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The Psychology Of Economic Inequality

Six Reasons Why We Are Failing to
Challenge Great Inequalities of
Income and Wealth

Jim Orford

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This work was supported by Jim Orford.



ISSN 2523-3084 ISSN 2523-3092 (electronic)
Sustainable Development Goals Series
ISBN 978-3-031-85563-4 ISBN 978-3-031-85564-1 (eBook)
<https://doi.org/10.1007/978-3-031-85564-1>

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Preface

Looking back, I think economic inequality has always troubled me. An early memory, I must have been about 17, was of asking a question in a class at school devoted to what was then called ‘current affairs.’ ‘Shouldn’t everyone be paid the same, sir, whatever job they do,’ I asked, or words to that effect. With the fresh naivety of someone that age, I was touching on a topic that, many years later, was to become of immense social and political importance. I certainly had no inkling then of how pertinent my question was to a subject that would come to be known as ‘economic inequality.’

What motivated the writing of the present book was the growing personal alarm, and distaste, I was experiencing in the face of growing inequality of incomes and wealth in my country from the 1980s onwards. In the UK, the US, and in many other countries, a high level of economic inequality is now one of the major problems facing society. Yet that is not clearly understood, nor is there political will to restore greater equality. My purpose in writing this book has been, therefore, to develop a psychological understanding of how economic inequality is tolerated. The central question the book asks is why we are putting up with this much inequality. What justifications are being advanced for such high levels of income and wealth inequality? Only once we have clear answers to those questions can a campaign to restore greater fairness and equality have hope of success. There may then be a chance of convincing the public, and the politicians who represent them, that such economic inequality is bad for us all and that reversing it should be a priority.

I aim to provide a tentative answer from a distinctly psychological perspective, offering what I believe to be the first book-length text on the subject written by a psychologist. After I left school, I gave little thought to the subject for several decades, during which time I graduated with a degree in psychology, trained as a

clinical psychologist, obtained my PhD, and pursued a career devoted to research and teaching in clinical psychology, specialising in the study and treatment of the addictions. But I always leant towards the social and political ends of my discipline and the study of addiction provides plenty of scope for developing those interests, as I did, for example, in my book *Power, Powerlessness and Addiction*. Another important and relevant influence was my discovery of the branch of psychology known as community psychology, with its distinctive insistence on understanding individuals and their actions, feelings, and motivations in the broader context of the social, economic, and political systems of which they were part. The individual, micro lens, dominant in psychology, had to be complemented with macro-social and macro-social-political perspectives. Relatively little known in UK psychology at the time, I developed and illustrated these ideas in *Community Psychology: Challenges, Controversies and Emerging Consensus*, published in 2008. They are evident in the present book, particularly in later chapters.

I hope the book will appeal to anyone with an interest in exploring economic inequality from a psychological perspective, as well as to anyone concerned to fathom the lack of public and political awareness of the great importance of the subject. That includes, but need not be limited to, psychologists with a special interest in the subject, other social scientists, and students of psychology and related subjects. The open access format means the book is widely and freely available to download. I believe it provides an example to students and others of how psychology has relevance to some of the most pressing issues of our time.

I have had a long and fulfilling career in psychology and I have enjoyed the support and encouragement of many tutors, colleagues, and students in universities and branches of the National Health Service in London, Exeter, and Birmingham. And colleagues in other European countries, particularly in Spain, Italy, and Germany, as well as in Mexico and Australia, and especially fellow members of the Addiction and the Family International Network and the European Community Psychology Association. There are too many to mention individually, but they will know who I mean. I also wish to acknowledge the encouragement of Liam Inscoc-Jones of Palgrave Macmillan who encouraged me to have this book published and to agree to include the open access format.

The book is dedicated to my wife, adult-lifelong partner, and closest friend, Judith, who died while it was being written. She provided the stable bedrock of my life which enabled me to read, think, and write, the stimulus of her strong beliefs in a better, more ethical world, and the partnership which gave me the confidence to explore life and the world to the full alongside her.

Praise for *The Psychology Of Economic Inequality*

“Tolerating the damaging levels of inequality that mark our societies is a form of collective insanity. Jim Orford is a good psychologist who not only provides the analysis but also prescribes the treatment. His book is enlightening: we should all read it and send copies to our MP, friends and neighbours.”

—Richard Wilkinson, author, with Kate Pickett, of
The Spirit Level

“Dive into a profound exploration of economic inequality through the lens of psychology with this compelling book. Emeritus Professor Jim Orford, a seasoned psychologist, reflects on a journey that began with a simple question in a classroom and evolved into a comprehensive analysis of one of society’s most pressing issues. Drawing on a vast and diverse body of research, the book delves into why we tolerate such vast disparities in income and wealth. The narrative not only highlights the alarming growth of inequality in nations like the UK and the US but also illustrates the processes and forces that sustain it. By weaving personal insights with scholarly analysis, the book offers a unique perspective that will appeal to psychologists, social scientists, and anyone eager to understand the lack of public and political urgency surrounding this critical topic. Freely accessible, this text serves as an essential resource for those seeking to understand, and challenge, enduring patterns of economic inequality.”

—Jolanda Jetten, Professor of Social Psychology,
University of Queensland, Australia

Contents

- 1 Introduction 1**
 - What the Book Is About 2
 - Six Reasons for Confusion About Economic Inequality 3
 - The Book’s Structure 3
 - My Sources 8
- 2 What Is Economic Inequality? Inequalities of Income and Wealth . . . 11**
 - Income Inequality: Some Facts 12
 - Wealth Inequality 16
 - A Global Perspective on Economic Inequality 21
 - Measuring Economic Inequality 23
 - Chapter Summary 28
- 3 Distractions: Poverty, Mobility, and Social Class 35**
 - Poverty: A Symptom of Economic Inequality 36
 - Economic Mobility: A Closely Related Concept But One to Beware Of . . . 39
 - Social Class: Not to Be Confused With Economic Inequality 48
 - A Note on Intersectionality 52
 - Chapter Summary 55
- 4 Why It Matters for Individual Health and Well-Being 61**
 - Socio-economic Status and Personal Health 62
 - Economic Inequality and Personal Health 66
 - Social Comparison and Social Evaluative Threat Theory 71
 - Profound Effects of Economic Inequality on How We Behave 76
 - Chapter Summary 84

5	Why It Matters for Collective Well-Being	93
	Economic Inequality Changes Human Relationships for the Worse	94
	Inequality Stifles Political Trust and Participation	100
	Economic Inequality Is a Moral Issue	106
	Chapter Summary	109
6	How We Justify High Economic Inequality: Lack of Awareness, System Justification, and Merit Beliefs	115
	We Are Unaware of the Extent of Economic Inequality	116
	System Justification	123
	Merit, Individuality, and Just Desert	127
	Chapter Summary	133
7	How We Justify High Economic Inequality: Blaming and Shaming and the Role of Culture, Mass Media, and the Educational System	139
	Blaming and Shaming	140
	Who Is More Inclined to Blame Others?	145
	Thinking About the Social Structure: The Role of Economic Threat, Culture, Mass Media, and the Educational System	152
	Chapter Summary	162
8	Bad Economics Is to Blame	167
	An Economic Model That Promotes Inequality	168
	Economic Man: A Demeaning Model of Human Nature	175
	Power and Influence in Academia and Beyond	178
	Chapter Summary	180
9	Politics and the Hidden Nature of Power	185
	Political Power: Inequality Is a Political Decision	186
	The Role of the Media in Supporting Political Power	191
	A Bit of Power Theory	194
	Chapter Summary	198
10	Towards a Fairer Society: Standing Up to Economic Inequality	203
	The Need for Fairer Income and Wealth Distribution	204
	Spreading Wealth More Widely	210
	Reforming Key Institutions	215

Towards a Fairer Society: Six Sources of Confused Thinking About Economic Inequality.....	222
Selective Bibliography	233
Index	235

About the Author

Jim Orford is Emeritus Professor of Clinical and Community Psychology at the University of Birmingham. He is an internationally known researcher and lecturer and his work has been published in over 50 different peer-reviewed journals and more than a dozen books. As well as the psychology of economic inequality, his main interests are: the psychology of support for war and militarism, understanding addiction, gambling policy, and addiction and the family. Find out more about him on his website at www.jim.orford.org.

List of Figures

Fig. 2.1 Gini coefficient of disposable income inequality in the UK 1977 to 2022. Statista, accessed via Office for National Statistics, *Household income inequality, UK: Financial year ending 2020* (which, in addition to Gini coefficient statistics, shows P90/P10 and S90/S40 (Palma) ratios)13

Fig. 2.2 Ratio of top 10 per cent to bottom 50 per cent share of wealth and income in the UK 1970 to 2020. Figures taken from The Equality Trust (undated, accessed online at <https://equalitytrust.org.uk/scale-economic-inequality-uk>, 5 February 2024), *The scale of economic inequality in the UK*.18

Fig. 2.3 Illustration of the Lorenz curve used to calculate Gini coefficients. Reproduced with permission of Economics Help (www.economicshelp.org)24

Fig. 4.1 Generally, higher economic inequality accentuates the relationship between socio-economic status and the prevalence of poorer health and well-being. (The figure is based on Wilkinson and Pickett, 2010, op.cit., Figure 8.4, 109)69

Fig. 4.2 How higher economic inequality may be resulting in poorer health and well-being: leading hypotheses currently being researched85

Fig. 5.1 A summary of current ideas about how high economic inequality is affecting collective well-being110

List of Tables

Table 2.1	Some of the questions we should be asking to gain clarity about any measure of economic inequality	29
Table 4.1	Some of the main research methods that are being used to study the psychology of economic inequality	75
Table 9.1	Examples of statements made by leading UK politicians in the early 2010s	189
Table 10.1	Policy suggestions for delivering greater economic equality	206



Introduction

1

Abstract

The book seeks to understand how current high levels of economic inequality are accepted and maintained. The conclusion it will reach is that there are six sources of confusion about economic inequality: obfuscation, diversion, division, justificatory beliefs, dominant economic theory, and powerful vested interests. Chapters 2, 3, 4, and 5 aim to clarify issues including the distinctions between income and wealth inequality, poverty, class, and mobility, and the ways in which economic inequality is bad for individual health and societal cohesion. Chapters 6 and 7 examine the beliefs, such as beliefs in meritocracy and individual choice, which help maintain inequality. Chapter 8 examines the role of neoliberal economic theory and the growth of financialisation, and Chap. 9 the role of political choice and the way power can be exercised to influence beliefs. Chapter 10 outlines policies which have potential to promote greater economic equality. But their acceptance requires a raising of awareness of the importance of economic inequality, and that means addressing the six impediments that stand in its way. The books and academic journals which provided the book's main source material are listed.

Keywords

Economic inequality · Income inequality · Wealth inequality · Meritocracy · Neoliberalism · Power

There should exist among the citizens neither extreme wealth nor again extreme poverty, for both are productive of great evil, Plato 360 BCE¹

... equality is the absolutely necessary condition for freedom ... freedom outside of equality can create only privilege, Mikhail Bakunin, nineteenth century political theorist²

Political philosophers and theorists down the ages have been concerned about economic inequality. And so have been at least some commentators on matters social and political in recent years. By the end of the twentieth century, the socio-economic environment in the UK and other relatively rich countries had changed. I was far from alone in my growing personal alarm at, and distaste for, the growth in inequality of incomes and wealth that had taken place from the 1980s onwards, compounded by the austerity policies of my country's government in the 2000s. The publication in 2009 of Richard Wilkinson and Kate Pickett's *The Spirit Level: Why Equality is Better for Everyone*³ was a seminal event, focusing attention on the subject, and sparking my interest. Since then, growing attention has been given to the topic, for example by social psychologists, whose work figures prominently in many of the present book's chapters.

What the Book Is About

This book aims to provide an overview of the subject of economic inequality from a distinctly psychological perspective, offering what I believe to be the first book-length text on the subject written by a psychologist. The UK is the main focus throughout, followed closely by the US, with information from other countries figuring regularly. Most of the research included, and arguably all of the book's conclusions, are of relevance for all countries, especially relatively high-income ones like the UK and US.

What I set out to do was to try to understand how it is that the high levels of economic inequality we now live with are accepted and maintained. Although, as we shall see, there are now many writers who have joined Wilkinson and Pickett in condemning the present socio-economic state of affairs, recent governments, including the recently elected UK Labour government, are not pinpointing economic inequality as they should be doing, or offering policies to reduce it. Nor, for the most part, are the mainstream media. Nor, perhaps unsurprisingly therefore, are most of the electorate as focused on the topic as I think they should be. Why is that? That is the question which I felt psychology, the subject I had been immersed in for

over 50 years, ought to have something to say about. What are the causes of our collective blindness to economic unfairness and inequality? That is what this book is about.

Six Reasons for Confusion About Economic Inequality

Am I any the wiser having written this book? I do believe I now have a better understanding of why we allow high-level income and wealth inequality to persist and flourish. I hope the reader will agree. The latter half of the book's concluding chapter contains my conclusions. We are, I suggest, confused about economic inequality. The subject can be inherently confusing, but there are also powers at work that are deliberately adding to the confusion. To be more specific, the sources of confusion can be summarised under six headings. I call them: obfuscation, diversion, division, justificatory beliefs, dominant economic theory, and powerful vested interests. For a start, the concept of economic inequality is not easy to grasp, and most of us have incomplete knowledge of the facts about it, and we are diverted by arguments that it is poverty or lack of opportunities we should be more concerned about. Nor do we all experience high economic inequality in the same way, so opinion is divided. Widespread beliefs, for example in meritocracy and individual choice, serve to justify inequality. At the more macro-social-economic-political level, economic inequality, and our acceptance of it, is shored up by the dominance of neoliberal economic theory and the operation of powerful vested interests. The justification for economic inequality lies both in our heads and in our politics.

The Book's Structure

The book's earlier chapters aim to spell out and clarify a number of issues about economic inequality. What is meant by the term 'economic inequality'? Why, for example, is it important to distinguish between income and wealth inequality? How are they measured? Is economic inequality the same as poverty, or social class, or social and economic mobility, and if not, how is it different? In what ways is it bad for us, for our health and well-being as individuals, and for our cohesion as a society?

In Chap. 2, I present the evidence to show that inequality of incomes rose sharply in the UK for two decades, from the late 1970s, reaching a level unprecedented in modern times, remaining at that high level since then. The same has been true in the US and to a greater or lesser extent in many other countries. This is re-

flected in the increased share of total incomes received by higher earners, and in the greater gains from GDP growth accruing to those higher up the incomes scale. Some economic basics are spelt out. The term economic inequality embraces both income inequality and wealth inequality. The latter is even more unequally distributed and has continued to rise in recent decades. I explain some of the main measures of economic inequality. They include the popular Gini coefficient and percentile ratios such as the P80/P20 and summed ratios such as the S80/S20. Estimates of income inequality are often based on a household's total disposable income, after taxation, adjusted for household size. There are further complications in assessing wealth inequality. I conclude that, although in essence a straightforward idea, economic inequality can be quite complex and potentially confusing, providing scope for obfuscation, and opportunity to deny the subject's importance.

Chapter 3 examines three important concepts which can easily be confused with economic inequality and can divert us from focusing on it properly. I consider, first, poverty, which is closely related to economic inequality, and is a symptom of it. In richer countries it is usually understood as relative poverty, which necessarily grows as inequality rises, but absolute poverty has also reappeared in the UK, as illustrated by official reports and research findings. Lack of opportunity for economic and social mobility is a second source of distraction, important in its own right, but not the same thing as economic inequality, though closely related to it, and often taken as a substitute for it. Social class is the third concept I look at in this chapter. It is a difficult and much debated and contested concept, and is often confused with economic inequality, although the two terms mean very different things. What can be said is that economic inequality intensifies social class differences, making status differences more salient. The chapter makes the case that focusing on poverty, social and economic mobility, or social class serves to divert attention away from the more fundamental, systemic problem of economic and wealth inequality. The chapter concludes by briefly referring to the concept of intersectionality which, I suggest, is helpful for understanding that economic inequality deserves attention in its own right, whilst sharing features and interacting with other forms of inequality.

The next two chapters draw on the body of evidence showing that higher economic inequality is harmful. In Chap. 4 I look at the accumulation of research demonstrating that, in the richer countries or states, a greater level of economic inequality is associated with a higher prevalence of a wide range of health, social, and educational problems for adults and children, the same problems which display strong social class gradients within the population. The leading theory for explaining these harmful effects is social evaluative threat theory: inequality fosters social evaluation anxieties and the making of upward social comparisons, in-

creased feelings of social identity threat, shame and inferiority, and reduced trust in others. A rich combination of survey, experimental, and other research methods has been used to test variants of the theory. Among the profound effects of economic inequality, for which supportive evidence has been found, are: pressured decision-making, risk-taking, narcissism, self-enhancement, and competitiveness. Although larger differences in incomes and in wealth are bad for health and well-being, there may be contradictory effects for individual people, depending on their economic circumstances and how they have reacted to inequality. We are divided in our reactions to inequality. To obfuscation and diversion, identified in Chaps. 2 and 3 as sources of confusion about economic inequality, we can now add a third source, division.

The evidence is accumulating in support of the thesis that inequality is harmful, not just for individuals who live in unequal societies, but for the very fabric of the society itself. In Chap. 5, I explore the idea that a high level of income and wealth inequality is exacting a high price for us collectively. Among theoretical ideas covered in the chapter are: that economic inequality erodes generalised trust in others; that it makes for difficulties in relationships at work and at school; and that it makes us more individualistic, harder, more hostile, more ready to see threats and conspiracies. A relatively new area of research suggests it may also make us less protective of the natural environment. There are strong grounds for believing that high levels of economic inequality foster antagonisms between groups of citizens and undermine societal cohesion. Theory and research suggest that economic inequality may stifle trust in the political process, diminish civic participation, and thus be bad for democracy. It may be a factor promoting civil unrest and political violence. I bring Chap. 5 to a close by considering a case of a different order that can be made against high economic inequality, a moral case, based on the argument that it is contrary to our sense of fairness and justice.

The following two chapters home in on our mental lives, the beliefs many of us hold which fail to challenge, and help to maintain, economic inequality. Chapter 6 begins by examining research showing that most people have an incorrect idea of how income and wealth are distributed, often under-estimating inequality, with judgements over-influenced by their local social environments. Perceived, rather than actual, inequality is more strongly associated with attitudes towards inequality and support for policies aimed at redistribution. The relevance of system justification theory, which proposes the existence of a basic motivation to justify and legitimise existing social, economic, and political systems, especially if aspects of the system have long been in place, is examined. Beliefs in merit, desert, individual autonomy, and personal responsibility are thought to play an important role in the justification of economic inequality. Meritocracy beliefs, for example, serve to cast

responsibility for inequality onto individuals and away from structural causes. Belief in the possibility of socio-economic mobility also plays a role in the nexus of economic system justification. This is a relatively new but active and lively area of psychology, a work in progress. There is already evidence enough, however, to add to the growing list of answers to the conundrum: How is it that economic inequality on such a scale is tolerated? To obfuscation, diversion, and division we can add justificatory beliefs.

The earlier part of Chap. 7 examines a darker side to the belief that such inequality is merited on the grounds of personal attributes such as effort, hard work, self-reliance, and sensible life choices. There is widespread evidence of negative perceptions and judgements, sometimes even amounting to dehumanisation, of those who are less well-off economically. The use of blaming and shaming language, the bias towards accepting economic inequality, and resistance to redistribution policies are generally stronger among the wealthy and those of higher socio-economic status, including those who themselves have come from poorer backgrounds, and those who express liberal views but who in practice may oppose redistribution policies that would affect them personally. At the same time, there is evidence that inequality-supporting beliefs may decline amongst those directly experiencing adverse economic circumstances, personally or in their localities. Inequality-supporting justifications are rooted in both personal beliefs, such as social dominance orientation, and in the wider social system. The chapter concludes by examining cultural-level beliefs in capitalism, individualism, and unequal economic rewards based on effort, and the roles in promoting those beliefs played by an educational system based on merit, and by the mainstream popular media.

