Wilkinson and Pickett argue, and social status is important to our sense of self-esteem, and threats to our social status lead to feelings of insecurity and undermine our self-confidence. Veblen observed these desires to establish superiority (among the rich), and the need to conform (among the slightly less rich), in the nineteenth-century United States: it is nothing to do with our selfie-obsessed, digital age. And advertisers have for decades exploited our anxieties about status because they know it works.[28] It may be that these processes and reactions are so ingrained into our modern consumerist world that we cannot imagine a world without them.

Other implications of this heightened awareness of differences that comes in highly unequal societies, and the extra importance that is placed on money or status, are an inflated sense of pride or narcissism among those at the top of the pile – a strong belief that their position is due to their own talents and effort[29] – and a sense of shame or resentment at the lack of status at the bottom. Feelings of shame or pride in turn reduce feelings of trust and empathy, and reduce social cohesion, something that is clearly shown by cross-national comparisons of trust or civic participation, which tend to be higher in more equal societies. As Tony Atkinson describes, '[t]he post-1980 rise in income inequality has reinforced the opposition to redistribution and has strengthened support for economic policies, such as market liberalisation, that contribute to inequality: a cumulative process is in operation'.[30] At the extreme, violence and many forms of anti-social behaviour can be in part seen as a way of ensuring status or a response to losing it.

Claim: inequality hurts economic performance

A stereotypical view of economists is that they are focused on making our economy as productive as possible – the metaphor deployed at this point is usually 'maximising the size of the pie' – and that they leave politicians or philosophers to worry about inequality – or how the pie is divided. Our stereotypical economists, indeed, would probably think that high levels of inequality are signs of a vibrant economy, and that any attempt to resist

an unequal distribution of pie will lead to less pie for all. But there is an emerging view that high levels of inequalities might be bad for economic performance: the more pie goes to the very rich (the very greedy?), the smaller the pies will be in the future.

The earliest work in this area looked at how economic growth might affect inequality. Simon Kuznets, a Nobel-Prize-winning economist working in the 1950s, argued that it would be normal for countries to become first more and then less unequal as they progressed from a mostly agricultural economy (think of Britain in the late seventeenth century) to one dominated by industry and services. But the new research approaches the problem in the opposite direction, asking how inequality affects economic growth. This analysis is based on looking across countries (or regions within countries) over long periods of time, and seeing what happens to growth after spells of especially high or low inequality. This is statistically challenging, and it has proven hard to assess how strong – and even in what direction – the link is between inequality and economic performance, just as it is hard to learn about the links between inequality and the social outcomes that Wilkinson and Pickett were concerned with. Again, research is continuing, and it would be wrong to say that there is an academic consensus.

But both the Organisation for Economic Co-operation and Development (the OECD) and the International Monetary Fund (the IMF; definitely not known for being left-of-centre or social democratic) now conclude that, on average, high levels of inequality in a country lead to periods of lower, and less stable, economic growth in the future, and raise the risk of economic and political crises; this work is summarised in the 2019 book by Jonathan Ostry and co-authors.[31] The most recent studies have investigated how the links between inequality and growth might vary across countries. One study suggested that the negative impact of inequality on growth is especially large in the Western hemisphere countries (dominated by South America), considerably smaller in European countries, and almost zero across all developed countries, on average; another found that higher inequality was bad for economic growth except in the poorest countries, where it stimulated growth.[32] The IMF estimates that a 1 percentage point fall in the Gini coefficient in the UK could permanently increase growth rates by just under 0.1 percentage points.[33] Similarly, OECD research implies that the UK economy could have grown 20% faster over the 1990–2010 period had inequality remained at its 1985 level, which would mean our economy would now be 6% larger than it is

now (although the OECD study probably overstates the negative impact of inequality on growth).[34]

So why does inequality reduce economic growth? Many of the theories that I just looked at – that high levels of inequality make us unwell, less trusting, more selfish, and so on – will also directly weaken the performance of our economy. Another idea is that a more unequal society is more sensitive to the economic cycle (and there is a vicious circle here: economic instability, in general, will worsen inequality, because the rich are much more likely to have resources which they can fall back on in tough times, which leads to greater instability in future). But there is also a link from economic inequality to politics and policy, and one of the mechanisms is that increased inequality might lead to political instability or a lack of social consensus – the feeling that 'we are all in it together'. This in turn might mean that countries spend less on universal public services, or invest less in physical infrastructure or in their citizens' education and skills than they otherwise would, or be less likely to take difficult decisions when hit by crises. All of these could lower future economic growth.[35]