Chapters 8 and 9 move the search for an explanation for economic inequality-acceptance into the realm of the macro-social-economic-political. My focus in Chap. 8 is economics itself. I found that the growth in influence of ‘financialisation,’ and of neoliberal economic theory, has come under increasing criticism from economists and others. A central criticism is that money itself, rather than the genuinely productive purposes it might serve, has become the overriding goal. Critics point to the excesses of a ‘rentier economy,’ characterised by company mergers and takeovers, exploitation of debt, tax avoidance, weak competition, and poor corporate governance, from which those with higher incomes and greater wealth benefit the most. Many go further, accusing neoliberal economic thinking for its reverence of a greedy, selfish Economic Man, interested only in personal, financial gain, individual freedom, and free choice. Psychology, I suggest, played a part in the 1960s and 1970s, with its limited behaviourist model of human nature. The founding of the Mont Pelerin Society, a transatlantic network of think tanks with wealthy supporters, and strong ties with academics at the University of Chicago and elsewhere,

helped create a powerful alliance of interests, a modern 'plutocracy,' strong enough to have reshaped the economy's rules in its favour. A conclusion I came to was that the economic conventional wisdom of recent decades has supported economic inequality and stood in the way of reducing it, adding to general confusion about the subject.

The US's and UK's high levels of economic inequality are the result of political choice. That is my focus in Chap. 9. The rhetorical devices used by the two main UK political parties to hide or justify high inequality, claiming to support 'fairness' or championing the meritocratic ideal of personal improvement, are examined. With the encouragement of sections of the popular media, blaming and shaming language was used to demonise the poor and unemployed. The capture of power over economic and political life by a small section of society is seen by many as centrally important. A short dip into power theory reveals that power has been theorised as having several 'faces.' It can be exercised openly and undisguised; or by controlling what is discussed and the language in which it is talked about; or, most effectively and hidden from view, instigating acceptance of how things are by influencing people's own attitudes and beliefs. The latter is, in effect, a form of thought control or 'cognitive capture.' The operation of powerful vested interests, I conclude, is one of the most significant sources of our confusion about economic inequality, constituting an important part of the explanation for the continuation of high-level inequality.

The concluding chapter asks what we can do, in the light of what we have learned in earlier chapters, in order to reduce economic inequality, thereby increasing individual health and happiness and collective societal cohesion. Chapter 10 is in two halves. The first outlines a variety of policies which have been proposed as candidates for the promotion of greater economic equality. Taxation of income and wealth could be fairer, more progressive, and tax avoidance could be better controlled. Universal basic income, universal basic capital, and community wealth building are amongst ideas for sharing wealth more widely. The financial and business sector, the workplace, and education are examples of key sectors that could be reformed.

A principal conclusion of the present book, however, is that there is something more fundamental that needs attention. That is what the second half of Chap. 10 is about. Policies to distribute income and wealth more fairly will be effectively resisted unless and until we address the underlying reasons for the present failure to see economic inequality for what it is—gross in size and highly damaging in its effects. The earlier chapters identified six basic such reasons. In short, we are confused by a combination of obfuscation, diversion, division, justificatory beliefs, dominant economic theory, and powerful vested interests. Think of them as im-

pediments to dealing with economic inequality. Impassioned calls for a fairer, more economically equal society continue to come from writers in the UK and US. All agree that hope lies in the mobilisation of public opinion, as a basis for persuading governments to focus on economic inequality and to adopt policies to correct it. My principal conclusion, therefore, is that public and government awareness of the importance of economic inequality must be raised, but that to do so, the six impediments that stand in the way must be addressed.

My Sources

In putting this book together, I have tried to draw on contributions both from within and outside my own discipline. I have attempted to integrate psychology's specific contributions on the subject with the many insights of a psychological kind offered by those whose expertise lies elsewhere, in epidemiology, social geography, and philosophy, for example, as well as by economists, economic journalists, politicians, and other writers.

Books I have found invaluable are⁴:

Peter Adams, *Monster Metaphors: When Rhetoric Runs Amok* (especially relevant for Chap. 8); Jonathan Aldred, *Licence to be Bad: How Economics Corrupted Us* (also Chap. 8); Anthony Atkinson, *Inequality: What Can be Done?* (Chaps. 2 and 6); Liam Byrne, *The Inequality of Wealth: Why It Matters and How to Fix It* (Chap. 10); Daniel Chandler, *Free and Equal: What Would a Fair Society Look Like?* (Chap. 10); Brett Christophers, *The New Enclosure: The Appropriation of Public Land in Neoliberal Britain* (Chap. 2); Paul Collier and John Kay, *Greed is Dead: Politics after Individualism* (Chap. 6); Matthew Desmond, *Poverty, by America* (Chap. 10); Daniel Dorling, *Injustice: Why Social Inequality Persists and The Equality Effect: Improving Life for Everyone* (Chap. 2 and other chapters); Sam Friedman and Daniel Laurison, *The Class Ceiling* (Chap. 3); David Graeber, *Bullshit Jobs: A Theory* (Chap. 8); Francis Green and David Kynaston, *Engines of Privilege: Britain's Private School Problem* (Chap. 10); Jason Hickel, *The Divide: A Brief Guide to Global Inequality and Its Solutions* (Chap. 2); Will Hutton, *The State We're In* and *Them and Us: Changing Britain – Why We Need a Fair Society* (several chapters including Chaps. 5, 8, 9, and 10); Jolanda Jetten and Kim Peters (eds.), *The Social Psychology of Inequality* (especially for Chaps. 2, 5, 6, and 7); Owen Jones, *Chavs: The Demonisation of the Working Class* (Chap. 6) and *The Establishment and How They Get Away with It* (Chap. 9); Michael Marmot and

colleagues, *The Marmot Review and Health Equity in England* (Chap. 4); George Monbiot and Peter Hutchison, *The Invisible Doctrine: The Secret History of Neoliberalism (& How It Came to Control Your Life)* (Chap. 10); Mary O'Hara, *The Shame Game: Overturning the Toxic Poverty Narrative* (Chaps. 3 and 7); Thomas Piketty, *Capital in the Twenty-First Century* (Chap. 2); Kate Raworth, *Doughnut Economics: Seven Ways to Think Like a Twenty-First-Century Economist* (Chap. 8); Andrew Sayer, *Why We Can't Afford the Rich* (Chap. 6); T. M. Scanlon, *Why Does Inequality Matter?* (Chap. 6); Joseph Stiglitz, *The Price of Inequality* and *The Road to Freedom: Economics and the Good Society* (especially Chaps. 2, 8, and 10); Richard Wilkinson and Kate Pickett, *The Spirit Level: Why Equality is Better for Everyone* and *The Inner Level: How More Equal Societies Reduce Stress, Restore Sanity and Improve Everyone's Well-being* (especially for Chaps. 2, 4, 5, and 10); Martin Wolf, *The Crisis of Democratic Capitalism* (especially Chaps. 2, 8, and 10); and Michael Yates, *The Great Inequality* (Chap. 3).

Academic journals were my other main source of material. They can be divided into two groups. The first consists of psychology journals, likely to be familiar names to those interested in the social and political areas of psychology. This group includes: *British Journal of Social Psychology*; *European Journal of Social Psychology*; *International Review of Social Psychology*; *Journal of Applied Social Psychology*; *Journal of Community and Applied Social Psychology*; *Journal of Experimental Social Psychology*; *Journal of Health Psychology*; *Journal of Personality and Social Psychology*; *Journal of Social Psychology*; *Journal of Social and Political Psychology*; *Perspectives on Psychological Science*; *Political Psychology*; *Psychological Inquiry*; *Psychological Science*; *Social Psychological and Personality Science*; *The Psychologist*; and *Social Psychology Quarterly*.

Other academic journals which I found to contain important research and/or theoretical ideas relevant to the psychology of economic inequality were the following: *Acta Sociologica*; *American Journal of Political Science*; *American Politics Research*; *British Medical Journal*; *Critical Social Policy*; *Daedalus: Journal of the American Academy of Arts and Sciences*; *Economics and Politics*; *European Journal of Public Health*; *Journal of Conflict Resolution*; *Journal of Epidemiology and Community Health*; *Journal of Public Economics*; *Journal of Social Issues*; *The Lancet Psychiatry*; *Public Choice*; *Quality of Life Research*; *Research in Social Stratification and Mobility*; *Science*; *Social Forces*; *Social Justice Research*; and *Social Science and Medicine*.

Notes

1. Bourquin, P. (2020). Income inequality: how and why it has changed, and why may we care? Institute for Fiscal Studies, 13 November.
2. Andrews, R. (1992). *Collins Thematic Dictionary of Quotations*. Glasgow: HarperCollins, 86.
3. Wilkinson, R. & Pickett, K. (2010). *The Spirit Level: Why Equality is Better for Everyone*. London: Penguin [2009 Allen Lane].
4. Full references can be found at the end of relevant chapters.

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What Is Economic Inequality? Inequalities of Income and Wealth

2

Abstract

Evidence is presented showing that inequality of incomes rose sharply in the UK for two decades, from the late 1970s, reaching a level unprecedented in modern times, remaining at that high level since then. The same has been true in the US and to a greater or lesser extent in many other countries. This is reflected in the increased share of total incomes received by higher earners, and in the greater gains from GDP growth accruing to those higher up the incomes scale. Some economic basics are spelt out. The term economic inequality embraces both income inequality and wealth inequality. The latter is even more unequally distributed and has continued to rise in recent decades. Measures of economic inequality include the popular Gini coefficient and percentile ratios such as the P80/P20 and summed ratios such as the S80/S20. Estimates of income inequality are often based on a household's total disposable income, after taxation, adjusted for household size. There are further complications in assessing wealth inequality. The complexities surrounding economic inequality contribute to confusion, providing scope for obfuscation, and opportunity to deny the subject's importance.

Keywords

Income inequality · Wealth inequality · Gini coefficient · Income share

... in Britain and the United States ... inequality remains at levels almost unprecedented since records began – certainly higher than it has been for several generations, Richard Wilkinson and Kate Pickett, *The Spirit Level*, 2009¹

... the unlimited growth of global inequality of wealth, which is currently increasing at a rate that cannot be sustained in the long run and that ought to worry even the most fervent champions of the self-regulated market, Thomas Piketty, *Capital in the Twenty-First Century*, 2013²

Income Inequality: Some Facts

The years of my life can be divided into two halves. Born in the middle of the Second World War, in the same year the Beveridge report was published, signalling the post-war welfare state to come, brought up in and around London in the 1940s and 1950s, and as a young adult, married with growing children in the 1960s and 1970s, I had a sense of ever-growing equality. They included the 30 years from 1945 to 1975 which the French call *les trente glorieuses*. My grandparents were born when Queen Victoria was their monarch and my parents were born just before the outbreak of the First World War. I always had the feeling that my society was becoming less hierarchical, less class conscious, more egalitarian, and would go on moving in that direction. I knew little to nothing about economics. My sense of diminishing inequality was more to do with education and class, although I do remember being surprised as a teenager to learn that some jobs paid more than others and that some workers earned salaries, others merely wages. Only much later did I come to appreciate that a major part in the equalising process that characterised the first half of my life was played by growing economic equality and that the process had stalled somewhere along the way, perhaps around the early 1980s. Instead of us continuing to become more equal, the trend seemed to have somehow gone into reverse. The figures bear that out.

The picture displayed in Fig. 2.1 is one that has become all too familiar to anyone interested in economic inequality in Britain. It shows starkly how *income inequality*, which had fallen steadily from the era during which my parents were born until the end of the 1970s, increased dramatically in the final decades of the twentieth century (the figures are *Gini coefficients*, which will be explained later). Despite a slight reversal under the Conservative government led by John Major in the 1990s and under the subsequent Labour government, inequality of incomes has stabilised at this new, late twentieth-century high and there are no signs it will return to the levels of my early years. As Richard Wilkinson and Kate Pickett put it in their ground-breaking book *The Spirit Level*, first published in 2009, inequality

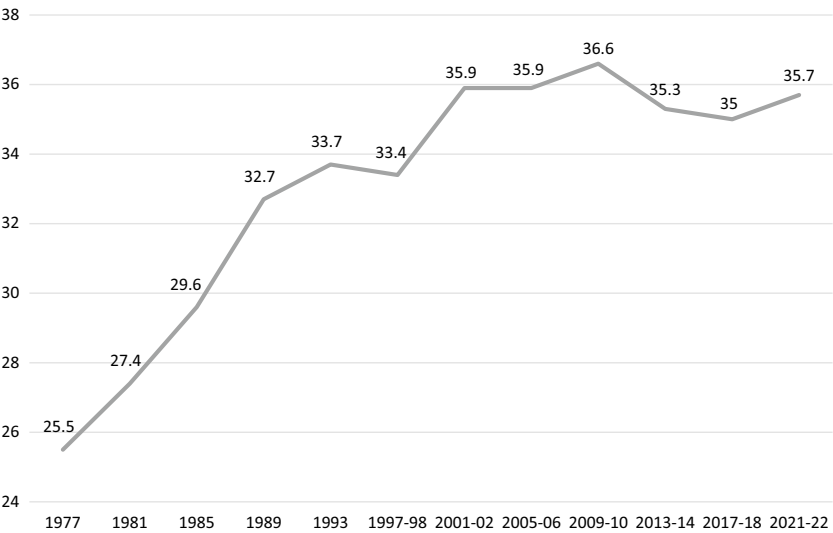


Fig. 2.1 Gini coefficient of disposable income inequality in the UK 1977 to 2022. Statista, accessed via Office for National Statistics, *Household income inequality, UK: Financial year ending 2020* (which, in addition to Gini coefficient statistics, shows P90/P10 and S90/S40 (Palma) ratios)

of incomes was now at almost unprecedentedly high levels. The same has been true in the US, which for some time now has had the distinction of being the most unequal, incomes-wise, of all the world’s high-income countries.

The latest figures published by the Office for National Statistics in the UK³ show disposable income inequality for the financial year April 2021 to March 2022 standing at 35.7 per cent. That was slightly higher than the previous year but hardly any different compared to the year before that, the year that ended with the beginning of Covid lockdown. More to the point, it was, if anything, up from where it stood 10 years previously (33.8 per cent in 2011–2012) and almost identical to how it was 20 years ago.⁴ Income inequality in my country has remained essentially unaltered for the last 20 years, remaining at a high level, previously unknown in the modern era. We have got used to living in a rich but economically unequal country. Or have we got used to it? We shall see.

There are several ways of illustrating the growth of income inequality that make it more understandable, and in the process bringing home the shocking growth of income inequity. One way is to look at the *earnings gap* and to calculate exactly

how far lower incomes are falling short of higher ones and how that gap has grown. For example, when income inequality in the US was relatively low in 1968, a household lying at the 10th percentile was earning \$18,000 (figures are the 2016 equivalents) and would have needed to earn an extra \$95,000 to bring its earnings up to the \$113,000 enjoyed by a household at the 90th percentile. By 2016, with inequality higher, the earnings gap was now \$168,000 (\$15,000 versus \$183,000). Put another way, in 1968 a family near the bottom of the earnings distribution would have needed to multiply its earnings by a factor of about six to lift its earnings to the level of a family near the top; by 2016 the necessary earnings multiplication factor had increased to about 12.⁵

Another indication of the take-off of top incomes in the US since the early 1980s is the way in which the statistical average, or mean, of the income distribution departs from the median, which is the halfway point in the rank order from lowest to highest. Whereas the mean is strongly influenced by high values at the top of the range, the median is independent of just how very high the top incomes rise. Martin Wolf, Chief Economics Commentator at the *Financial Times*, tells us that in 1984 the median US household income was 72 per cent of the mean, but that by 2019 that figure had fallen to 59 per cent.⁶

Another way of illustrating the colossal income gap which we now live with is to look at the incomes of company Chief Executive Officers (CEOs) compared to average incomes. In 2017/2018 CEOs of the largest 100 companies listed on the London Stock Exchange (the FTSE100) had salaries an estimated 120 times higher than average UK worker salaries.⁷ The CEOs' full annual compensation package, which includes more than just their salaries, averaged £5.7million, almost 200 times the income received by the median UK worker.⁸ Bonus payments, not surprisingly, are heavily concentrated among those with the highest incomes, the top one per cent receiving around 40 per cent of their pay in bonuses compared to five per cent of their total pay for the bottom 90 per cent of us.⁹ In his book *The Crisis of Democratic Capitalism*, Martin Wolf refers to the 'soaring levels of executive pay' and consequent increasing inequality, even amongst the richer citizens. He cites figures suggesting that the ratio of average CEO to employee pay increased in the US from 42 to 1 in 1980 to 347 to 1 in 2016 and in the UK from 48 to 1 in 1998 to 129 to 1 in 2016. According to the High Pay Centre think tank, it now takes three days on average for an FTSE100 CEO to earn the average UK annual wage of £35,000. These bloated CEO financial rewards have the effect of enabling them 'to accumulate dynastic wealth in a few short years',¹⁰ with further consequences for the perpetuation of economic and social inequality.