Joseph Stiglitz, a former Chief Economist of the World Bank and a winner of the Nobel Prize in Economics, has become a very vocal critic of inequality, and is especially critical of the harmful influence of the very rich on economic, political and cultural life in the United States.[36] In his 2012 book, he argued that apparent success of the very rich reflects a great deal of what economists call 'rent-seeking'. What he means is that large remunerations at the top are not a reward for hard work, effort, talent or ideas, but reflect gains made at other people's expense, thanks to failures in the economy, or in the government's ability to regulate. His examples of rent-seeking include companies exploiting scarce natural resources, overcharging government agencies, profiting from markets where they have near-monopolies, or taking advantage of differences in the information available to the buyer and the seller (most of the financial sector, he argues). If he is right, then high inequalities are a *symptom* of an inefficient economy: if we could make these markets work more effectively, then the economy would perform better *and* we would have more equality. But once high levels of inequalities exist, Stiglitz argues, those who are benefitting from market failures find it more worthwhile to protect their exploitative positions than they do to innovate or generate value for the rest of society. If he is right, then high inequalities are a *cause* of an inefficient economy in the future. As the OECD says:

> The notion that one can enjoy the benefits from one's own efforts has always been a powerful incentive to invest in human capital, new ideas and new products, as well as to undertake risky commercial ventures. But beyond a certain point, and not least during an economic crisis, growing income inequalities can undermine the foundations of market economies. They can eventually lead to inequalities of opportunity. This smothers social mobility, and weakens incentives to invest in knowledge. The result is a misallocation of skills, and even waste through more unemployment, ultimately undermining efficiency and growth potential. (www.oecd.org/economy/growth-and-inequality-close-relationship.htm)

The high levels of inequality in the United States and elsewhere are certainly implicated in the financial crisis of 2008.[37] The immediate cause was failures in the market for mortgages in the US. We can debate how much blame lies with the people that applied for mortgages, the bankers that lent money, the institutions supposedly regulating them, or the politicians that empowered the regulators, but, at its nub, too many mortgages were being lent to people who could not afford them, and against properties whose value was inflated through a housing boom. Many argue that that the weak growth in income through much of the 1990s and 2000s in the United States, in combination with the racing away of incomes at the top, meant that people were keen to borrow more to stop their standard of living from falling behind (this is 'keeping up with the Joneses' again). At the same time, the fact that so much of the gains from economic growth were being captured by the very rich was slowing the economy down, because the very rich tend to save more of their income than the rest of society. As a result, central banks kept interest rates low to stimulate the economy; but by doing so, they created cheap credit and an unsustainable house price bubble.[38]

So, some mainstream economists now believe that too much inequality is harmful to a country's economic performance. What is more surprising is that work by the IMF and OECD has found no strong evidence that policy interventions that governments take to reduce inequality have any detrimental impacts on growth (except in the most extreme cases).[39] This is a controversial finding, given that classical – or, better, 'stylised' – economic thinking would suggest that anything governments can do to fix inequalities will hurt the economy. If the IMF is right, then we need to stop thinking about a trade-off between lower inequality and higher growth (the so-called 'equity–efficiency' trade-off). Instead, it may

be that government measures to make us more equal can also put us on a path of higher and more stable economic prosperity. I will return to this in Chapter 4, where I set out what we should do to reduce the high levels of inequality in the UK.

Claim: high levels of inequality reduce social mobility, and make it impossible to have equality of opportunity

It is an entirely natural reaction for parents to want to give their children the best start in life and to provide as many opportunities as possible for them to go on to live a happy, healthy and successful life. But it is not hard to realise that the ability of parents to provide these opportunities varies enormously between those with a lot of resources and those with a little. As a result, you will not be surprised to learn that children of affluent parents are more likely to do well at school than children from less well-off families. And this is one of the mechanisms that explains why inequalities can perpetuate: without the conscious intervention of governments – and I will argue in Chapter 4 that there is much that governments can do – inequalities in one generation lead to inequalities in the next.

Figure 2.2 illustrates this phenomenon, using data from Claire Crawford, Lindsey Macmillan and Anna Vignoles that tracks where children in England with different socio-economic backgrounds scored, on average, in standardised tests that children do throughout school (instead of the actual score, the figure shows the ranking, from 0 to 100, and so the average child would score 50, and the child with the highest score would get 100). Children from the least deprived fifth of families score, on average, considerably more in these tests (and in the compulsory exams sat at 16 or 18) than children from the most deprived fifth, and this gap grows as children age. There is some scope to debate the relative importance of nature and nurture, but there is simply no way that innate differences between children can explain all the variation seen here.