A further, important way of illustrating the enormity of present-day income inequality is to consider the gap in the *shares* of all incomes added together which are

received by the best and least well-rewarded income earners, and the growth of that gap over the last half century. In the final decades of the twentieth century, incomes in richer countries were rising for many. But they were rising much faster for those nearer the top of the incomes scale. Between the late 1970s and the early 1990s, the gap between the incomes of the highest earning and the lowest earning 10 per cent of the population widened by 40 per cent or more, both in the US and in the UK.¹¹ In the US, between the late 1970s and the early 2000s, incomes for the least well-paid 20 per cent of households did grow by nearly 40 per cent, but the incomes of the top one per cent grew by a massive 200 per cent. As a result, the *income share* of the total going to the highest paid one per cent more than doubled, increasing from nine per cent to 22 per cent.¹² By the early 2010s, the highest paid 10 per cent in the US were receiving an approximately 35 per cent share of total incomes, while the whole of the least well-paid half of all earners were receiving 25 per cent of the total.¹³

One implication of this rise in inequality of income share is that measures of supposed growth such as GDP hide where the fruits of growth are going. In the US between 1993 and 2015, the real growth of incomes of the top one per cent was 95 per cent while the average for everyone else was a mere 14 per cent. The top one per cent got their hands on just over half of all the increase in real pre-tax incomes in those years. This state of affairs has been very different to that which pertained in the first half of my life. In fact, in the US between 1947 and 1979, the income gains were greatest for those in the *lowest* income quintile. Between 1979 and 2012 that went into reverse, with the greatest gains being for those in the top quintile, within which the gains for the very richest took off. Nor can that dramatic turn of events be blamed on post-war growth having stalled. Labour productivity continued to rise throughout the later period. What appears to have happened is that the wages of all but the top income quintile became detached from the continuing growth in productivity, from the mid-1970s in the US and from the late 1980s in the UK.¹⁴ The ‘wage share’ of GDP going to the less well-paid has fallen: workers’ wages have not kept pace with the GDP income that they have helped generate.¹⁵

Before moving on, it is important to note that not all wealthy countries have experienced a growth in income inequality as impressive as that of the US and UK. The US’s upward trajectory was the steepest, followed by the UK and Canada. Some other countries, like France, Switzerland, Japan, and Australia, have seen much less dramatic increases in income inequality, and others such as Sweden and the Netherlands comparatively little increase.¹⁶ Among Organisation for Economic Co-operation and Development (OECD) countries, by and large the richer countries of the world, figures for inequality of household disposable income (i.e. after subtracting taxes and adding in benefits received) in the late 2010s show the US,

followed by the UK, ahead of all others (inequality above 35 per cent), with all other Northern European countries well down the rankings at 30 per cent or less. This is reflected in the share of total incomes (pre-tax incomes in this case) enjoyed by the highest income one per cent in different countries and how that changed between 1981 and 2019. The largest increase in the rich share over that period was in the US (from 10.5 per cent to 19 per cent), with Canada next (an increase from 9 per cent to 15 per cent) followed by the UK (7 per cent to 12.5 per cent). The increase had been much lower in other wealthy countries, less than a two per cent increase in Switzerland, the Netherlands, and France, for example.¹⁷

Wealth Inequality

Income Inequality Is Composed of Labour Inequality and Capital Income Inequality

The ‘compensation’ received for working, whether it is confined to salaries and wages or includes bonuses of various kinds, is called *labour income* by Thomas Piketty. First published in French in 2013, his book *Capital in the Twenty-First Century* has received numerous plaudits. For example, it was described by Martin Wolf in the *Financial Times* as ‘... an extraordinarily important book ...,’ and *The Economist* said it ‘... aims to revolutionize the way people think about the economic history of the past two centuries. It may well manage the feat.’ The main text of the work alone runs to over 750 pages. Piketty pointed out that labour income in the US, the most egalitarian of the rich nations, was, by the time he was writing, about as unequally distributed as it had ever been anywhere.¹⁸

As Piketty explains to the economically naïve, such as myself, a person’s *total income* is not always confined to that derived from labour income. One’s total income is made up of income from labour plus that derived from returns on capital. In fact, it is common for writers on the subject to fail to specify whether their income figures include income from capital or are based on salary or wage incomes alone. In traditional societies, Piketty points out, the correlation between labour and capital incomes was often negative, since those with fortunes did not work, but in modern societies they are generally positively correlated, though never perfectly. Without exception, capital is more concentrated than labour; capital income inequality is always greater than labour income inequality. Whereas labour income inequality in most European countries was at an historic average at the time he was writing (the top 10 per cent receiving 25–30 per cent of total wages, the bottom 50 per cent around 30 per cent), in the case of income derived from capital, the top 10

per cent have always received more than 50 per cent of the total, sometimes as high as 90 per cent, while the bottom 50 per cent receive less than five per cent and often nothing at all. Inequality of people's total income lies between the two but is closer to labour inequality since that element accounts for the larger part. The share of *all* a population's incomes received by the top 10 per cent, whether from labour or capital, had ranged from a low of 25 per cent in 1970s and 1980s Scandinavia, to 35 per cent in the France and Britain of the early 2000s and as much as 50 per cent in the US—a level little different from how it was in France and Britain in the first decade of the twentieth century. That was during a period the French know as the *belle époque*, although evidently life was not beautiful for everyone.¹⁹

Asset Wealth

Thomas Piketty uses the word 'capital' for what we might refer to as our 'wealth' or financial assets. In discussions about economic inequality, this capital any of us might be fortunate enough to possess is not only significant because it can be used to create income additional to any income we earn through our labour. The very fact that some have large financial assets, a larger number have more modest assets, and many have none at all may be a more significant indicator of economic inequality than the fact that some earn more than others. Because accumulated wealth may be a more comprehensive measure of 'command over resources' than income,²⁰ inequality of wealth might be more telling than inequality of income. In practice, the literature on economic inequality sometimes talks of income inequality, and sometimes of wealth inequality, which can be confusing. More attention has been given to wealth inequality recently. While income inequality has not increased since the 2008 financial crisis in the way it did in the 1980s and 1990s (indeed by some measures [such as the P90/P10 ratio] it has shown a slight decrease), wealth inequality in the UK has *increased* (see Fig. 2.2).²¹ The country's total wealth has gone on increasing, by more than £4 trillion between 2010 and 2021. But, helped by assets becoming ever less affordable, that increase in wealth was by no means fairly shared, almost a quarter of it going to the richest one per cent.²²

A measure of which Piketty is fond is the *capital/income ratio*. In most wealthy countries in 2012 the ratio lay between five and six: average annual incomes were around 30,000 euros, and the average citizen owned getting on for 180,000 euros of capital. Another way of thinking of the capital/income ratio is in terms of a whole nation: its citizens' holding of wealth was equivalent to nearly six years of

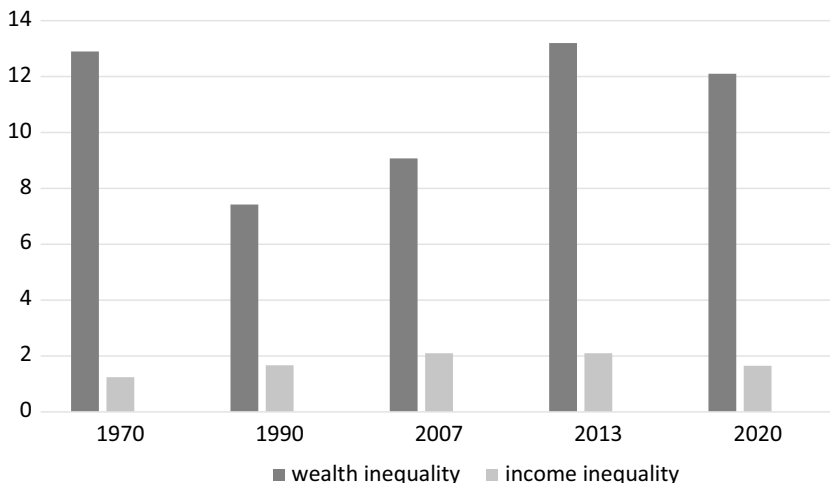


Fig. 2.2 Ratio of top 10 per cent to bottom 50 per cent share of wealth and income in the UK 1970 to 2020. Figures taken from The Equality Trust (undated, accessed online at <https://equalitytrust.org.uk/scale-economic-inequality-uk>, 5 February 2024), The scale of economic inequality in the UK

national income. Roughly half of these financial assets were held in the form of dwellings, the other half in stocks, bonds, savings, pensions, or other investments.²³

But why have some of us acquired more such assets than others? *Inheritance* was once the main source of wealth inequality and in the recent era of renewed high economic inequality inheritance is staging a comeback. For example, Piketty tells us that throughout the nineteenth century inheritance was a major factor in France, remaining so up to the first decade of the twentieth century. It was a recurrent feature in the novels of Balzac, himself debt-ridden—the many references to the French novelist provide some light relief when ploughing through *Capital in the Twenty-First Century*. The importance of inheritance fell markedly in the first half of the twentieth century but had taken on renewed significance by the time Piketty was writing. The post-Second World War baby boom generation grew up to believe that the role of inheritance had dwindled and that wealth was now accumulated during one's lifetime by effort and savings. That was certainly what I was brought up to believe. Those born more recently are not so sure. They witness, in the lives of their friends and relatives, the important role inheritance can play, for example in the form of gifts from parents.²⁴

One of the criticisms of Piketty's *Capital in the Twenty-First Century* is that he doesn't show which capital owners are benefitting most and where wealth is being most heavily concentrated. The boom in house prices has been a factor for many individual home owners such as myself. But according to Brett Christophers, in his *The New Enclosure: The Appropriation of Public Land in Neoliberal Britain*,²⁵ it is gains from the value of land and land rents which are the critical factors contributing to growing inequality of both income and wealth. Land is one type of asset, the ownership of which is very unequally shared among us. In England alone, a mere one per cent of the population owns more than 50 per cent of the land, with 30 per cent of land still in the hands of the aristocracy and gentry.²⁶ It is landowners, not entrepreneurs and venture capitalists, he argues, who are the greatest beneficiaries of growing wealth inequality. Not all countries are the same, he points out. Things are better in Scotland where the Scottish Land Commission was established in 2017, but nothing similar exists in England and Wales. Seven per cent of Scotland is commons, concentrated on Atlantic fringes; eight per cent of Wales; and only three per cent in England, concentrated in the North-West, especially in the Lake District. The Federal Government owns about a quarter of all land in the US, much of it originally taken from Native Americans, and much more of it lies in the west—four per cent east of the Mississippi, 47 per cent west of it. All land in the Australian Capital Territory is publicly owned.²⁷

Wherever wealth comes from, from lifetime earnings, savings, assets acquired or inherited, it is in its nature to accumulate. Indeed, beyond a certain point, it tends to accumulate exponentially. The relatively well-off may now often be managers or entrepreneurs, rather than descendants of wealthy ancestors, but their financial assets are still put to work to accumulate more. As Piketty puts it, '... the entrepreneur always tends to turn into a rentier'.²⁸

Inequalities in wealth are now, as they always have been, more extreme than inequalities of income, but in countries like the UK and US they are much more extreme than they were early in my lifetime. In 2008–2010, for instance, one per cent of British households had negative wealth of at least £3600 on average—their debts exceeded their assets—whilst at the other end one per cent owned wealth averaging £2.8 million or more. The least well-off 10 per cent had average wealth of less than £12,600, the wealthiest 10 per cent just short of £1 million or more. Median household wealth stood at just under a quarter of a million pounds.²⁹ Figures from the US show how it was the extremely wealthy—the 0.1 per cent most asset-rich Americans—whose share of national wealth had increased the most between 1960 and 2012. By the latter date, the richest one-thousandth owned over a fifth of the country's wealth. The greater relative gain in their share was even more true for the wealthiest one in ten thousand of the population. In fact, in the

earliest part of that period, the 1960s and 1970s, the poorest 20 per cent were the greatest beneficiaries of economic growth. But thereafter the trend was reversed: the wealthiest one per cent grew about \$21 trillion richer in the three decades from 1989 onwards, while the poorest 50 per cent became \$900 billion poorer.³⁰ In his book *The Price of Inequality*,³¹ Joseph Stiglitz, Chief Economist at the World Bank until January 2000, and winner of the Nobel Prize for Economics in 2001, asks us to consider the Walton family. In 2010, the wealth of the six heirs to the Walmart empire, he tells us, amounted to \$69.7 billion, equivalent to the total wealth of the whole bottom 30 per cent of US society. As most authorities on these matters advise us, wealth inequality may be even greater than we know, since the wealthiest are often good at hiding the true extent of their wealth.³²

For someone like myself, raised in what I understood to be a prosperous and increasingly egalitarian society, the figures on current income inequality are shocking enough, but those on wealth inequality are truly frightening. A 2022 report from the Equality Trust used the *Sunday Times* Rich List, published continuously since 1989, to show how the number of billionaires in Britain had grown since then. Controlling for inflation, and expressed in 2021-equivalents, the 15 UK billionaires existing in 1990 owned between them £54bn. By 2022 there were 177 of them possessing between them £654bn.³³ Although the Rich List is considered a reliable source, these may even be under-estimates of the wealth of all kinds possessed by the very richest. Indeed, the Resolution Foundation in 2021 reported that a fuller accounting of the wealth of the wealthiest one per cent in Britain boosted the estimate of their share of national wealth from 18 per cent to at least 23 per cent.³⁴ The passing of our Queen and the coronation of the new King, events that took place while I was working on the present book, led to publicity about royal income and wealth—for example, income from their estates and assets including jewellery of astounding value—the full extent of which is kept secret from the British public.³⁵ At the other end of the wealth scale, as Martin Wolf puts it, a large proportion of the population, even in the richest countries, has so little wealth saved that it ‘is just one disaster away from ruin’.³⁶

It should be pointed out that, unlike its high position for income inequality among the world’s richer countries, the UK is in fact only mid-table when it comes to wealth inequality. Its Gini coefficient for wealth in 2022 was 74.6 per cent. That was much higher, as expected, than its Gini of 35.1 per cent for income inequality. The US was again one of the most unequal countries, and Japan one of the lowest, but surprisingly the Nordic countries all had higher wealth inequality than the UK, with Sweden topping the list, ahead of the US.³⁷

A Global Perspective on Economic Inequality

The present book concentrates on inequality within rich nations like my own, but before proceeding it is salutatory to remind ourselves how economically unequal the world as a whole remains. The reduction in poverty globally since the early nineteenth century, despite the massive increase in world population, by some measures has been extraordinary, from over 90 per cent in 1820 (over 80 per cent then living in ‘extreme poverty’) to 55 per cent in 1980 (30 per cent in extreme poverty). In the four decades since 1980, the era of globalisation and rising inequality in richer countries, world poverty had fallen still further. For example, the proportion living on less than \$1.9 a day has fallen from just over 40 per cent to 10 per cent.³⁸ But, as we shall discuss in the next chapter, the level of poverty, nationally or globally, although related to economic inequality, is not the same thing.

Despite some claims that global inequality is falling, the facts suggest otherwise. There are figures which show the ratio of the incomes of the richest fifth of the world’s population to that of the poorest fifth increasing from 3:1 in 1830, to 30:1 in 1960, to 60:1 in 1990, and to 75:1 by the end of the twentieth century.³⁹ More recently, the Covid pandemic has put extra strain on the resources of poorer countries which, unlike richer ones, were unable to spend the large amounts of money necessary for vaccinations and economic protection of the public.⁴⁰ However, the picture is a complicated one. From a global perspective, Martin Wolf tells us, it is the world’s middle classes (lying between the 60th and 95th percentiles in world income rankings) whose incomes have increased the least since 1980. They are largely the lower and middle classes of the high-income countries whose real incomes since then have risen by 50 per cent or less. Below them are the world’s lower middle-income class (from the 15th to 45th percentile worldwide), mostly living in Asian countries, especially in China, whose average incomes rose more, by between 75 and over 125 per cent. Above them, the world’s richest, mostly living in rich countries, saw their incomes rising dramatically—by as much as 235 per cent for the global top thousandth and by 166 per cent for the next thousandth below them.⁴¹ According to a 2019 Oxfam report, the 26 wealthiest people in the world owned as much as the whole of the poorest half of the world population combined. In 2018 alone, billionaires’ wealth increased by 12 per cent while the poorest half of the world population lost 11 per cent of theirs.⁴²

Beyond the world’s richest countries, data on individual nations’ economic inequality is mostly incomplete and unreliable. What is abundantly clear, however, is the wealth gap between different *regions* of the world, and between the world’s rich and poor countries. Jason Hickel, in his book *The Divide: A Brief Guide to Global*

Inequality and Its Solutions, is scathing about how the myth of reducing inequality on a global scale has been perpetuated. He gives us some of the facts. GDP per capita has certainly risen in most regions but most of all in the rich countries, particularly in the US. Between 1960 and 2014, the GDP *gap* between the US and the Middle East/North Africa had risen by just over 150 per cent, and that between the US and other ‘developing’ regions by around 200 per cent. World GDP growth had benefitted rich countries’ incomes greatly but poorer ones relatively little.⁴³ In the ‘developing world,’ there may have been less income inequality in the 2010s than 30 years earlier, but that was due to falling inequality *between* such countries. Average inequality *within* developing countries had been slowly rising, though staying fairly flat since 2000, as was the case in high-income countries like the UK and US.⁴⁴ China is a good example. The years between 1978 and 2015 were ones during which China was transformed and became a leading emerging economy, with real per-adult incomes increasing eight-fold for the country as a whole, and extreme poverty (living below \$2.15 per day based on 2017 prices), the lot of 90 per cent of the population at the beginning of that period, virtually eliminated. At the same time, however, the share of total incomes enjoyed by the top 10 per cent increased from 27 per cent to 41 per cent, while that of the bottom 50 per cent fell from 27 per cent to 15 per cent. Income inequality levels, according to Piketty and colleagues, authors of a report in the *American Economic Review*, were now approaching those found in the US.⁴⁵ A United Nations report in 2021 concluded that inequality was rising for more than 70 per cent of the world’s population, accelerating divisions and hampering economic and social progress.⁴⁶ If an attempt is made to calculate an income Gini inequality coefficient for the whole world population—which requires putting households on an equal footing by correcting for the very different costs of essentials in different countries—one estimate puts it at around 70 per cent, of the order of twice the income Gini found in the UK or US.⁴⁷ The world, it seems, is a very unequal planet for the individuals and households who inhabit it.

Even the oft-stated conclusion that world poverty has been slashed is debatable, depending, for example, on the use of proportions rather than absolute numbers. If we look at absolute numbers, Hickel argues, the world poverty headcount—using the lowest possible definition of poverty as living on less than a dollar a day—is exactly the same, at about one billion, as it was when measurements began in 1981. This is what he calls ‘the great poverty disappearing act.’ Reports by the UN that the poverty rate had been halved were seized on by numerous enthusiastic but uncritical commentators, including Bill Gates who opined in 2014, ‘By almost any measure, the world is better than it has ever been’.⁴⁸

Measuring Economic Inequality

Before going on much further, we need to pause to take a look at how economic inequality, whether it is inequality of income or of wealth, is expressed statistically. This is important for the basic question I am posing in this book: Why are we putting up with the very high levels of present-day inequality? It is all too easy to be persuaded that inequality is not as high as some make out, and one way of doing that is to pick and choose measures of inequality which best fit a particular point of view.

What all measures of income or wealth inequality are trying to do is to provide an indication of how equally or unequally income or wealth is *dispersed* among individuals or households *within* a population. It is not a measure of that population's total income or wealth, or the population average or median.⁴⁹ There are several different ways of measuring inequality, some of which we have met already. The Gini coefficient, originally devised by Italian statistician Corrado Gini in 1912, is one that has become popular. It is used by the Office for National Statistics (ONS) in the UK, for example.⁵⁰ It can claim to be measuring the dispersion of wealth or income across the whole spectrum, not just the extent of poverty at one end or the accumulation of economic resources at the other end. Figure 2.3 helps us understand how it tries to do that. The graph shows how the total of all incomes goes up (the vertical axis) as more individuals or households are added, in ascending order of their incomes (the horizontal axis). In the case of perfect income equality, the graph is a straight diagonal line. In the equally unlikely event of perfect inequality—one individual or household gets the whole income total and no-one else gets any—the plot is a flat line along the bottom horizontal axis until the far right when it jumps straight up to maximum. In reality, the curve, known as the Lorenz curve, always lies somewhere in between. How far it diverges from the diagonal of perfect equality is statistically measured as the proportion of the triangular area beneath the diagonal which lies between it and the Lorenz curve. Hence the higher the Gini coefficient, the more unequally all income is distributed. Zero represents perfect equality and a coefficient of 100 per cent (sometimes expressed simply as 100), total inequality.

Not everyone likes Gini. Thomas Piketty calls it a 'synthetic index,' which mixes different things and fails to provide the necessary detail which distributions, deciles, centiles, and the like can give us. Not all measures of economic inequality come up with the same answer. Jason Hickel, whose interest is principally in international comparisons, explains that it can be misleading when comparing changes over time in countries that differ in overall level of economic prosperity.⁵¹ Wilkinson

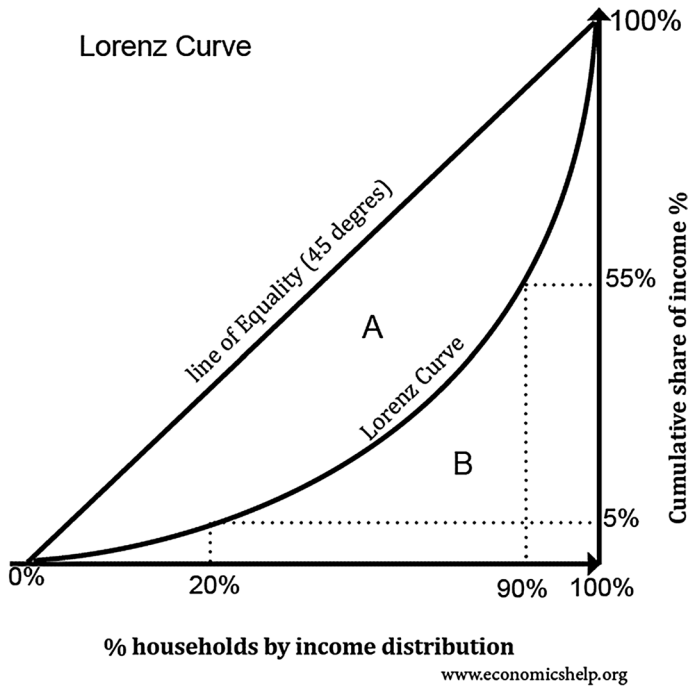


Fig. 2.3 Illustration of the Lorenz curve used to calculate Gini coefficients. Reproduced with permission of Economics Help (www.economicshelp.org)

and Pickett say: ‘There are lots of ways of measuring income inequality and they are all so closely related to each other that it doesn’t usually make much difference which you use’.⁵² That might be true for their purpose of showing how gross differences between high- and low-inequality countries, or states in the US, map on to sizeable differences in health and social problems of one kind or another (see Chap. 4), but sometimes different measures do not agree so well. For example, one alternative index, more popular a few years ago, and which appealed to me only because of its name, was the Robin Hood index. Alluding to the well-known medieval English bandit, it was a measure of the proportion of total income that would need to be taken from the relatively well-paid and redistributed to the relatively poorly paid, in order to create complete equality. It was arguably a better measure of inequality across the whole of society than the Gini coefficient. One study found only a very modest correlation (0.29) between Gini and Robin Hood.⁵³

The UK ONS position is that the Gini coefficient is the best overall measure for comparing inequality over time and between countries, but it has the disadvantage that it cannot distinguish between differently shaped income distributions. The ONS therefore reports other inequality indices as well. They include the P90/P10 ratio, which is the ratio of the income of the person at the bottom of the top 10 per cent to that of the person at the top of the bottom 10 per cent, in other words a *percentile point* measure, the ratio of the incomes at the 90th and 10th percentile points. Another ONS favourite is the S80/S20 ratio, which is the ratio of the total income received by *all* the income richest 20 per cent of the population to that of all the poorest 20 per cent; in other words, this is a *total sum* measure. It is that kind of ratio which Daniel Dorling calls a ‘real’ ratio, in that case the ‘real’ 80/20 ratio.⁵⁴ Another index which the ONS calculates is the Palma ratio. This has something to be said for it because it captures what many may consider to be the essence of modern economic inequality, the extent to which the very rich are experiencing economic rewards out of touch with those received by the large bulk of not-very-well-off ordinary citizens living in the same country. This is another total summed index, in this case the ratio of the total income share of the highest income 10 per cent to that of the 40 per cent income poorest.

There are also good reasons to be careful when interpreting what looks like a more immediately understandable measure such as the P90/P10 ratio. Being the ratio of the incomes of those lying at the 90th and 10th percentiles, those near to the top and bottom of the distribution of incomes respectively, it tells us nothing about what is happening at the top end of the scale beyond the 90th percentile, where the prosperity of the most well-off has been escalating in recent decades. Often used in official reports, the P90/P10 ratio may be giving a too rosy picture of inequality. The ‘total sum’ S90/S10 ratio would do a better job in that respect. There are yet other often-cited indices such as the P90/P50 ratio, which focuses on inequality at the top end of the scale by comparing income (or wealth) near the top, at the 90th percentile, with that at the 50th percentile or median. Likewise, the P50/P10 ratio measures inequality towards the bottom end of the scale.⁵⁵

In terms of long-term trends, all the different ways of measuring income inequality show the same thing, a very substantial rise in UK income inequality, for example between 1981 and 2001 (most of the change taking place between 1981 and 1991), and little or no change since then. For example, the Palma index was 1.0 40 years ago, 1.5 20 years ago, and still 1.5 in 2021–2022. S80/S20 was at 3.9, 6.0, and 6.3 in 1981, 2001–2002, and 2021–2022 respectively.⁵⁶

Wilkinson and Pickett may also have been right to suggest that different measures produce broadly similar results when making comparisons between countries or states with very different levels of economic inequality. Among the richer coun-

tries, a comparison of their S90/S10 income ratios for 2017 put the US at the top with a ratio of 19, Israel next at 15, with the UK at 10, Australia, Canada and Aotearoa/New Zealand at 8 to 9, France 7.5, and Germany, Switzerland, and Denmark 5 to 6. This is a very similar ordering to the one produced using the Gini coefficient for 2012–2014: the US at the top at 39.4, Israel 36.0, Britain 35.8, Australia, Canada, and Aotearoa/New Zealand between 32 and 34, Switzerland 29.5, France 29.4, Germany 29.2, and Denmark 25.4.⁵⁷

There are further complexities to grapple with. A number of these were well covered by Anthony Atkinson in his book *Inequality: What Can be Done?*,⁵⁸ which we shall return to in the final chapter. Inequality measures are usually based on the income or wealth of *households*. But that assumes that economic resources are fairly shared among members of a household, thereby concealing inequality *within* households. For example, if young adults return to the parental home at times of economic downturn, inequality measures based on households may produce a reduced estimate of inequality compared to the estimate if they had remained in their separate households. The UK measure used by Atkinson is total disposable household income, i.e. after subtracting direct taxes and adding in income from the government, usually referred to as ‘state transfers,’ such as benefits and state pensions. That figure then needs to be adjusted for household size, which has not always been done, and which can make a difference to inequality measures. In the UK, for example, Gini coefficients were only adjusted for household size from the early 1960s, reducing them in size substantially. The adjustment for household size is itself complicated since, on the one hand, income has to stretch further if the household contains more people, but on the other hand some costs, such as heating, do not rise proportionately the more people there are in the household. One way of making the adjustment is to give the first adult a weight of 1, every other adult 0.5, and each child 0.3, and then to divide total household income by the sum of weights to produce what is called ‘household equivalised disposable income.’ That is what the UK ONS main figures are based on. They do also refer to what they term inequality of ‘original income,’ based on equivalised household income *before* taking account of cash benefits and direct taxes. Because benefits and taxes help reduce inequality substantially in the UK, the Gini coefficients for original income are much higher than those for disposable income: 50.2 compared to 35.7 in 2021–2022, for example.⁵⁹

But how comprehensive should total income be anyway? Should it include a homeowner’s ‘imputed rent’—the rent saved by owning one’s own home? If, like me, you own your home and no longer have a mortgage to finance, this is a very real source, not only of asset wealth, but also of a great deal of income saved, which others need to find. If I have a garden of sufficient size to grow a significant

volume of vegetables for my family's use, should their value be imputed as well? Just as important, if not more so, is the value of public services, particularly health and education services. If, again like me, you are lucky enough to live in a country with a comprehensive National Health Service, free at the point of use, the savings in private health care costs and/or health insurance can be colossal. If their value is added to disposable income—producing what economists sometimes call 'household extended income'—inequality in European countries with such public services for all their citizens looks a lot less than it would without taking their value into account. Should a comprehensive measure of household income include gains (minus losses) in the value of assets held (including taking account of any inflation), even if they are not sold and taxed during a given period, something that is significant at the top end of the income distribution? Inequality figures say nothing about the extra needs and costs due to disability, or the varying costs of living in different areas. They do not distinguish between the needs of men and women or say anything about the gender pay gap.

Adding to those conceptual uncertainties, there are the problems of how to collect the necessary data.⁶⁰ There are two main ways: household surveys and administrative records. The survey method suffers from potential problems with which I and everyone else who has used surveys to obtain data of any kind are very familiar. For a start, household surveys exclude any one not living in a household at the time. That includes those living at school, university, a military establishment, hospital, hostel, shelter, or refuge, or who are homeless. Then, participation is voluntary and response rates are always well short of 100 per cent and lower amongst the relatively well-off whose financial affairs are likely to be more complicated and who may be less inclined to reveal them. Comparison with administrative records suggests that self-employment income and property income are less fully reported than wages and salaries and social benefits. Income tax returns are one of the often-used administrative records, covering the large majority of the population in the UK. 'Non response' in the form of tax avoidance and evasion is a problem. In the UK, the ONS Annual Survey of Hours and Earnings, completed by employers, is another data source on incomes, and in the case of wealth there exists a range of possible data sources including 'rich lists' such as the one produced by the *Sunday Times* and the Forbes List of billionaires. Billionaire wealth as a percentage of GDP has been used as a measure of wealth inequality. This has the advantage of looking at what is owned at the very top of the wealth distribution. That has appeal if a main interest is in the role in society of economic elites.⁶¹

A further point is that most of the measures of inequality we have been talking about are snapshots and say nothing about how individuals and households might change over time. One UK study found that over people's lifetimes, income was far

less unequally distributed than it was if a one-year snapshot of inequality was taken. A large proportion of inequality is temporary, it concluded. More than half of the redistributive effect of taxes and benefits was over individuals' lives rather than between different individuals. In any one year, 36 per cent of people were receiving more in benefits than they were paying in taxes, but over an adult lifetime that was only true for seven per cent. A somewhat different conclusion was reached by an investigation of the incomes of over 3000 Norwegian men and women born between 1937 and 1955 who took part in the Norwegian Life Course, Ageing and Generation Study.⁶² Differences in the level of income were considerable at age 30 and accumulated over time. The findings suggested remarkable rigidity in income groups that had formed by age 30. A significant share of men and women remained mired in relatively low-income status across the life course with negative implications for health in later life.

A final point. The measures we have been considering are all attempts to measure economic inequality objectively. There is an argument that inequality also has a *subjective* component, and that how we perceive it may be as, if not more, important for understanding the significance of inequality and how we respond to it. At least one study, with a large US sample plus a comparison of data from six countries, found only modest correlations between objective and subjective inequality and, furthermore, the relative importance of the one or the other varied according to both the type of inequality being asked about and the participants' sociodemographic backgrounds.⁶³ I shall have much more to say about subjective perceptions of inequality in later chapters.

In Table 2.1 I have tried to summarise the foregoing points about measuring economic inequality in the form of questions we should be asking in order to gain clarity about what is really being talked about when people make statements about levels of economic inequality and how it might vary between countries or states or over time.

Chapter Summary

In this chapter I have aimed to provide a relatively straightforward explanation of some of the basics regarding economic inequality, necessary as background for an exploration of the psychology of inequality justification and denial. I have assumed that the reader is someone who tries to keep up with what used to be called 'current affairs,' but has to admit to being somewhat naïve about economics. Indeed that was my own starting point before I began to explore the psychology of economic inequality. I am a little less naïve now.

Table 2.1 Some of the questions we should be asking to gain clarity about any measure of economic inequality

Income or wealth?	A very basic question: is it income or wealth inequality that is being measured?
Gini, sum, or point?	Is the measure being used one, like the popular Gini coefficient, which provides a statistic summarising inequality across the whole spectrum? Or is it one which compares those at different places on the spectrum? If the latter, is it a <i>point</i> measure, comparing those at two different points on the spectrum (e.g. at the 80th and 20th points), or a <i>sum</i> measure which compares those in different sectors of the continuum (e.g. all those in the top and bottom fifths)?
Individual or household?	Is it the inequality of individual people or of whole households that is being measured? And, if the latter, has the measure been adjusted to take into account the numbers and ages of all household members, as in 'equalised household income'?
What has been included as income or wealth?	What is included and what excluded as income or wealth? For example, in the case of income, is it 'original income,' before tax deductions and without including any state benefits, or is it 'disposable income'? Assessing individual or household wealth is even more complicated
What is the time base?	Is the measure a snapshot, income or wealth assessed at one point in time, or is it averaged over a period of time, even a lifetime?
How were the data collected?	Has inequality been measured using data obtained from administrative records, or by means of a survey, or in some other way?
Objective or subjective?	Is the measure based on some attempt at obtaining an objective assessment of income or wealth inequality, or alternatively, a subjective assessment of people's <i>perception</i> of inequality?

In the UK, one of the world's relatively rich countries, there has always been a degree of inequality in people's incomes. But in the final two decades of the twentieth century the gap between higher and lower incomes opened up to reach a new high, unknown in any of our lifetimes. Since then, income inequality has stabilised at this new high and it seems unlikely it will return to former levels any time soon. Since the Second World War, up to the late 1970s, lower incomes benefitted at least as much from national growth as did higher ones. Since then, it is those on the higher incomes who have seen their incomes rise the most. The figures are impressive and shocking.

Not all the world's richer countries have experienced the same growth in income inequality as that of the UK, or the US which now has the highest level. Japan and the Nordic countries are at the other extreme, having much lower inequality of incomes. There has also been an increase in the gap between average incomes of those living in the world's richer countries and those in poorer countries and re-

gions. In medium- and low-income countries, within-country income inequality has also risen.

Inequality of *income* is only one of the two elements of economic inequality. The other, inequality of *wealth*, may be even more significant. It is important to distinguish one from the other. Wealth inequality is always more extreme than income inequality. In the UK it has continued to increase in the early twenty-first century. It can easily be under-estimated because the full extent of wealth may remain hidden. Inheritance, land and property ownership, and savings are among the assets which contribute to wealth accumulation. Among the richer countries, the UK is only mid-table for wealth inequality, the US again one of the most unequal countries and Japan one of the lowest, with wealth inequality relatively high in the Nordic countries.

How equally or unequally income or wealth is dispersed within a given population can be measured in a variety of ways. It is important to be clear what measure is being used; not all measures produce the same figure. Popular is the Gini coefficient which ranges from zero (perfect equality) to 100 per cent (total inequality). I explained how it is calculated. Other inequality indices include *percentile point* measures such as the P90/P50, and *total sum* measures such as the S80/S20 ratio. Income itself can be counted in different ways, the most popular being 'household equivalised disposable income.' How great inequality is perceived to be—the *subjective* component—may be as important for understanding the significance of inequality and how it is responded to.

Whether it is income or wealth inequality which is being discussed, and regardless of exactly how that is measured and expressed, one thing is clear. Across the world, and in many countries individually—certainly in the richer countries and especially in the US and the UK—we are living with the legacy of the sharp rise in economic inequality which occurred in the last decades of the twentieth century. That should be impossible to deny. A central aim of this book is to explore whether, and if so how, we are denying it nevertheless. By the end of this book, I shall conclude that there are several reasons—six of them in all—why economic inequality-denial continues to be so prevalent. The first of them has emerged in the course of this chapter: economic inequality is not as simple a concept to grasp as I had supposed when I started to explore the subject. For one thing, income and wealth inequality, though related, are not exactly the same thing. And another thing: there are different ways of measuring economic inequality; some favour one method, some another. These complexities provide ample cover for those who would like to play down the importance of the subject, even to deny the existence of economic inequality altogether. They contribute to our confusion about economic inequality. They can leave us puzzled, bewildered even. The subject, though

in essence plain and straightforward, is complicated enough to provide plenty of scope for—let’s give it a name—OBFUSCATION.

It gets worse! In the next chapter we need to discuss several concepts with which economic equality can be confused, which can distract attention from income and wealth inequality, clouding our judgement still further, and which can as a result be used to support the maintenance of high-level economic inequality.

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Distractions: Poverty, Mobility, and Social Class

3

Abstract

In this chapter, I explain the relationship between economic inequality and three concepts with which it might be confused. Poverty is closely related to economic inequality, and is a symptom of it. In richer countries it is usually understood as relative poverty, which necessarily grows as inequality rises, but absolute poverty has also reappeared in the UK, as illustrated by official reports and research findings. Lack of opportunity for economic and social mobility is also closely related to economic inequality. Examples are given to illustrate how relative socio-economic position, combined with educational inequality, can affect access to and advancement in important life areas. Social class, a difficult and much debated and contested concept, is often confused with economic inequality, although the two terms mean very different things. What can be said is that economic inequality intensifies social class differences, making status differences more salient. Focusing on poverty, social and economic mobility, and social class serves to divert attention away from the more fundamental, systemic problem of economic and wealth inequality. Finally, the concept of intersectionality is helpful for understanding that economic inequality deserves attention in its own right, whilst sharing features and interacting with other forms of inequality.

Keywords

Poverty · Social and economic mobility · Social class · Socio-economic status · Intersectionality

What thoughtful rich people call the problem of poverty, thoughtful poor people call with equal justice a problem of riches, Richard Tawney, 1913¹

Addressing inequality is of necessity multifaceted – we have to rein in the excesses at the top, strengthen the middle, and help those at the bottom, Joseph Stiglitz, 2013²

In this chapter I look at three concepts which, although they each relate closely to economic inequality, are not the same thing and are easily confused with it. This is important because, as we shall see later, they can be used psychologically and politically to divert attention from economic inequality itself. They are: poverty, mobility, and social class. Let us begin with poverty.

Poverty: A Symptom of Economic Inequality

The Gini coefficient and point or summed ratios such as P90/P10 or S80/S20 are about inequality. They are nothing to do with how financially rich or poor the population is, as a whole or in part. It is also true, however, that if inequality rises, relative poverty does too. That is true even if there have been changes confined to one or other end of the spectrum. If there have been rises in income or wealth confined to those who are very rich, or losses only experienced by the poorest, relative poverty will have gone up by definition, and inequality as measured by Gini or P90/P10 will have increased. Poverty in a relatively well-off nation like my own is now generally defined in relative terms. That makes sense since, as a country becomes more affluent, expectations about what is necessary to lead a decent life in that country also rise. Currently, the UK Government generally defines income poverty as being in receipt of income less than 60 per cent of the national median income.³ Some reports use less than 50 per cent of the median for their definition.

It is hardly surprising, therefore, that as inequality of income and wealth have increased in the last 40 years in the UK, poverty has too. Poverty had never disappeared of course, although, with rising standards of living after the Second World War, we were led to believe that poverty was becoming a thing of the past.⁴ To many observers it is now clear that it is not only relative poverty that has risen in recent decades, absolute poverty has also. The dramatic increase in poverty, especially child poverty, in Britain since 1980 was already apparent by the end of the century. In those 20 years it was estimated that the percentage of the population living in poverty had risen from 10 per cent to 25 per cent. For children specifically, the rise in poverty conditions was an even steeper one.⁵ By the late 2010s, the existence of widespread child poverty in a country as rich as the UK had become too obvious to miss. Those who have written about modern poverty in the UK, such

as Mary O'Hara,⁶ are now able to cite authoritative reports to that effect, by, among others, the Social Mobility Commission, the Equality Trust, the Joseph Rowntree Foundation (JRF), and the Resolution Foundation.