We do not yet have the complete explanation for what it is that more advantaged parents do to help their children thrive, but it will include things like spending more on their children's education or other activities, giving or lending their children money at key life stages, or using connections and contacts to help their children get ahead. Indeed, if you start to list all the things that can help children thrive at school and in life generally,

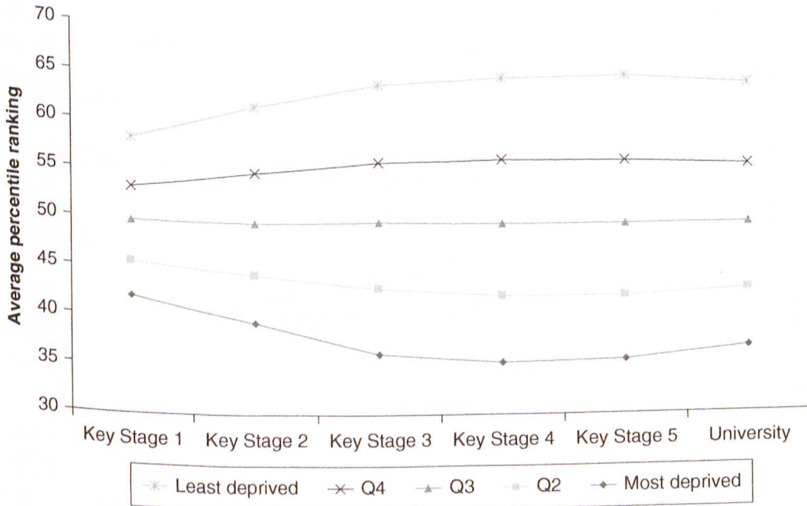

Figure 2.2 Average percentile rankings at each stage of English children's educational trajectory, by socio-economic status (measured in quintiles)

Source: Based on data underpinning Figure 1 in Crawford et al. (2017)

it is hard to think of any that are not easier to provide, in general, with a higher income.[40]

Having done well at school, children of affluent parents typically go on to get jobs that pay well. If family background played no role in determining how successful people grow up to be, then there would be little relation between my earnings and my parents' earnings, and we would say that such a society has a high degree of intergenerational social mobility. But if there is a close relationship between a child's earnings and their parents' earnings, then this shows that there is social *immobility*. We now have estimates of the relationship between children's earnings and their parents' earnings from many countries. What is particularly alarming is the fact that *how closely a child's earnings are related to their parents' earnings* seems to be (positively) related to *the level of inequality when the child was growing up*, as can be seen from the pattern shown in Figure 2.3: the countries that are more unequal are those with less social mobility.[41]

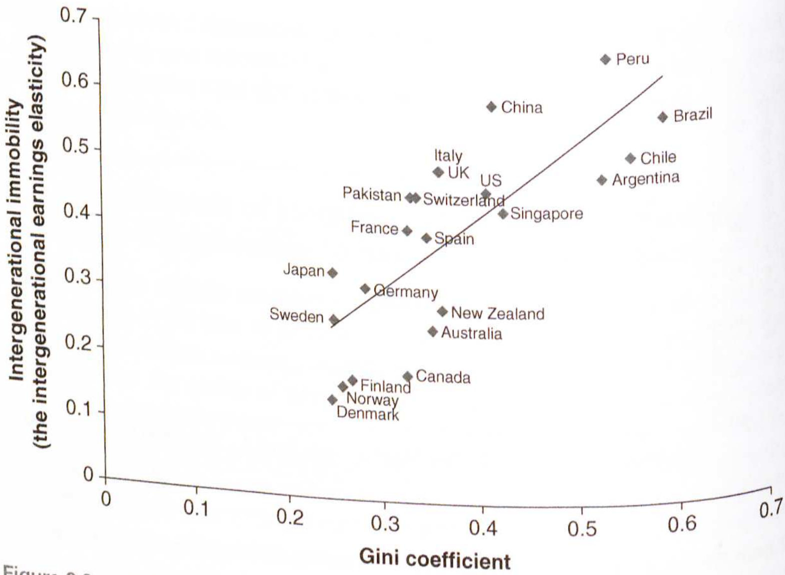

Figure 2.3 The 'Great Gatsby curve'