In 2017 JRF estimated that over one and a half million people in the UK—including 365,000 children—were already destitute. They defined households as destitute if they or their children had lacked two or more of the following six essentials over the past month because they could not afford them, or because their income was so low: shelter, food, heating, lighting, clothing and footwear, and basic toiletries. The Institute for Fiscal Studies forecast in 2018 that, by 2022, no less than 37 per cent of UK children, over five million, would be living in relative poverty, the highest percentage since modern records began in the early 1960s.⁷ UK child poverty rates were amongst the highest in the OECD countries, and particularly high for children in lone-parent families, living in families with three or more children, and in families belonging to minority ethnic groups.⁸ In 2019, the Resolution Foundation projected that '... the majority of children who either have a single parent; are in larger families; are in a household where no-one is in work; or live in private or social rented housing, will be in poverty by 2023–24'.⁹ In October 2023, JRF reported that the number of people in the UK experiencing destitution was now 3.8 million, having more than doubled in the previous five years. A million children were now living in destitute homes.¹⁰ In Britain we are now well acquainted, either through personal experience or via the attention they have received in the media, with the existence of food banks as a response to the rise in food poverty. A survey of school heads in 2015 suggested that schools were spending an estimated £43 million of unfunded support for children from low-income families. We now read about schools having to respond, for example by providing children with breakfast.¹¹

Yet another important manifestation of impoverishment in recent years, one stressed by JRF, was high levels of 'in-work poverty.' A combination of wages stagnating for several decades, a lower than sufficient minimum wage, and the rise of precarious employment practices were among the causes. Two-thirds of children in poverty in the UK were in working families. The number of people trapped in poverty in working families had risen by over one million in the three years to 2016/2017. The number of UK workers in poverty hit four million in 2017, which translates as one in eight workers.¹² At the same time, the homelessness charity Shelter estimated that 130,000 children would be living in temporary or inadequate accommodation over Christmas 2018. In fact, homelessness—both 'rough sleepers' on the streets and people without a permanent place to live—rose precipitously in Britain under the austerity programme following the 2007/2008 financial crisis. Along with foodbanks, it was one of the single most visible examples of poverty.

Prior to austerity, street homelessness was all but disappearing in the UK.¹³ Particularly damning was the 2018 report by Philip Alston, the UN Special Rapporteur on Extreme Poverty and Human Rights. Poverty in the UK, the world's fifth wealthiest country was, he concluded:

... patently unjust and contrary to British values... obvious to anyone who opens their eyes ... 14 million people, a fifth of the population, live in poverty. Four million of these are more than 50 per cent below the poverty line, and 1.5 million are destitute, unable to afford basic essentials ... a disgrace.¹⁴

The related term 'precarity'¹⁵ is one that has entered debates about poverty in recent years. In one study it was measured by asking how often participants or their families had, in the previous 12 months, 'gone without enough food to eat,' 'felt unsafe from crime in [their] home,' 'gone without medicine or medical treatment that [they] needed,' 'gone without a cash income' and 'gone without a safe shelter over [their]head'.¹⁶ The concept of precarity carries a meaning beyond material poverty itself. It implies a heightened sense that one's circumstances are unpredictable and uncertain. We shall look at this again in the next chapter when examining the effects of economic inequality on personal health and well-being.

The regional and area concentration of poverty complicates the picture, making it all the more difficult to focus on the more basic problem of economic inequality nationally. In his *The Great Inequality*, Michael Yates¹⁷ gives the example of Pittsburgh, Pennsylvania, where he himself lived for many years. Separated by a mere three miles, he tells us, are the expensive mansions of the rich along Fifth Avenue and the poverty of the Homewood area, now gang territory. In my capital city, riches and poverty also coexist in close proximity. Only five miles from the City of London, the UK's central financial district, Newham, a post-industrial area with a youthful and transient population and long-standing problems of unemployment and housing, has had one of the highest rates of both poverty and income inequality of all London boroughs. In 2020 Newham Council's new strategy to tackle economic and social inequalities in the area, focusing particularly on young people, was the context for a qualitative, focus groups study of young men in the locality. One of the themes that emerged was the ruthless competitiveness of the environment in which they had grown up, the felt imperative to fight to survive, the temptation to carry knives, and becoming trapped in taking and selling drugs. Another was the failure of education, the harshness of their school environments, the lack of funding, the unmet educational needs, lack of skills-based education that would provide job prospects, and the questionable purpose of school exclusions. Some expressed their awareness of larger forces relating to economic inequality. As one participant said, 'If you look on a po-

litical perspective ... they're expanding the gap between the rich and the poor ... and there is no way of making it more equal'.¹⁸ We shall hear more from some of these young men in later chapters.

Might poverty, then, be more important than inequality? That is a question Anthony Atkinson raises in his book on inequality. Is it possible to reduce poverty whilst at the same time allowing the rich to have yet larger shares of total income and wealth? Those are important questions because, as we shall have reason to examine in Chaps. 8 and 9, some economists and politicians are of the opinion that eliminating poverty should be the aim, not reducing economic inequality. Atkinson believed, more than 10 years ago, that the answer to those questions was a resounding No, and so do I now. We shall see why in the next two chapters. For the moment, suffice it to say that poverty and riches tend to coexist, as Atkinson showed by plotting on a graph the poverty rates of 15 richer countries against the share of each country's total gross income going to the top one per cent, circa 2010. The positive correlation between the poverty of the poor and the riches of the richest was quite clear. The US was highest on both (a 25 per cent poverty rate, and a 17.5 per cent income share going to the top one per cent), and the Netherlands lowest on both (12 per cent poverty, six per cent rich share).¹⁹ As psychologist Jennifer Sheehy-Skeffington succinctly put it: one cannot understand poverty without considering it in the context of inequality.²⁰

Economic Mobility: A Closely Related Concept But One to Beware Of

The second concept that can confuse us when thinking about economic inequality, and which we need to discuss, is social mobility. It is particularly important because, as we see in Chap. 9, it can be used as a politically powerful device, acting to divert attention away from inequality.

As usual, Wilkinson and Pickett have useful things to say on the subject. In *The Spirit Level*²¹ they cited a 2005 report that had employed a commonly used measure of socio-economic mobility, namely the correlation between fathers' and sons' incomes. Like economic inequality, there are different ways of defining and measuring social mobility. This one is a measure of inter-generational income mobility. The 2005 report used the correlation between fathers' incomes when their sons were born and the sons' incomes when they were 30. Among the eight countries they included, it was those with the highest levels of economic inequality, the US followed by the UK, which had the lowest inter-generational income mobility, and the low inequality Nordic countries the highest. Wilkinson and Pickett also cited a

2006/2007 report from the US showing how economic inequality and inter-generational income mobility changed in step with one another over a period of 60 years. Fathers' incomes became progressively less predictive of their sons' incomes (i.e. mobility was increasing) as inequality decreased from the 1950s to the 1980s. The trend reversed from the 1980s to the first decade of the twenty-first century, the decades during which income inequality rose dramatically. They were convinced it was greater inequality driving reduced mobility, due, amongst other things, to greater geographical segregation and concentration of poverty, combined with the 'symbolic violence' of discrimination and associated feelings of shame and resentment which intensified under increased inequality.²²

Like many others, Thomas Piketty among them, Wilkinson and Pickett believed a country's educational system and how it was funded played a key role in social mobility. Equality and mobility were both higher when public expenditure on education was greater. They cited Norway, where 98 per cent of all school expenditure was public expenditure, in contrast to the US where the figure was only 68 per cent. Piketty, in his *Capital in the Twenty-First Century*, recognised that a main objective of public spending on education was, everywhere, promotion of social mobility. The high tuition fees at elite universities, which rose sharply between 1990 and 2010, was one explanation, he believed, for the relatively high level of inter-generational reproduction of economic inequality in the US. In the period 1970 to 2010, he tells us, the proportion of college degrees earned by children of parents in the lower half of the income distribution in the US stagnated at 10–20 per cent while the proportion for children of parents in the top quartile rose from 40 to 80 per cent. Parents' income was a very good predictor of university access. At elite Harvard, the average income of the students' parents was \$450,000, which was about the average of the top two per cent of US incomes. In Europe, apart from Britain where annual tuition fees were raised to £9000 in 2012, university fees were much lower, mostly less than 500 euros, and most people believed further education should be free or nearly free. In Quebec, a decision to raise fees from \$2000 to \$4000 had to be cancelled following a student strike in 2012.²³ In Britain it is the existence of an elite private secondary school sector, not huge in size but massive in influence, for which we are famous.²⁴

Two Important Reports

One of the books I most enjoyed reading when collecting material for the present one is titled *The Class Ceiling: Why it Pays to be Privileged*, written by two sociologists, Sam Friedman and Daniel Laurison.²⁵ It is about both social class and

social mobility, specifically how one's class background is so important when it comes to entry into elite occupations in present-day Britain. By 'elite occupations' they mean those classified as higher professional and managerial according to the National Statistics Socio-economic classification (NS-SEC) system, plus certain cultural and creative occupations, like journalism, film and TV, performing arts, and advertising—occupations which, though they might not necessarily be highly paid, are competitive, desirable, and influential. They used the Labour Force Survey, based on a representative national sample of over 100,000. They were specifically interested in the data from over 18,000 people occupying elite jobs between 2013 and 2016, finding that 50 per cent came from families where the main breadwinner had held a professional or managerial job, and only 19 per cent from working-class backgrounds. That compares with the figures for the total UK workforce, of which 31 per cent had professional/managerial backgrounds and 33 per cent working-class backgrounds. This evidence of restricted social mobility was much stronger for some occupations, notably medicine (the most 'closed' of all), journalism, law, the life sciences, and management consultancy, than it was for others. Those in senior management positions in both the public and private sectors, on the other hand, were much more representative of the whole country.

Friedman and Laurison were interested not just in 'getting in' to elite jobs but also 'getting on' once in. The data showed those in elite occupations from working-class origins earning an average £6400 (or 13.5 per cent) less than those from professional/managerial backgrounds. They discovered large pay gaps in law and medicine but also in the elite business sector (e.g. in finance where those from privileged backgrounds earned on average £17,500 more than those from working-class backgrounds), and also in some performing arts occupations. On the other hand, there was no sign of a class pay gap in some occupations such as engineering and, surprisingly, architecture, which was exclusive in access but not in progression once one was 'in.' Regarding education, having a university degree and attending a more prestigious university had both led to higher pay in elite jobs: those with professional or managerial backgrounds who went to Oxbridge were earning an average of about £60,000 compared to about £45,000 for those with working-class backgrounds who attended a less privileged, non-Russell Group university. Statistical regression analyses suggested that education measures (highest degree, degree classification, which university) could explain about half the class pay gap. By comparison, measures of hard work or skill—such as hours worked, job training, and experience—although they were also all associated with higher pay, were not correlated with class origin and did nothing to explain the class pay gap.

One of the limitations of Friedman and Laurison's statistical data was the absence of anything about the type of secondary school education, private or state-

provided, which those in elite and other occupations had experienced. However, this was something they were able to rectify in the qualitative part of their excellent study. In fact, one of the main reasons for giving quite a bit of space to their work here is the very fact that it is such a good example of what has come to be called 'mixed methods research.' The qualitative part complements the quantitative, statistical component by enabling us to take a much closer look at what might be going on here. How does privilege get passed on? What processes are occurring that stand in the way of social mobility? To try to get some answers, 175 interviews were conducted in four well-chosen elite occupations. They were: a national TV broadcaster (referred to as '6TV') which had about 1000 staff working at their London HQ; a large international accounting firm ('Turner Clarke') with several thousand UK employees mostly working in central London; a relatively large (about 100 employees mostly London-based) architecture practice ('Coopers'); and self-employed actors (most actors are self-employed).²⁶

The answers they came up with fall under several headings. One was *the bank of Mum and Dad*. Interviews often revealed the importance of parental support particularly in the early years when establishing a career: '... those who progress quickest and furthest in elite occupations very often do so with significant help from others,' particularly from parents and especially in occupations such as acting and broadcasting where progression was more uncertain. Drawing on family resources during lean times and being able to more freely choose one's career path without over-concern regarding money or security were easier for those from a privileged background. But those who had benefitted in that way found it difficult and awkward to talk about it, preferring to speak in terms of talent and hard work. Also striking was the importance, often at pivotal moments early in a career, of another kind of *helping hand*, namely sponsorship by those in senior positions. This was always under the guise of such things as 'spotting talent,' 'rewarding potential,' or identifying 'partner material,' often bypassing objective performance indicators in the process. Cultural affinity between senior and junior was often a factor; those with different backgrounds felt they had to work harder to get on.

Fitting in was another requirement for getting on. This factor was enhanced by modern management guidance which had given more emphasis to self-expression and 'personal qualities.' The expression 'polish' was used during interviews at Turner Clarke, referring not just to accent and manner of speaking, but also to a style of communication involving poise, demonstrating social skills and the use of understatement, showing one was confident but not cocky. Those of working-class backgrounds were at a disadvantage. They struggled to adapt to expectations about polish and felt inferior about it. This was evidently not the new classless City that some claimed in the 1980s and 1990s. That contrasted with the studied informality

regarding dress and appearance at 6TV, where the ways of fitting in were more to do with forms of dress and self-presentation, use of humour, lightness of touch. As one interviewee said, '... you are performing ... looks open but it's actually quite careful ... it's actually a skill.' This was more difficult for those with working-class backgrounds, who more often came across as too 'pushy' or 'aggressive' or too introverted. The architecture firm Coopers was an example of one where class seemed to be no barrier to progression once you were in. That was more about gender than class; continuous full-time work and working long hours were needed to get on.

One of the terms used by Pierre Bourdieu, whose ideas about cultural capital were highly influential for Friedman and Laurison, as for so many others, was *self-elimination*. Those with less privileged backgrounds act as 'accomplices' in the process of social immobility by opting out of progression, slowing down, or choosing less prestigious career paths, or getting there but refusing to play by the rules, all based on class-based internalising of negative feelings of anxiety or insecurity in the face of anticipated barriers to progression. Examples from the interviews included: 'I don't belong there,' 'it's not for people like me,' choosing 'safer' career routes, opting to rise up through the ranks rather than move on, not a 'member of the club,' 'don't mix with them much,' 'going to be found out,' a kind of 'imposter syndrome,' a 'fraud,' 'not good enough,' 'fish out of water,' refusal to assimilate, to 'fake it,' and a feeling of being 'stuck in the middle' between two worlds. This was a struggle for many, involving emotional energy. The research duo were very taken by the idea, voiced by one interviewee, of a 'prevailing wind,' which they thought neatly captured '... the subtle propulsive power provided by an advantaged class background ... privilege ... acts as an energy-saving device, allowing some to get further with less effort ... [it] ... also visualises the experience of those upwardly mobile individuals operating "against the wind"'. Others have talked of a 'conveyor belt' of social and education privilege giving some of us an extra lift towards top universities and higher-paying jobs.²⁷

I've spent some time on the Friedman and Laurison research for a number of reasons. One is personal. Sam Friedman describes himself as having been privately educated, living during his upbringing in a large house in a middle-class area of Britain. Daniel Laurison had a less privileged background, brought up in the US, by a single mother, living as a child in rented accommodation in a relatively poor area, and attending a state school. Their research, especially the section on the advantages of having a Helping Hand at crucial points early in a career in an elite profession, made me think, in a way I had never quite done before, about the role of privilege in my own career in clinical psychology—a profession, closely allied to medicine, which has certainly been an elite one—and later in academia—un-

doubtedly elite. I realised what a key role had been played, not so much by my family background which was modest, but by a few key figures who had ‘recognised’ my potential and given me a strong helping hand in my early career progression. What part, I wonder, did my educational background—secondary education at a ‘minor public school’ (i.e. private) with the support of a scholarship under a scheme later withdrawn when, some years later, the school reverted to being a fully fee-paying private school, followed by Cambridge University—play in the minds of those who helped me up? How many others I wonder, who could have gone on to a similar career, were held back by the prevailing winds against which the less privileged had to struggle?

I am far from being alone. Well-known English columnist Polly Toynbee has recently said something very similar in *An Uneasy Inheritance: My Family and Other Radicals*. Speaking of the help she received by one particular teacher (at the state school she transferred to after doing badly at her minor private girls’ school), she said:

What if I had been a working-class O-level failure, who would have bothered to see if I was worth a second chance? Mr Stedman Jones may have picked me for special coaching because he knew of my family’s literary and academic background and just assumed I must have an inherited talent hidden away somewhere, though I had nothing much to show for it That’s where the great class divide yawns, right there, the grand canyon in education, life chances, surroundings, sense of security, expectations, presumptions²⁸

In June 2023 a highly significant report was published. This was the report of the Independent Commission on Equity in Cricket (ICEC) in England and Wales, established in March 2021.²⁹ It was titled *Holding up a Mirror to Cricket*. It may be difficult for those from other countries to appreciate the importance of the game of cricket to those in Britain and in some of its former colonies. It was the sport which took over the playing fields at my privileged school during the summer term. It is our national summer sport. Those who play for their county, and especially those who are selected for the country’s team, are sporting heroes. As adolescents, my friend Paul and I made pilgrimages to watch them at one of the main London shrines to the game, The Oval. Yet, a 2019 report from the Sutton Trust and the Social Mobility Commission, entitled *Elitist Britain*, had pointed out a few years earlier that men’s professional cricket was one of the country’s most elitist professions.³⁰ Of players in the men’s England team the percentage who were privately educated was 58 per cent in 2021, much higher than the seven per cent of the general population who are privately educated.

As the ICEC report said in its introduction, cricket is ‘Loved by millions across the planet, it is a sport of connection: to friends and family, to team, club, community, and to the whole cricketing world.’ What the ICEC found, reflected in the mirror they held up to the national sport, was, however, damning. It found evidence of widespread and deeply rooted inequity and discrimination in the game, along lines of ethnicity, gender, and social class. There was abundant evidence of the existence of ‘an elitist and exclusionary culture within English and Welsh cricket.’ The report reveals stark disparities in the opportunities for advancement in the game for those with black and South Asian ethnicity; indeed that has been the subject of much of the publicity given to the report. But it is what the report has to say about class-based discrimination, and particularly about educational privilege, that most concerns us here.

I was not surprised to hear of the association between cricket and private schools. However, reading the report in detail has shocked me. It lays bare the huge advantages enjoyed by those who go to private schools if they show talent and are candidates for progressing further in the national sport. For a start, the financial costs involved—the kit, the coaching, the travel, and the match, tour, and club fees—are very considerable indeed and clearly beyond the means of most. That is a sorting mechanism for a start, but I then learned about the network of cricketing privilege which links private schools and the higher echelons of the cricket world. This I was largely unaware of before and I presume so are most people. The magazine *The Cricketer* produces an annual list of the top 100 schools for cricket. In 2022, only 14 were state schools, and most of them were not comprehensive secondary state schools but were boys only, selective, or Academies or colleges. Many of the top cricketing schools had extensive facilities including multiple pitches, practice nets, pavilions, and bowling machines, in some cases better facilities than those to be found at county level. The pupils were more likely to play regularly in one team or another, and more likely to be coached and nominated for a trial at a higher level. Indeed, many such schools had close connections with club and men’s county- or women’s regional-level cricket, for example having coaches from those levels involved as coaches at the school. There exists what the report refers to as an extensive network of formal and informal patronage. The ICEC report includes a variety of very telling quotations from those who have experienced that at first hand. For example:

Described as a recreational player, one man told the Commission, “I was from a poor background. I couldn’t afford the kit and was looked down upon when I turned up in non-whites, no protection, etc.”

A father said, “County coaches themselves ... reinforce these stereotypes, prejudices and hierarchies ... my son’s coach asked all the boys ‘which school do you go to?’ and then went on to praise the people and facilities at a few of the private schools. When it came to my son’s turn to name his state school, the coach replied: ‘never heard of it.’”

The report uses the expression ‘talent pathway.’ For example, ‘Our evidence points to the prevalence of elitism and class-based discrimination in cricket. Much of this is, we believe, structural and institutional in nature, driven partly by the lack of access to cricket in state schools and the way in which the talent pathway is structurally bound up with private schools.’ It is made clear, however, that the barriers to progressing in cricket are not just a matter of what school you went to: ‘Our research also shows that disadvantages linked to gender, race and class can have a cumulative impact, exacerbating any detriment experienced as a result of those individual factors alone. Achieving equity in cricket requires us to think clearly through an intersectional lens about how discrimination can be experienced in order to design effective interventions to combat it.’

The reports I have highlighted, though intriguing and of both academic and personal interest to me, represent just a small fraction of work on the complex subject of economic and social mobility. They have focused on inter-generational mobility and on educational advantage and privileged or elite occupations. A different focus might be the influence that parents’ class position may have on the accumulation of financial assets and the role that can play in contributing to the inter-generational reproduction of social positions. One study, using life history and prospective panel data for 14 countries from the Survey of Health, Ageing and Retirement in Europe, found evidence that individuals from advantaged parental classes were more likely to invest in assets such as stocks and mutual funds. Advantaged parental class was predictive of net wealth in later life.³¹ Mobility can also be seen from the perspective of how the fortunes of individuals and households change over a lifetime, rather than how our lives compare with those of our parents. For many, but not all, income and wealth rise with age, in older age and retirement, declining or continuing to rise depending on whether or not one has the advantages of a good pension, home ownership, and other assets and savings. Near the top of the income distribution there is less lifetime mobility than there is for those less well-off.³²

Inter-generational mobility remains, however, as the strongest focus. For one thing, it triggers thoughts about fairness. It seems to many of us to be unfair that one’s chances in life should be strongly influenced by parents’ income or wealth. If the expectation is that life is *getter better* for *most* people and that there is a good

chance one's fortunes will be better than those of one's parents, things may seem fair. That may have been the case, but no longer. The issue of inter-generational fairness is now a very real one.³³ But, because a measure of any kind of mobility, including inter-generational mobility, involves comparing two values (time 1 and time 2, or generation 1 and generation 2), the results can be surprising. For example, on a regional level in the UK, it has been found that the South East, East, and South of England, despite being the wealthier regions, saw higher rates of *downward* occupational mobility than elsewhere (measured by comparing the socio-economic status of one's father's occupation when one was aged 11 with that of one's own occupation at age 33–34). This might be attributable to the generally higher status of occupations at the earlier time period in the richer south, giving the next generation a higher hurdle to climb if they were to improve on their fathers' socio-economic position.³⁴ On a national level, something very similar has been said about the chances for inter-generational mobility in modern-day China. I read reports suggesting that, alongside overall economic growth and the phenomenal rise in the size of the middle-income group in recent decades, so too has there been both an overall increase in inter-generational income mobility and a rise in the *inequality* of inter-generational income mobility. Climbing the socio-economic ladder may have been a realistic dream for some of those from humble beginnings, but not for all, and those from relatively well-off backgrounds may also be finding it harder to better themselves economically than did their parents.³⁵

I began the previous chapter with reflections on how the picture of economic inequality had changed over my lifetime. I was intrigued to read, therefore, a very similar set of reflections made by a long-standing friend and colleague of mine on the other side of the world. I include it here because of his specific reference to inter-generational mobility. In his fascinating book *Monster Metaphors*, Peter Adams says:

From time-to-time I reflect back on the suburban life I experienced growing up in the Aotearoa New Zealand of the 1960s. Perhaps ... my memories conjure up a rosier picture than actually occurred, but I am challenged to remember it as anything other than a more benign environment than today. Back then ... differences in income seemed less important and friends from lower income families, might, through fortune or enterprise, move to becoming higher income families. Wealth appeared fluid and adjustable, and governed by the values of fairness, equality and humility. Unexpectedly, then, all this changed. The election of 1984 voted in a center-left "Labour" government with an agenda of radical neoliberal economic reform. The reforms had not lived up to the promise of economic benefit ... amongst all the[se] changes was one stark reality: Aotearoa New Zealand had shifted from a highly egalitarian country to one with widespread inequalities Such inequality comprised the

most worrying legacy of the reforms and has since slowly undermined traditional kiwi values of fairness and humility.³⁶

It is tempting to equate inequality and lack of mobility or opportunity. They do indeed relate closely. But rather like mistaking a symptom of illness for the underlying cause, to conflate the two and focus on mobility would be to miss the more fundamental problem. In fact it could be worse than that. If some of us get ahead, improving on our parents' socio-economic positions and leaving many of our contemporaries behind in the process, there is a very real danger that upward mobility for some comes at the expense of *increased* economic inequality. It is therefore disappointing that it has become politically more acceptable to have a vision framed in terms of increasing 'opportunity' and 'mobility' than in terms of economic equality. That has been the case for both of the big political parties in the UK and in the US where President Obama, for example, mentioned expanding opportunity 10 times during his 2014 State of the Union Address, but income inequality only twice.³⁷ Concluding their investigation of mobility in elite occupations in the UK, Friedman and Laurison refer to the political fetish for '... upward social mobility as a sort of panacea for society's ills,' for raising individual aspirations and ambitions, amounting to a focus on individuals and their confidence and self-esteem, not on the barriers that the system imposes.³⁸

Social Class: Not to Be Confused With Economic Inequality

It is tempting to think that talking about economic inequality is simply another way of talking about social class. Indeed, some commentators do use the terms inequality and social class almost interchangeably. But we need to think clearly about class and how it differs from economic inequality. The latter is an economic concept, about money, specifically about income and wealth. Social class is a more complex idea concerning much more than just money. Most importantly, economic inequality is a property of the whole system, about how income and wealth are distributed throughout the population. Social class can be used in that way as well—how divided a population is in terms of class. But more often it is used as a positional variable: Where does an individual or household stand in the social class hierarchy? That is certainly how social class is most often being used whenever it appears in psychological research.

Social class is in any case a tricky concept, much theorised, debated, and contested. One distinction which has often been made is that between social class as a relatively stable, multi-dimensional, and partly culturally based characteristic, and

socio-economic status (SES), a more focused variable that can change more quickly depending on a person's income and assets.³⁹ More generally, a wide variety of conceptualisations and measures of a person's social position as an adult have been employed.⁴⁰ Some have been based on one's occupation, graded according to a nationally recognised scale such as, in the UK, the National Statistics Socio-economic classification (NS-SEC) and the earlier Registrar General's classification of occupations. Others have been based on education, either years of education or qualifications obtained. Yet others have been based on financial circumstances such as personal or household income or accumulated wealth, feelings of financial security or economic hardship, or on some index of standard of living such as household tenure (owner, social renting, private renting), possession of a car, number of bedrooms or bathrooms, ability to afford holidays, or other measures of affluence or hardship. Social class or SES measures have sometimes combined things, often using some amalgam of occupational and educational measures, with or without the addition of some standard of living component.

One interesting, recent study⁴¹ used four distinct notions of social class to try to explain differences in a range of health outcomes, using data from the UK Household Longitudinal Study, a representative population survey of UK adults. Three of these were based on the writings of the classic social class theorists, Bourdieu, Weber, and Marx. They, respectively, emphasised *socio-cultural* ways of living in one's social group, including accent, dress, and feeling comfortable with 'low' or 'high' culture, that restrict or facilitate access to resources and opportunities; how social groups block others from *opportunities* such as education and well-paid work, using means such as colour bars, education credentials, and nepotism; and *power relationships* in the labour market which allow owners of capital to extract profits and exploit and dominate others. The fourth was an *early years* theory which assumes that people experience varied opportunities and outcomes due to exposure from early on in their lives to all the other social class processes via their families and environments. Measures based on each of the four social class concepts were positively related to better physical and mental health. The authors concluded that work on class and health had relatively neglected Marxist and Weberian ideas of class and should in the future focus more on such things as unequal capital ownership, economic democracy, and educational inequalities. One study which had gone some way towards doing that used an occupation-based measure of control in the workplace: whether one was self-employed and if so with how many employees, or, if an employee, how much autonomy, budget control, and authority over other workers one had.⁴²

Class consciousness, associated with Marxist philosophy and politics, has been summarised by two twenty-first-century Chilean psychologists as embracing class

awareness, class identity, and class interest. Degree of class consciousness can be judged by the extent to which one is aware of being a member of a social class and of its importance, how strongly one identifies with that social class and feels connected to others in the same class, and the degree to which one understands one's interests to be aligned with those of one's class and the importance of defending the collective interest of one's class. It can be contrasted with false consciousness, or lack of class awareness. A rising interest in inequality generally and economic inequality specifically has, in their opinion, provided a new opportunity for the use of the concept of class consciousness. Their analysis of international data from over 40 countries (from the World Value Survey and from the World Bank) revealed a pattern that Wilkinson and Pickett would have predicted. Whereas among the poorer half of the countries included there was no relationship between inequality and class consciousness, in the richer half there was evidence of a statistical relationship. It was those who lived in rich and relatively equal countries who stood out as being more likely to have a relatively low level of class consciousness, while those in poorer countries and those living in rich but unequal countries were more likely to have a higher level of class consciousness.⁴³

We noted in Chap. 2 the preference of some inequality researchers for a subjective, rather than objective, measure of economic inequality. The same is the case for social class. A classic British study of civil servants—the Whitehall study—conducted 20 or so years ago, used a subjective measure, asking participants to position themselves on a 'ladder,' from the top ('people who are best off—those who have the most money, most education and the best jobs') to the bottom ('the people who are worst off—who have the least money, least education and the worst jobs or no job'), so as to '... encompass the individual's family resources, opportunities and life chances'.⁴⁴ An article in the journal *Research in Social Stratification and Mobility* reported the results of surveys carried out in 55 countries since then, showing that, while subjective class correlated equally as well with individual income as did an objective measure of class, it was a much *better* correlate of household income and wealth. Asking people to rate their social class position may give just as good an indication of their material situation as a more 'objective' measure such as job status or education, if not better, the authors concluded.⁴⁵

Earlier in this chapter we touched on how poverty rates vary by area and region and the same is of course true for social class. Indeed it has often been pointed out that one of the clearest indications of social class inequality is *where* you live. Such divisions are very evident in Britain, not just the often referred-to 'north–south divide,' but also other divisions such as that between relatively poorer counties and regions like Cornwall, west Wales, and deindustrialised communities in the North and Midlands in England, and more prosperous areas, as well as the marked differ-

ences in wealth between different parts of big cities like London and Glasgow.⁴⁶ One of the features of what Martin Wolf calls the ‘winner-take-all markets’ of recent decades is the divergence of the fortunes of successful metropolitan clusters and left-behind provincial towns, not just in Britain: ‘... one in four persons in the OECD lives in a region that is falling further behind the high-productivity regions in their country’.⁴⁷

It is true though that, like poverty, social class is also closely related to economic inequality. In a book published nearly 10 years after *The Spirit Level*, Wilkinson and Pickett expanded on this point.⁴⁸ They listed several links. One, highly germane to their principal thesis that inequality worsens a whole range of social and health problems (the subject of our next two chapters), is that inequality impacts the very problems that are already known to display social class gradients. In other words, inequality makes existing social class differences worse. A second link is that inequality affects social mixing and social mobility, creating further separation between people from different classes. One consequence of class-based segregation, in education and work settings as well as in areas of residence, with implications for acceptance of economic inequality, is that people may be less able to identify where they stand in the economic hierarchy or to judge accurately how much income and wealth inequality actually exists.⁴⁹

Wilkinson and Pickett’s view was that economic inequality intensifies social class differences. Another way of putting it is to say that ‘The higher the inequality, the higher the salience of status and class differences between individuals and groups in society’.⁵⁰ There is a growing body of research showing that the more people are aware of economic inequality, the more stereotyped their perceptions of the wealthy and the poor become. The well-off are seen as more competent and assertive—ambitious, purposeful, driven, confident, capable, intelligent, talented, efficient, skilful—and the poor as the opposite. The perception of inequality amplifies existing social class stereotypes. That may be true in industrialised, high-income countries where most of the research has been carried out, but might be less clear elsewhere. One study, for example, of over 5000 university students in 32 countries from around the world, found quite the opposite to be the case in those countries with fewer policies and practices in place to promote upward social mobility, with less democracy, and more corruption. The researchers speculated that in those countries the public might not be so inclined to view wealth as justified on the basis of a belief in meritocracy, and might be more sympathetic to those in a lower socio-economic position.⁵¹ We shall have much more to say in later chapters about beliefs that support economic inequality, such as belief in meritocracy.

Whatever we think of social class, and however we define it, one thing is certain. We are forever interested in it and we talk about it a lot. Or perhaps it would

be more accurate to say we are acutely aware of it but usually avoid talking about it too openly. When I was growing up in the 1950s, the social class one's family belonged to was undoubtedly of importance. I well remember my father, to my surprise, announcing at one mealtime that we were 'lower middle class.' By the 1980s and 1990s, social class was out of fashion, 'the end of class' was being proclaimed by politicians, and there was considerable resistance to talking about it at all.⁵² Inherited social position, at least, had no place in the contemporary world. Social class was out; meritocracy was in. Academic social theorists, such as Ulrich Beck and Anthony Giddens, heralded a post-modern world based on 'individualisation.' Inequalities were no longer attributable to one's social class origins, or at least not in any simple way. Uncertain and risky though the prospect was, each of us was now liberated, free to create his or her own life. As Beck put it, '... class biographies ... become transformed into reflexive biographies ...'.⁵³ Now, with the increasing recognition of persistently high inequality and new highs in poverty rates in the last few years, there has been a noticeable resurgence of the use of terms such as working class and middle class, at least in my country. Social class, it seems, is back.

A Note on Intersectionality

Before moving on, I want to point to a potential confusion of a different kind which arises whenever we talk of inequality. Because so much progress has been made in recent years in gaining hard-won recognition of inequality associated with differences in gender, sexuality, ethnicity, and disability, it is those forms of inequality that may come most readily to mind. Increasingly, organisations have been required to provide evidence of the steps they are taking to reduce such inequalities. The BBC is a good example. Its 2017 annual report included details of all annual earnings over £150,000. That revealed a gender gap which received much media attention and severe criticism, both inside and outside the organisation. I remember thinking at the time that something equally important was being missed, namely the colossal salaries received by some BBC employees, male and female, and the associated income inequality to be found at the Beeb and in my country more widely. It turned out that I was not alone in thinking that we were hearing only part of the story. In fact, that BBC report also, for the first time, provided information on class background. That was not highlighted in the media other than by one Sky journalist who calculated that 45 per cent of the BBC's top earners were privately educated, six to seven times the percentage for the UK as a whole. It seems that 'the BBC was actually less representative in terms of class than gender *or* ethnicity'.⁵⁴

Others have made the same observation that economic inequality, or class—not quite the same things as we have seen—has been relatively neglected. Wilkinson and Pickett, in *The Spirit Level*, for example, say, ‘Although racial prejudice is widely condemned, class prejudice is, despite the similarities, rarely mentioned’.⁵⁵ Andrew Sayer, in *Why We Can’t Afford the Rich*, is another who, in 2016, bemoaned the silence of equal opportunities policies on economic class while wholeheartedly welcoming the advances in attempts to overcome inequalities of gender, race, sexuality, and disability.⁵⁶ Michael Toolan, English Language professor at Birmingham University, notes how reductions in unequal treatment of discriminated against groups have been reflected in changes in the way we now routinely talk about ethnicity, gender, and sexuality, and in the ways women, black or minority ethnic groups, or those with a minority sexual orientation are referred to in the national press. When it comes to wealth and income, which can powerfully interact with other forms of inequality, ‘the progressive trajectory has not only been halted, it has been reversed’.⁵⁷ Psychologists Carvacho and Álvarez are others who point out that social class, never very prominent in psychology, has declined as a concept used in social sciences generally since 1980, replaced by a more general awareness of the existence of multiple sources of hierarchy, including those relating to ethnicity, gender, and sexuality.⁵⁸

When I looked at some of the literature on the assessment of social position and inequalities for my book on *Community Psychology*, getting on for 20 years ago, it was the neglect of *other* sources of social stratification, notably gender and ethnicity, which was a source of criticism. For example, the way occupational class was then treated in schemes such as that of the Registrar General in Britain was thought by some to be inadequate in the way it categorised occupations more frequently held by women, and for the way it dealt with temporary contracts and part-time work, and neglected many women’s need to take a lower-status position when returning to work after a break.⁵⁹ Scroll on two decades, and there is now better understanding of how gender intersects with economic position. Women are reported to have been more affected than men by the Covid pandemic, related to their disadvantage in terms of both income and wealth inequality generally, but also, specifically, in pensions inequality (lower pension pots because of women’s lower average earnings and time out from employment) and investment inequality (women investing more in cash investments like individual savings accounts (ISAs) but less in company shares, about which they claim less knowledge and confidence).⁶⁰

Age is another demographic factor intersecting with economic inequality. Following the increased importance of assets compared to labour in the economy, and compounded by the economic recession of 2007–2008, in most of the richer countries, including the UK, the younger generations are now less well-off than the

older.⁶¹ Although the retired households sector has seen an increase in income inequality in the last decade, income inequality has been consistently lower for retired households than for other households in every decade since the early 1980s.⁶²

Awareness has been growing that inequality comes in a variety of forms, including economic. One idea was that different forms of inequality accumulated in their effects, so that experiencing two forms of disadvantage was worse than one, and three worse than two. Another notion was that economic or social class inequality explained the harmful effects of other forms of inequality; all inequality, of gender, ethnicity, or of any other kind, were harmful because they entailed material inequality of income or wealth. It is now better appreciated that things are more complicated than that. All forms of inequality have their own characters as well as features in common, and the different inequalities interact with and build on one another, not in a simple cumulative fashion, but in different ways. The term ‘intersectionality’ has been coined to capture that complexity.⁶³ Citing the Equalities and Human Rights Commission, a recent report defines intersectionality as ‘... the distinct forms of harm, abuse, discrimination and disadvantage experienced by people when multiple categories of social identity interact with each other’.⁶⁴

Intersectionality in one form or another is evident in much of the work on economic inequality, poverty, mobility, and social class. Friedman and Laurison addressed intersectionality. The ‘allied research traditions’ around ethnicity and gender had helped them understand how class origin also ‘casts a long shadow over people’s lives’ when it comes to getting into and getting on in elite occupations. For example, the direct discrimination in the labour market and subtler and more insidious stereotyping, microaggressions, tokenism, and being shut out of the ‘old boys’ network’ of informal social connections and job opportunities are common mechanisms associated with inequality and privilege, they say. But, they stress, it is not just about drawing parallels; class, gender, and ethnicity are not separate and mutually exclusive forms of inequality. The experience of upward social mobility can be distinct and particularly difficult for women and ethnic minority group members. They are by no means claiming that the class ceiling has replaced the glass ceiling or that class is some kind of master-category. Disadvantage by class, plus gender or ethnic disadvantage, together, they likened more to a ‘concrete ceiling’.⁶⁵ Newham in east London, referred to earlier, is one of the most culturally diverse areas in the UK, and is another example of intersectionality; poverty and ethnicity are interlinked, the highest levels of poverty being recorded among the borough’s Bangladeshi and Pakistani communities.⁶⁶

Economic and other forms of inequality intersect in another way too. If, as we shall see in Chaps. 4 and 5, economic inequality makes us more sensitive to our status relative to others, and reduces societal cohesion, prejudice towards other

groups is likely to rise. Directing one's dissatisfaction towards minority and immigrant groups, for example, instead of towards the system that supports economic inequality may serve to maintain the status quo.⁶⁷

Chapter Summary

Writings about economic inequality, including those from psychologists, are peppered with references to social class or socio-economic status, economic and social mobility, and poverty. Often the reader is left without any clear exposition of the distinction between these concepts or provided with any clarity about how exactly they relate to income or wealth inequality. There are serious pitfalls here into which it is easy to fall. We need to be alert. As I hope will become clear, poverty, mobility, and class, each of the utmost importance in itself, can be used to divert attention from, or to deny the importance of, the more fundamental problem of economic inequality. Each is, however, closely related to economic inequality, which only makes the pitfalls they represent all the more difficult to avoid.