Source: Based on data underpinning Figure 2 of Corak (2013b)

This work reveals that it is not the United States that is the land of opportunity, where pluck, hard work and grit will give you your just rewards; quite the opposite – it's Sweden! (If you are born in the United States and hope to grow up to be healthy, wealthy and wise, then your best hope is to be born into a healthy, wealthy and wise family.) And cross-national research confirms the findings of studies from the United States or the UK: the relationship is due to the way that parents help their children gain educational qualifications, which then make it easier for children to grow up as high earners, and that parents are more likely to do this where inequality is high, because then there is more at stake.[42]

We also know that social mobility in the UK has declined as income inequality has risen. Figure 2.4 tracks children who were born in 1958 – and who grew up in the relatively equal 1960s and 1970s – and those born in 1970 – who left compulsory education as income inequality in

the UK was reaching its peak. The figure shows what fraction of children managed to reach different quintiles (fifths) of the income distribution, analysed separately according to what quintiles of the income distribution their parents were in. The conclusions are very clear at the top and bottom of the income distribution: children who grew up in high-income families are much more likely to be high income themselves as adults than other children, and children who grew up in low-income families are much more likely to be low income themselves as adults. The pattern is true for children born in 1958 and 1970, but it is stronger in 1970: your background has more influence where you end up for children born in 1970 than those born in 1958. Social mobility seems to be falling.

Economist Raj Chetty and colleagues have recently been using vast quantities of data on the earnings of adults and their parents in the United States, and find big falls over time in social mobility. They estimated that

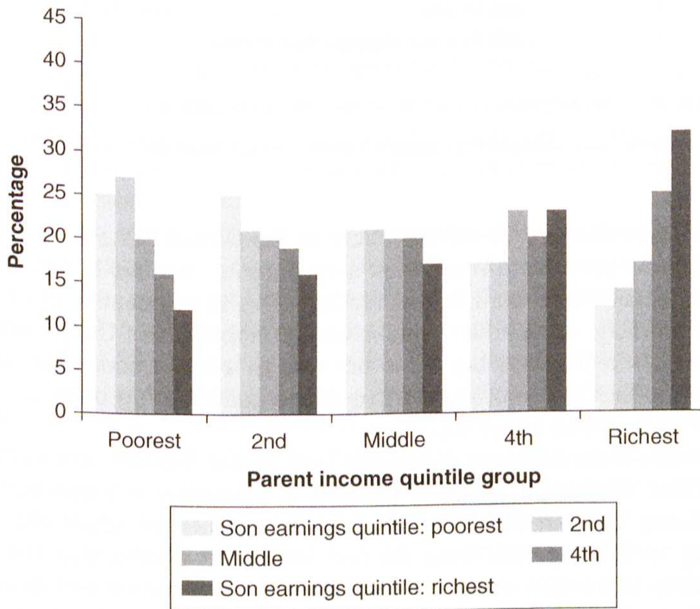

Figure 2.4a Intergenerational mobility in the 1958 birth cohort

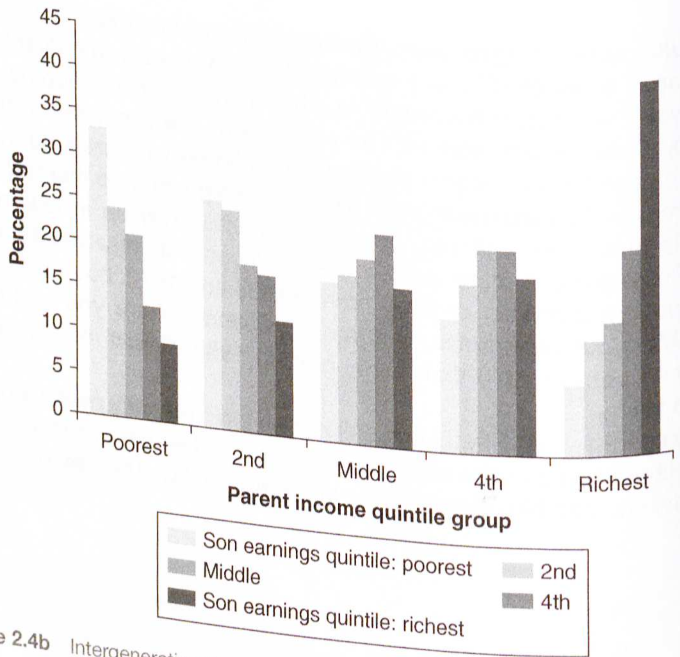

Figure 2.4b Intergenerational mobility in the 1970 birth cohort

Source: Based on data underpinning Figures 0.1 and 0.2 in Elliot Major and Machin (2018)

about 9 out of every 10 children born in the United States in the 1940s would grow up to earn more than their parents, but this is only true for about half of those born in the 1980s.[43] This is a measure of absolute social mobility, rather than relative social mobility. But Chetty and colleagues show that this big fall is not due to a fall in economic growth, but to the fact that more and more of the gains from growth are being captured by those at the top.