One often hears the argument, indeed it is often taken for granted, that it is poverty we should be worried about, not inequality. We need not be over-concerned about high incomes or concentrations of wealth, so the argument goes; indeed they have value for society. It is of course the case that if inequality rises, relative poverty does too. There is abundant evidence, for the UK at least, that it is not only relative poverty, but absolute poverty also, including child poverty, that has increased in recent decades. For many households, with relatively low incomes and little or no wealth to draw on, life has become precarious. Poverty cannot be understood, however, without considering it in the context of inequality. Equally, there are dangers in focusing too much on the high-income, high-wealth end of the spectrum, tempting though it is to do so. Inequality indices like the S1/S50, or campaigns that contrast the 'one per cent' with the rest of us, may obscure the fact that inequality runs throughout a society, across the whole spectrum. It is not just the concentration of great riches at the top which is the problem. There is no doubt, though, that the egregious wealth of the super-rich, the lifestyles seemingly flaunted by the billionaires, some now centi-billionaires, coexisting with the poverty and precarity being experienced by so many even in the richest countries, does serve to draw attention to the gross unfairness of the economic system.

Another commonly heard argument is that economic inequality need not be of concern so long as opportunities exist for all of us to better ourselves. The important thing, therefore, is economic mobility. It is tempting to equate low inter-generational or lifetime economic mobility with economic inequality, and indeed

the two are often correlated. Research in Britain has illustrated the barriers to mobility in elite occupations. Educational differences play a key role. But to equate mobility and equality and to focus on the former to the exclusion of the latter would be a mistake. Increasing overall mobility may hide an increase in the inequality of mobility; the opportunity to climb the economic ladder may not exist for all. Furthermore, upward mobility may come at the expense of greater economic inequality, if some get ahead, leaving others behind in the process.

Social class can be defined in various, different ways, and concerns much more than just money, although the term socio-economic status is often used. Mobility, too, is often referred to as social or socio-economic mobility. Social class is most often used as an indicator of the position an individual or household occupies in a hierarchy, whereas economic inequality is a system property about distribution throughout a population. It is true, nonetheless, that social class is closely related to economic inequality. A prominent view is that higher economic inequality makes socio-economic differences more salient, intensifying social class differences. That may be illustrated by the noticeable resurgence I believe I have witnessed in Britain in recent years of the use of terms such as working class and middle class.

Finally, I am not alone in making the observation that when the general term 'inequality' is used, it is now taken to refer to differences by, for example, gender, ethnicity, disability, or sexuality, whilst economic inequality is generally forgotten. That needs correcting. The concept of intersectionality is helpful since differences of income and wealth share many of the same, as well as some of their own, forms of discrimination and disadvantage, and intersect with other categories of inequality in a variety of ways.

Chapter 3 has helped identify a further source of our confusion about economic inequality, and our apparent reluctance to acknowledge how big a problem it has become. In the previous chapter, I identified obfuscation as the first of my six reasons for confusion and inaction. I can now add a second—DIVERSION. We are diverted by the argument that it is poverty or lack of opportunity for upward mobility that we should be worried about. Or perhaps it is just old-fashioned social class we are bleating on about. We need to be on the watch for such diversionary arguments.

It is time now to address a further crucial question. Yes, economic inequality has been neglected and confused with ideas like poverty, mobility, and social class. But does income and wealth inequality matter? The next two chapters spell out why it does matter so much. The next chapter focuses on why it matters for the health and well-being of us all as *individuals* living under conditions of higher or lower economic inequality.

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Why It Matters for Individual Health and Well-Being

4

Abstract

Evidence has accumulated showing that, in the richer countries or states, a greater level of economic inequality is associated with a higher prevalence of a wide range of health, social, and educational problems for adults and children, the same problems which display strong social class gradients within the population. The leading theory for explaining these harmful effects is social evaluative threat theory: inequality fosters social evaluation anxieties and the making of upward social comparisons, increased feelings of social identity threat, shame, and inferiority, and reduced trust in others. A rich combination of survey, experimental, and other research methods has been used to test variants of the theory. Among the profound effects of economic inequality, for which supportive evidence has been found, are: pressured decision-making, risk-taking, narcissism, self-enhancement, and competitiveness. Although larger differences in incomes and in wealth are bad for collective health and well-being, there may be contradictory effects for individual people, depending on their economic circumstances and how they have reacted to inequality. We are divided in our reactions to inequality. To obfuscation and diversion, identified in earlier chapters as sources of confusion about economic inequality, we can now add a third source, division.

Keywords

Health problems · Social evaluation anxiety · Decision-making · Risk-taking · Self-enhancement · Competitiveness

England is faltering. From the beginning of the 20th century, England experienced continuous improvements in life expectancy but from 2011 these improvements slowed dramatically, almost grinding to a halt For men and women everywhere the time spent in poor health is increasing. This is shocking Put simply, if health has stopped improving it is a sign that society has stopped improving, Foreword to *Health Equity in England*¹

Some measure of inequality is essential for the spirit of envy and keeping up with the Joneses that is, like greed, a valuable spur to economic activity, Boris Johnson, then UK Prime Minister, 2013²

No doubt there will always be a degree of inequality in incomes and wealth. But the high levels of such inequality we have been experiencing in the UK, the US, and to varying extents in many other countries, are bad for us. This chapter and the following one summarise the evidence in support of that statement and explore theories which are contenders for explaining the link between economic inequality and its harmful effects. The present chapter deals with *personal* harms for us as individuals. In Chap. 5 we shall turn to consider the *collective* damage that high economic inequality is doing by harming our community and national life.

Socio-economic Status and Personal Health

Having argued in Chap. 3 that a focus on social class or socio-economic status (SES) serves to divert attention from the more fundamental problem of economic inequality, it may seem perverse to begin this chapter by talking about SES and health. But stick with me and all will become clear.

Britain has a proud record of modern public health and epidemiological work which has exposed the link between social and economic position and health. A large body of research sprang up from the 1980s onwards. Graphs and tables of results depicting the ‘social gradients’ for health became increasingly familiar, at least to those with a professional interest in the field, if not so much to the general public. A key event was the 1980 report of a government working party on the subject, chaired by Sir Douglas Black. *The Black Report* was updated a few years later as *The Health Divide*, and the two reports combined were published as *Inequalities in Health* in 1992.³ Age at death is a clear and precise item of data and is a matter of public record. It figured prominently in those reports and has continued to do so. The results have been striking. Using the then nationally recognised six-category ranking of social class according to occupational status, *The Health Divide* reported a clear social gradient for premature death, whether this was stillbirths and infant deaths, deaths of children, or deaths of men and women under

retirement age. In each of those groups, premature mortality was of the order of twice as great for those from class V (unskilled manual working households) compared to those from class I (professional and managerial households). Subsequently, similar results were reported from a variety of other European countries and from high-income countries elsewhere including the US. Many have used national data bases. Others, such as the classic Whitehall studies of London-based Government department workers, have focused on specific occupational settings. One of the Whitehall studies found deaths in the 10 years following recruitment to the study to be around three times the rate among those in the lowest of four status category groups ('other' grades) compared to those in the highest category (the 'administrative' grade).⁴

One of the towering figures of that area of work in the 1990s was Peter Townsend, who was the senior author of the *Inequalities in Health* report and many others. In later years he has been followed by Michael Marmot, principal researcher of *The Marmot Review*, set up in 2008 by the Secretary of State for Health to advise on ways of reducing health inequalities from 2010 onwards. That review confirmed that England—the review was limited to England—still had substantial inequalities in health. It was able to examine how life expectancy varied by neighbourhood, finding that people living in the richest neighbourhoods were, on average, living seven years longer than people living in the poorest, where life expectancy was only 67, similar to or even lower than the national average in countries like Egypt, Thailand, Ecuador, China, and Belize, all of them less rich countries. In 2020 Marmot and his colleagues followed up with a further review which they entitled *Health Equity in England*. Things had not improved in the intervening decade. In 2016–2018, the difference in life expectancy at birth between those living in the most deprived and least deprived areas was 9.5 years for males and 7.7 years for females. There were regional differences, most starkly between London and the North-East of England, but much of the difference was accounted for by neighbourhood deprivation: those living in relatively wealthy neighbourhoods enjoyed similar life expectancy wherever in the country they lived. For some age groups—adults under 50 and children and young people over four years old—there had actually been *increases* in mortality rates since the earlier review.⁵

Similar slowdowns in life expectancy improvements since 2010 had occurred in Scotland, Northern Ireland, and Wales. In fact the UK as a whole had experienced one of the lowest rates of improvement among the world's higher-income countries. Women in the UK had the slowest rate of improvement among OECD (Organisation for Economic Co-operation and Development) countries, and men in the UK had the second slowest. For part of the decade 2010–2020 life expectancy actually fell in the most deprived communities outside London for women and in

some regions for men. It was that stalling of the increase in life expectancy which particularly alarmed the 2020 report's authors, as the quote from their Foreword at the head of this chapter so powerfully expresses.

As more public health data becomes available and is analysed, attention has focused as much on how long we can expect to live while continuing to enjoy good health: adding 'life to years, rather than just years to life' as the 2020 Marmot follow-up review put it. The earlier *Marmot Review* had already drawn attention to area differences in *disability-free life expectancy*, even greater than differences in plain life expectancy, and 10 years later the same was true. The average difference between the most and least deprived local authorities in terms of healthy life expectancy at birth was no less than a staggering 12 years. Between 2009 and 2011, and 2015 and 2017, average number of years living in poor health had actually increased for both men and women but most obviously for women (from 18.7 to 19.4 years). The proportion of one's life that a woman might expect to be living in poor health had increased in that six-year period from 22.6 to 23.3 per cent (comparable figures for males were 20.0 rising to 20.3 per cent).

An alternative but closely related statistic is 'avoidable mortality.' This refers to 'deaths that could have been avoided through timely and effective healthcare, or by public health interventions.' The 2020 review found the risk of avoidable mortality to be three times higher for women and men living in the most deprived areas compared with those living in the least deprived areas. Furthermore, it had increased most in the more deprived areas, notably from respiratory diseases and from injuries.

The decade intervening between the two Marmot reports was, of course, a period, following the 2008 'great recession,' during which UK Government social policy was characterised by what came to be known as 'austerity.' Marmot was highly critical of that set of policies in the context of health inequalities. In her 2020 book *The Shame Game: Overturning the Toxic Poverty Narrative*, Mary O'Hara comes at it from a closely related but distinct angle, that of poverty. She summarises several other important reviews from the late 2010s. One was the report on poverty in the UK by Philip Alston, the UN Special Rapporteur on Extreme Poverty and Human Rights, already mentioned in the previous chapter. She refers, among many other alarming reports, to a paper, published in the *British Medical Journal* in 2017, estimating that cuts, including to social care, could be linked to around 45,000 deaths that had occurred by 2014, with tens of thousands more possible by 2020, and in 2019 the Institute for Public Policy Research concluded that 130,000 deaths in the UK since 2012 could have been prevented if austerity cuts had not stalled improvements in public health over the previous two decades. Also in 2019, researchers from the Universities of Liverpool, Leeds, and Newcastle pub-

lished the results of a time trend analysis of rising infant mortality in England between 2014 and 2017. The ‘sustained and unprecedented rise in infant mortality,’ which they found, was experienced unevenly across the population. In the most deprived local authority areas, the previously declining trend was reversed and mortality rose, leading to an extra 24 infant deaths per 100,000 live births per year, but no significant change from the pre-existing trend was detected in the most affluent areas. Hence, they concluded, inequalities in infant mortality had increased, the gap between the most and the least deprived areas widening.⁶

Marmot also looked at educational inequalities in his 2020 review. It became clear that not all children were being given the same best start in life. One measure of early childhood attainment is the achievement of a ‘good’ level of development at age five, meaning reaching the expected level for that age in terms of communication and language, physical development, personal, social, and emotional development, literacy, and mathematics. Overall rates had improved since 2010 but socio-economic inequalities persisted. For example, children eligible for free school meals—a much used indicator of economic disadvantage—had considerably lower levels of reaching a good level of communication skills (49 per cent of boys compared to 68 per cent not receiving free school meals; and for girls, 66 per cent vs 81 per cent). Clear and persisting inequalities followed children throughout their school years. An often-used index of secondary school age attainment is passing five or more GCSE exams at grades C to A* (equivalent to 4 to 9 on the new GCSE grade scale). The relationship between that index and area level of deprivation showed a clear social gradient—17 per cent more children from the least deprived tenth of areas reached that level of exam success compared to those from the most deprived tenth—and other analyses revealed inequalities between those eligible and not eligible for free school meals. Another indicator of progress at school, a negative one in this case, is exclusion from the child’s normal school. There had been an increase in secondary school permanent exclusions over the decade. Not only were those eligible for free school meals four times more likely to receive a permanent exclusion and three times more likely to get a fixed-period exclusion than other children, but they had also experienced a steeper increase than others in the rate of exclusions since earlier in the decade. In fact such official figures are thought to be under-estimates since they exclude a variety of less official ways schools have been able to take disruptive students off their rolls. It is also the case that school students who qualify for free school meals are about half as likely to progress to university, and if they do are less likely to go to the highest-status universities and are more likely to achieve lower grades or to drop out. None of these differences can be fully explained by differences in ability.⁷

Since the second Marmot review, we have witnessed the Covid-19 pandemic and its consequences. There is evidence from several countries that those on lower incomes, less able to work from home or to avoid crowded public transport, were less able to comply with lockdown and social-distancing recommendations. The relatively wealthy were more likely to be able to stay at home earlier, lowering their risk of illness.⁸

Economic Inequality and Personal Health

Like many others who have researched and commented upon inequalities in the UK, the US, and in other countries, Marmot and colleagues were using the word ‘inequality’ to refer to how some indicator of health or well-being varies according to where an individual, a family, or a group stands in some hierarchy of social position, whether that is by income, wealth, area of residence, education, gender, ethnicity, or in some other way. In other words, they were using what was referred to in the previous chapter as a ‘positional’ variable. But, as I emphasised in that chapter, it is very important to distinguish between that positional sense in which the word ‘inequality’ is used and the usage of that term that is central to the present book. What I and many others are most concerned with is the sheer *degree of inequality* in the distribution of resources within a country, region, area, or neighbourhood. It is to do with how evenly or unevenly, equitably or inequitably, a resource is distributed. Another name immediately springs out among British social scientists. That is Richard Wilkinson, who has been writing about this kind of inequality since the 1990s. Since he published an article on income distribution and life expectancy in the *British Medical Journal* in 1992, a large literature on inequalities, in this second meaning of the term, has flourished. One landmark was the publication in 2009 of his and Kate Pickett’s book *The Spirit Level: Why Equality is Better for Everyone*, which has already figured centrally in the present book. It is especially relevant to the present chapter.⁹

The Spirit Level summarised an impressive number of analyses demonstrating that, among the higher-income countries of the world, a higher prevalence of a whole range of health and social problems was to be found in those countries with the greater levels of income inequality. One of the possible criticisms of that conclusion is that it rested on data from a limited number of countries—around 20 in most analyses—and that what appears to be a clear correlation between inequality becomes less clear if a few of the more extreme countries are omitted, namely Japan and the Scandinavian countries where income was comparatively very equally distributed among their populations, and the US where the opposite was

the case. The small numbers in the analyses were inevitable for two reasons. One was the rationale that the association between income inequality and a country's rate of problems only pertains for those countries that have reached such a level of prosperity that the way in which income is distributed among the population is now more important than their overall or average level of income. Hence only the richer countries could be included. The other reason for the smallish numbers in the analyses was that the areas studied needed to be large enough to include as full a range of existing income levels as possible. The kinds of small areas or neighbourhoods studied by Marmot and others would not do here.

Wilkinson and Pickett argued that their results still held up if a few extreme cases were excluded. Furthermore, they argued, the same relationship between extent of inequality and problem levels was so consistently found that it became impossible to deny that, at least in richer countries, everyone is indeed better off if that crucial resource, income, is relatively equally distributed. However, they had another trick up their sleeves. The US is a large, federal country with sophisticated record-keeping systems. Its states are often as large as some countries and diverse in many ways, including, so it turns out, in terms of their populations' income equality. So why not repeat the same analyses across the 50 US states? The results nearly always turned out the same way: greater inequality, more problems.

Drawing on a wide variety of sources of information, including the World Health Organization, the UN Office on Drugs and Crime, the International Obesity Task Force, the Programme for International Student Assessment (PISA), UNICEF (the UN Children's Fund), the US Department of Education, and the US Vital Statistics System, they were able to show that the inequality-problems relationship held true for the annual prevalence of mental illness (although in that exceptional case, the relationship was not there across US states), of illicit drug use, and of obesity in adults (a stronger relationship for women) and overweight in children, poorer teenage maths and literary scores (and rates of high school dropout across US states),¹⁰ teenage pregnancy and birth rates, homicide rates,¹¹ an index of conflict between children (countries only, based on percentages reporting fighting, bullying, and finding peers not kind and helpful), the percentage agreeing they would do better than average in a fist fight (US states only), the proportion of the population imprisoned, the rate of infant mortality, low social mobility (a stronger association between fathers' and sons' income, so only available for men and also only for eight countries and not for US states), and lower life expectancy. The consistency of Wilkinson and Pickett's findings linking income inequality and health and social problems was, indeed, breathtakingly impressive.

Finally, combining all those problems together to produce an overall Index of Health and Social Problems for each of the countries and US states, with equal

weight given to each type of problem, produced an even clearer straight-line relationship between combined problems and income inequality. The result was clearest for countries, from Japan—lowest inequality and fewest problems—at one end, to the US at the other. When it comes to US states, the overall picture, although in general clear enough, was somewhat less neat, especially at the high inequality end of the scale: New York state—the most unequal of all—and Connecticut had fewer problems than their high inequality would have predicted, whilst Louisiana, Mississippi, and Alabama, also high-inequality states, had more problems than expected. An independent index—an index of child well-being produced by UNICEF—confirmed these overall findings for countries, although the UK came out even worse on the index—the lowest index score of all the 22 rich countries included—than its high inequality would have predicted.¹²

The two inequality research traditions, one looking at how individuals' problems relate to their social class, their socio-economic positions within a population—let's call it the Townsend-Marmot tradition—the other at the equal or unequal distribution of economic resources in a whole population—the Wilkinson-Pickett tradition—turn out to be closely interrelated. The authors of *The Spirit Level* say that an early insight of theirs came with the discovery that it was the very same health and social problems which displayed a strong social class gradient within populations which turned out to be the ones that were more common in more unequal societies.¹³ Townsend-Marmot and Wilkinson-Pickett inequality go hand in hand. Where the one exists, so the other flourishes.

In two cases they were further able to demonstrate that Townsend-Marmot-type social gradients were steeper *within* countries where Wilkinson-Pickett-type inequality was greater. Adult literacy scores were positively correlated with parents' level of education in Finland, Belgium, the UK, and the US, but the steepness of that social gradient reflected the countries' levels of inequality: steepest in the US, the UK next, followed by Belgium, and the least steep in Finland, the most equal of the four. Similarly, among the 25 most income-unequal US states, the relationship between median county income and standardised mortality rate was steeper than was the case in the 25 most income-equal states.¹⁴

Wilkinson and Pickett and Marmot, as well as economists like Piketty, and those that have followed them, have all been quite clear on one crucial point. *Inequality affects everyone* right across the socio-economic spectrum. It is not just the poorest who suffer from the effects of inequality. Infant mortality, to give just one example, was higher in England and Wales than in Sweden at each of six social class levels, and there was a marked social gradient which was virtually absent in Sweden. Hence the difference between the two countries in the proportions of infants dying also displayed a gradient: the least marked in the highest class group,

steeper in the next-to-top class group, and so on down the class gradient. But even infants born to families at the top or near to the top of the social class scale were more likely to survive in Sweden. Put more positively, ‘the benefits of greater equality are widely spread’.¹⁵

If that is right, and there is good reason to believe it is, then it has profound implications. Figure 4.1 depicts this in generalised terms. We live with the reality that personal health and well-being nearly always follows a social gradient. While socio-economic differences persist, the better-off will on average enjoy better health. But, we can, by reducing the level of economic inequality, render the social gradient less steep, thus mitigating health inequalities and increasing the population’s health overall. As we shall see in later chapters, taking the right political decisions is crucial.