These links between inequality and social mobility are extremely important. We might be more tolerant of inequality if it was transient, or if every child in the next new generation had an equal chance at getting to the top. But they do not. Indeed, it seems that the more inequality there is in society, the more that our future life-chances are constrained by – or protected by – our family background, and that does not seem fair.

Claim: wealth inequalities are set to grow and produce a new super-wealthy inheritance class

In his ground-breaking book *Capital in the Twenty-First Century* (2014 for the English edition), economist Thomas Piketty presented data for many countries over decades and centuries to chart the way in which wealth inequalities perpetuate (he calls it 'capital', but by this he means financial wealth, i.e. money in bank accounts, stocks, shares in companies, pension funds and other financial instruments, and physical 'stuff', including housing). The book also contains an alarming prediction. Piketty argues that underlying economic forces mean that wealth will inevitably grow in importance in our economies and, if unchecked, some countries could end up resembling the situation at the beginning of the twentieth century – the so-called Gilded Age in the United States, or la Belle Epoque in Europe – where society is extremely divided and the very rich are dominated by those who live off their inherited wealth (UK readers might find it helpful to think of the first series of *Downton Abbey* on TV). Such a world, he says, would not be desirable. First, it affronts our sense of fairness if the easiest way to become rich is to be born to someone rich, rather than to study and work hard. Second, because the rich tend to have more of a voice in our political debates, policies and societal discourse, they will try to defend the interests of inherited wealth in ways that will be harmful to the rest of society.

This last point is echoed in arguments made by Joseph Stiglitz, who is very critical of the relationship between high levels of inequality and politics. His fundamental argument is that 'The economic elite have pushed for a [legal] framework that benefits them at the expense of the rest ... [Our] inequality gets reflected in every important decision that we make as a nation [... and ...] these decisions themselves help perpetuate and exacerbate this inequality.' His argument is about the United States, and reflects several things that are unique to, or particularly pronounced in, the United States, including the role of campaign finance ('[I]ncreasingly, and especially in the United States, it seems that the political system is more akin to "one dollar one vote" than to "one person one vote"'[44]), the very large number of corporate lobbyists, and the free flow of individuals from political posts to the corporate world and back again. It is not clear whether his argument applies with full force in

other countries, but it highlights another way that inequality can perpetuate. If the very rich can obtain power – of any sort – or influence decisions through their wealth without enough checks and balances in the system, then they have the opportunity to influence society in ways that make it easier for them to accumulate more wealth, and harder for others to join them at the top.

r > *g*

Piketty's economic reasoning has been summarised by the expression $r > g$, where r is the return on capital and g is the growth rate of the economy. If the economy grows more slowly than the rate of return on capital, then more of our national income will go to people who own capital, rather than to those who earn an income by working. Because people who own capital tend to be well off, then they will save a lot of their income or be able to achieve high returns, and so they will accumulate more wealth, worsening inequality.

Piketty argues that $r > g$ is the usual historical state of affairs but that, crucially, there have been two long periods during the twentieth century when $r < g$. The first period spans the two world wars and the Great Depression in between. These events dramatically equalised the distribution of capital, either because capital was physically destroyed (definitely true in parts of continental Europe), or because its value was reduced by inflation or policy measures that governments implemented to pay off war debts. In effect, this period saw r, the rate of return on capital, fall to very low levels. The second period was from the Second World War to the 1970s, during which time many developed countries' economies grew very quickly, meaning that g was especially high, and the returns to capital were often taxed very heavily (including an infamous 98% tax rate on income from financial investments in the UK in the 1970s), such that an after-tax measure of r was especially low. During these times, then, the pressures towards ever-growing inequality were not apparent. But, since about the 1980s, Piketty argues, economic growth in the developed economies, g, has begun to slow, and taxes on capital, inheritances and the very rich have been cut, increasing a post-tax measure of r, and we have returned to the more normal situation where $r > g$ (see Figure 2.5).

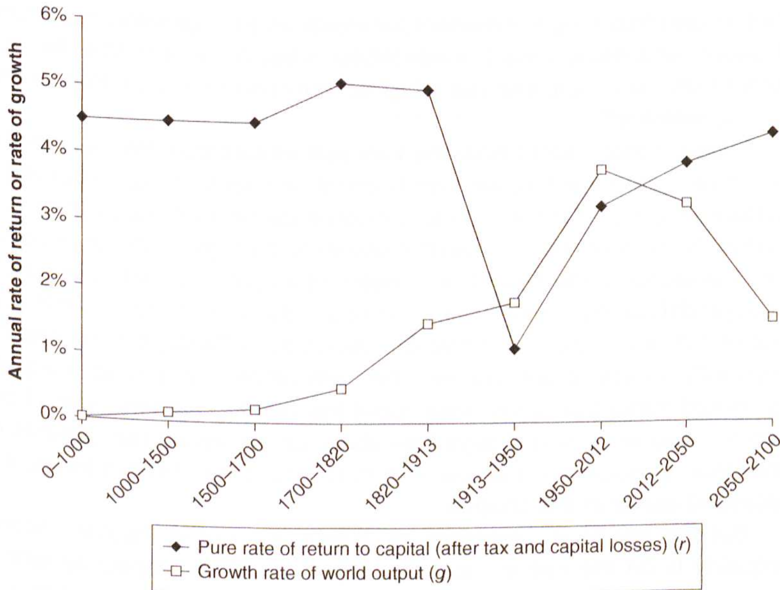

Figure 2.5 After-tax rate of return (*r*) and growth rate (*g*)

Source: Data underpinning Figure 10.10 in Piketty (2014), available from http://piketty.pse.ens.fr/en/capital21c2

Piketty's book was a monumental undertaking. It contains the results of painstaking work using historical sources to estimate the amount of capital and inheritances, and wealth and income inequality, over decades or centuries. The book also contains some predictions that are not supported by existing theories, and puts forward ideas which go against established ideas in economics. It has therefore attracted a great deal of comment and criticism.[45]

Some have questioned whether *r* will continue indefinitely to be greater than *g*, given that most economic theories say that as the amount of wealth in the economy grows, the return to it (i.e. *r*) should fall.[46] Piketty does not think it will, based on his historical evidence that *r* has remained at 4–5% through most of post-medieval economic history, but he does not have an explanation for why this has happened. But others

have argued that $r > g$ is irrelevant for explaining the growing importance of wealth and rising wealth inequalities: what matters is that the very wealthy save a lot and can get a higher return on their investments than the less wealthy.[47]

Piketty's story about how the very rich ensure that their successors also grow up to be rich relies heavily on inheritances of wealth coming to dominate the top of the wealth and income distribution. As I will show in Chapter 3, most of the income of those with the highest incomes comes from the labour market, not from unearned income derived from wealth, although difficulties in measuring incomes at the very top means this is an area of active debate.[48] And two omissions from Piketty's book are that it has little to say about why income from employment is so unequally distributed (other than some idea about the very top earners, which I discuss in Chapter 3), and it says little about all the things that parents do other than bequeath or transfer wealth to help their children thrive, as I discussed earlier in this chapter.[49]

But the key facts presented by Piketty are not in dispute: income inequality is on the rise in most developed countries, especially among the very rich. Wealth is growing in importance in many developed economies, and this is putting pressure on inequality, because wealth is more unequally distributed than income. At the very least, Piketty's predictions should be taken as a warning about one possible state of the future world. Wealth and income used to be more unequally distributed, and there are reasons to think that, after a long period in which economics and governments reduced the importance of wealth, we are now in a less benign economic environment.

Conclusion

This chapter has taken a tour through the new arguments that high levels of inequality are damaging our society and economy. There is evidence – not yet conclusive – that inequalities are actively harmful to society and that, left to their own devices, inequalities perpetuate through a whole series of economic, political and social processes, including so-called 'opportunity hoarding' by affluent parents seeking the best for their children. And doubts are emerging that government

measures to reduce inequality end up slowing down economic growth: indeed, inequality itself may be a brake on growth. These questions are not yet settled, but there could be more reasons than just envy to wish that resources were shared out a little more equally. With this in mind, the next chapter sets out what we know about economic inequalities in the UK.