Obesity, now a major health concern in richer countries (and becoming so in poorer countries too), is an interesting example. At one time more common in richer individuals, by the 1990s the social gradient for obesity had reversed: poorer people were more likely to become obese in almost all rich countries, the gradient steepened, and the inequality–prevalence relationship across those countries had emerged.¹⁶

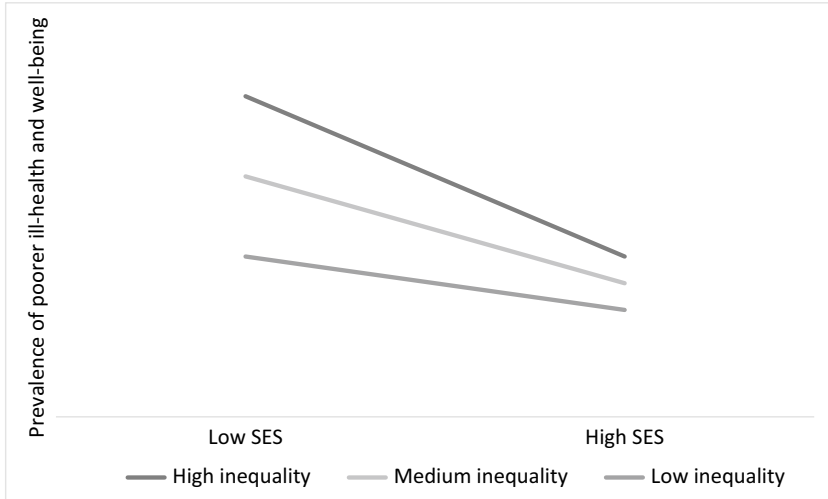


Fig. 4.1 Generally, higher economic inequality accentuates the relationship between socio-economic status and the prevalence of poorer health and well-being. (The figure is based on Wilkinson and Pickett, 2010, op.cit., Figure 8.4, 109)

The quite recent history of tobacco smoking provides a similar example. As the dangers of tobacco, so vehemently denied by the companies that traded in it, became more and more evident, and the earlier social cachet associated with smoking waned, the social gradient for smoking changed direction. No longer was it the well-to-do who more often smoked; it was now the less well-off who did so.¹⁷ At one time a pastime of the rich and privileged, it was now those in lower socio-economic status groups who were more likely to take up tobacco smoking and to continue to smoke.

In fact there is abundant evidence of a social gradient when it comes to personal problems related to the use of addictive substances and gambling in general, an area that has been of special professional interest to me. Whether it is alcohol-related mortality, gambling problems, or the regular and dangerous use of illicit drugs, it is those of lower socio-economic status who are significantly more at risk of harm and who find it more difficult to quit.¹⁸ Those are Marmot-type inequality effects: they link addiction and harm with social position *within a society*. There is also evidence of Wilkinson and Pickett-type inequality, linking substance-related harm with inequality as a feature of a *society as a whole*. A graph in *The Spirit Level* used information contained in a 2007 UN World Drug Report which showed a significant association between a country's rate of drug use – an index combining use of opiates, cocaine, cannabis, ecstasy, and amphetamines – and income inequality: the US, UK, and Australia high on both, Japan and Scandinavian countries low on both.¹⁹ A 2012 report from the Ontario Problem Gambling Research Centre also found there to be a strong relationship between income inequality and the population prevalence of problem gambling.²⁰

Wilkinson and Pickett were clear in *The Spirit Level* that inequality of income distribution and the prevalence of various social and health problems they examined were not just correlated but were causally related. They dismissed various other factors that might explain the many associations they reported. For example, ethnic differences and racial prejudice might explain the link in the US but not in Portugal; single parenting and the breakdown of the traditional family might be thought to be the explanation but in fact lone parenting rates showed no relationship with UNICEF's index of child well-being across countries.²¹

It is one thing to establish that two variables A and B are indeed likely to be causally related in some way, but quite another to convince everyone that it is A that causes B. In support of their causal hypothesis, that country or region inequality *leads to* problems rather than the other way round, Wilkinson and Pickett cited a number of historical examples. The rapid improvement in health and subsequent life expectancy in Britain during the two world wars when income differences narrowed as a consequence of government policy is one example they offer. The pop-

ulation health benefits of democracy and wealth redistribution in post-Second World War occupied Japan is another. Societal changes in Russia after the breakup of the USSR, bringing increased inequality, were followed by a marked decrease in life expectancy.²²

Later studies went some way towards supporting the idea that, as prosperity increases, health and life expectancy become less associated with absolute income levels and more associated with inequality in income distribution. One which used data from 17 Spanish regions, from 1980 and from 1990, a decade in which general prosperity increased, found a reduced correlation between life expectancy and absolute income and an increased correlation with income inequality. Another study, across 38 regions in Russia, found that inequality and ill-health were associated, though only at higher levels of inequality.²³ Another suggestion, from the Chilean research already referred to in the previous chapter, is that it is a combination of belonging to a lower social class plus having higher levels of class consciousness that is associated with higher prevalence of personal health and well-being outcomes such as depression, hypertension and heart problems, higher body weight and alcohol consumption.²⁴

Research will continue and findings will need to be updated as times and circumstances change, as they are bound to. Meanwhile, the case for economic inequality in the world's richer countries being associated with, and most likely causing, greater personal problems for their citizens is a strong one. This needs to be taken very seriously.

Social Comparison and Social Evaluative Threat Theory

But to really pin this down, we need a valid theory about *how* inequality causes so many problems to become more prevalent. What is the mechanism? Do we have a good theory? This is where our discussion moves into territory more familiar to me: the psychology of how living in an unequal society might create more problems for us all. In *The Spirit Level* Wilkinson and Pickett favoured a theory of *social evaluative threat*. As they put it, 'greater inequality seems to heighten people's social evaluation anxieties by increasing the importance of social status'.²⁵ People would be more aware of comparisons with others, less trusting of others, and would become more egocentric, tougher, more competitive.

In their later book, *The Inner Level: How More Equal Societies Reduce Stress, Restore Sanity and Improve Everyone's Well-being*, published in 2018, Wilkinson and Pickett took this further. For example, they cited an international study comparing proportions of people in different European countries agreeing to the state-

ment *Some people look down on me because of my job situation or income*, which is a good measure of status anxiety in their view. In high-, medium-, and low-inequality countries alike, the proportions agreeing with the statement fell steadily from the poorest tenth of the population to the richest. But at each income level, the proportion was highest in high-inequality countries such as Romania, Poland, Portugal, and Macedonia, and lowest in the more equal countries such as the Czech Republic, Denmark, Slovenia, and Malta, with most Western European countries in the medium-inequality group, lying between the two.²⁶

They refer to more than 20 studies linking feelings of inferiority and shame to depression: ‘We are often trapped, and it is this entrapment in a submissive or subordinate response that is at the root of depression.’ They talk of ‘... *insecure striving*, a fear of rejection, of being overlooked and losing out, linked to a tendency to seek validation from others, feel inferior, shame and submissive behaviour ...’ and ‘... inequality and the heightened status competition and individualism which go with it seem to contribute to a culture in which “greed is good,” risk-taking is admired ...’.²⁷

Status Anxiety in Educational Settings

Children may be especially vulnerable to status anxiety through their experience in education. After all, as one social psychologist has put it, there are good grounds for saying that ‘... a person’s level of education has become a key determinant of their social status ... [and] is becoming a pivotal social divide within the Western societies’.²⁸ The suggestion was that young people from a lower social class background experience *social identity threat* when it comes to education, believing that ‘people like us’ are not academic and are not the types who do well at school or who go on to university. In one study it was found that making academic performance visible, by asking school students to raise their hands when they had an answer to a question, reduced the performance of lower-class students but not that of middle-class students. One UK study found 14 to 16 year olds who were eligible for free school meals felt their social background was incompatible with doing well at school and had lower belief in their own academic ability. Popular TV programmes portraying poorer families on low incomes or benefits, as well as teacher expectations about the performance of children from different backgrounds, were thought to play their roles as well. Absence of role models in students’ own family, friendship, and local community groups is also part of the picture, as is what Bourdieu famously called ‘cultural capital.’ If educational institutions lean towards a culture more familiar and comfortable to the upper and middle classes, for ex-

ample valuing independence over interdependence, it would not be surprising if students from a lower-class background felt alienated and turned off by education.²⁹ We are hearing here about the same psychological processes operating as Friedman and Laurison highlighted in their study of entry to and advancement in elite occupations (see Chap. 3).³⁰

Again that is Marmot-type inequality in action. But social geographer Daniel Dorling, a leading British writer on inequality in recent years, believes that where distributional inequality is high, as in the UK, status concerns make parents more likely to pay for children ‘to attend selective better funded schools or to live in areas where the teachers are less stressed because they have to teach fewer children experiencing extreme poverty.’ By contrast, in Scandinavian countries—high on both equality and social mobility—children have equal opportunities and go to similar schools and, Dorling suggests, parents are less worried about who their children mix with and what career path they follow.³¹

At the university level, those from a lower socio-economic background are under-represented in most countries, Australia being just one of the many, a bias which thereby assists in reinforcing social inequality. The identity threat and cultural clash for working-class students may be even more strongly felt at this level, compounded by the greater likelihood of their having paid work and childcare commitments, financial pressures, and less time available to spend socialising on campus. The suggestion is that the well-established link between social class and university academic performance can partly be explained in terms of *social integration*, which provides support of several kinds—informational, emotional, motivational, mentoring, and identity support, a sense of belonging.³² In England, where high fees are resulting in students leaving university saddled with considerable debt, I know that some university authorities are now accepting that students may need to find part-time employment alongside their studies during term time, something that previously had been discouraged. Those with less access to ‘the bank of Mum and Dad’ are more likely to need the income, compounding existing inequality.

The Importance of Relative Income and Upward Social Comparison

The theory that status competition is the key to understanding the link between unequal economic resource distribution and a whole range of health and social problems has remained a popular one. It has been taken up in social psychology in a big way, although not without criticism. Let us look at a selection of some of the most relevant studies. I have chosen three.

Study Number 1 A collaboration between the Universities of Auckland, in Aotearoa New Zealand, and Granada, Spain, tested a model which proposes that ‘individual-based relative deprivation’ (IRD) is most likely when individuals notice that others have something of value which they themselves would like to have, believe they deserve to have and could potentially obtain, but have been unjustly denied. Inequality, in other words, ‘has the potential to breed invidious social comparisons,’ leading people to feel personally deprived. They looked at both comparisons across counties in the US and across neighbourhoods in Aotearoa New Zealand. In each case it was found that it was the county’s or neighbourhood’s level of income inequality and individuals’ lower *relative* income or IRD, *not* their lower absolute income, which was associated with poorer life satisfaction or lower self-esteem. In fact in the US, people were *less* satisfied with their lives in higher-income counties, needing to earn on average an extra \$4400 a year to be as satisfied as those living in poorer counties. Other research had shown IRD to be associated with poor sleep, increased heart rate, lower self-esteem and life satisfaction, and pessimism, and even in one study with being more likely to develop cold symptoms after exposure to a cold virus, and to a higher mortality rate.³³

Study Number 2 Another study took, as its starting point, this ‘relative income effect,’ whereby relatively rich areas are associated with poorer levels of subjective well-being after controlling for the income of individual households. That effect is presumed to be due to social comparison. This study, using available survey data covering more than 1.7 million people from 2425 US counties (including a single question that asked, ‘In general, how satisfied are you with your life?’ answered on a 4-point scale, from ‘very satisfied’ to ‘very dissatisfied’), confirmed the relative income effect. It then went further to show that the negative association between relative income and life satisfaction was stronger in counties with a higher level of income inequality, a finding presumed to be due to the increased salience of the comparison of one’s own and one’s neighbours’ incomes in areas where economic inequality is higher. Finally, that moderating effect of income inequality was stronger for people on lower incomes. Putting those results together, it was those people with *lower incomes* who lived in *richer counties* with *higher income inequality* who were the most likely to report lower life satisfaction.³⁴

Study Number 3 The third example was a collaborative study carried out by researchers based in Australia and China. The relationship between inequality and desire for more status and wealth was tested using both survey and experimental methods. Their survey data, using the World Values Survey, came firstly from over 140,000 participants from 73 countries and regions, and secondly from a representative Australian sample. In one of the experiments, participants were assigned at

Table 4.1 Some of the main research methods that are being used to study the psychology of economic inequality

Surveys	Correlational	Single country or international; use of large existing data sets or new sample (sometimes recruited via an online platform, e.g. Amazon Mechanical Turk); questions may include attitudes, preferences, leisure habits, etc.
	Longitudinal	Either (1) repeated questioning of the same sample, or (2) studying variation over time as economic conditions change
Searches		For example, to assess interest in financial or leisure products and variation by place and/or time
Experiments	Fictitious communities	Participants’ perceptions, attitudes, and behavioural tendencies assessed after assignment to fictitious communities or work-places varying in levels of economic inequality, e.g. the Bimboola community paradigm
	Fabricated news articles	Attitudes and preferences assessed after exposure to articles, e.g. purporting to show economic inequality to be fair or of long standing
	Game-playing	For example, observation of how in-game preferences vary depending on the degree of inequality of game rewards

Many such examples are described in this chapter as well as in Chaps. 5, 6, and 7

random, either to be told about a fictitious society with a high level of economic inequality or one with a low level. In another, conducted in the US, participants were given information that wealth distribution in their state was either relatively high or relatively low. This combination of large-scale survey research and experimental studies is a strength of modern social psychology (see Table 4.1). The experiments, although their validity may be compromised by their obvious artificiality, do at least begin to address the question of cause and effect, which a cross-sectional survey cannot. In this programme of research, both methods produced results consistent with the expectation that inequality, whether actual or manipulated, was associated with placing a higher value on status, and expressing a stronger desire for more of it. The same was true for desire for greater wealth in the surveys and in one of the experiments.³⁵

This notion of the crucial importance of social comparison has caught on around the world. There has even been a fascinating series of studies reported of how social comparison works differently in rice-growing and wheat-growing areas in rural China. In two nationally representative surveys, it was found that people in

rice-farming areas were less happy than those living in wheat-farming areas, a surprising finding since farmers are understood to be more interdependent in the rice areas and might therefore be expected to be the happier. The theory, supported by survey data and a natural experiment in which two nearby state farms were effectively randomly assigned to rice- or wheat-farming, was that the greater interdependence of historical rice-farming paradoxically undermined happiness by creating more social comparison than wheat farming. Survey data showed that income, self-reported social status, and occupational status predicted people's happiness twice as strongly in the rice areas, and the natural experiment found the rice farmers making more social comparisons, and those who made more such comparisons reported being less happy.³⁶

These various social psychological contributions to the debate about economic inequality and its effects may seem a long way from the Marmot reports' evidence on premature mortality trends during a period of economic austerity and cuts to public services. A number of social psychologists do acknowledge, however, that the link between inequality and harms may be as much material or social structural as it is psychological.³⁷ Others have interpreted results concerning status to indicate that it is not enhanced awareness of one's relative status in general that is the key, but rather awareness of one's relative *material* status that matters.³⁸ The psychosocial versus material debate has been around for a long time, extending far beyond the question of income and wealth distribution, and is still a lively one when it comes to explaining why inequality is harmful. Criticisms of the psychosocial view include its neglect of the material conditions of life, its lack of due consideration of class and cultural differences in political power, and its failure to take into account changes in the labour market, in such things as labour union power and macro-economic shifts such as the rise of neoliberalism and globalisation. A central criticism is that the psychosocial view places too much emphasis on people's *perceptions* of inequality and status and not enough on the material reality of inequality and deprivation. As Amartya Sen is quoted as saying, 'Mental reactions ... can be a very defective basis for the analysis of deprivation'.³⁹

Profound Effects of Economic Inequality on How We Behave

Threat Perception, Pressured Decision-making, Risk-taking

Others have tried to integrate the material and the psychological, proposing that inequality has profound implications for the way in which those with the fewer economic resources think about their world and how they respond to it. One variety

amongst theories of that kind is the ‘psychological shift’ model of decision-making under socio-economic threat.⁴⁰ The basic idea here is that when certain conditions make us feel less powerful and less in control and more conscious of threats to our lives, we become more focused on our most pressing needs, and the way we make relevant decisions generally shifts in the direction of focusing on short-term rather than longer-term goals. The conditions giving rise to these mental shifts are the scarcity of badly needed resources, the instability and precariousness of the supply of those resources, and awareness of one’s lowly position in society’s status hierarchy. This can help explain, the argument goes, why those low in socio-economic status may appear to others to sometimes take actions which are unhealthy, self-defeating, or entrenching of low status—smoking, eating unhealthily, spending on luxury goods, taking out high-interest loans, and engaging in illegal activities might be examples of such actions. A related theory of relevance to the public health problems of obesity and overweight, for example, is that eating more than necessary or consuming unhealthy foods—what one group from the Free University of Brussels⁴¹ called ‘dysregulated consumption’—can be triggered by awareness of one’s status difference, which arouses anxiety and acts as a signal for eating in an uncontrolled way. Such apparently self-defeating behaviours are not to be seen, according to the psychological shift model, as personality traits, or even the result of mental stress or cognitive overload, but rather as an *adaptive* shift which helps make optimal use of one’s limited resources in circumstances full of threats to successful thriving in an unequal world.

In addition to being grounded in well-established work on the link between unhealthy behaviours and low feelings of control, as well as other work on the link between resource scarcity and valuing an immediate over a later reward, the psychological shift model has been gaining direct empirical support from experiments that manipulate the salience of difference in social status or the stability of the environment. Other, related models have focused on certain aspects of the conditions pertinent to psychological shift. For example, the element of threat is central to one theory, put forward by psychologists at Beijing Normal University. Their proposal, for which they found supportive experimental evidence, was that perceived economic inequality increases the tendency to mentally anticipate threat from others. That is because, in a highly unequal context, people tend to think of their social relationships in competitive rather than cooperative terms, anticipating greater interpersonal tension and increasing their expectation of others’ hostility and aggression. This priming of the ‘threat detection system’ they call increased ‘social vigilance’.⁴²

The idea of precarity, which we met in the previous chapter when discussing poverty, associated with a sense that one’s world is insecure and threatening, is

another concept which may help understand the effects of economic inequality on our general view of the world. Recent research suggests that ability to project oneself into the future—referred to as ‘exerting time–space distancing’—is affected because spending too much time and effort imagining oneself in the future becomes difficult and stressful.⁴³

A related but more specific suggestion has been that higher economic inequality encourages risk-taking behaviour including gambling. The theoretical explanation is that high inequality leads to more extreme upward comparisons (comparing one’s position with those who have more), making people believe they need more money to be satisfied. That, combined with the perception that less risky routes to economic advance are not so available to them, motivates those who aspire to advancement in a relatively unequal society to choose riskier options. Citing previous research showing high inequality to be associated with a range of risky behaviours, including committing acquisitive crimes such as robbery and burglary, and with gambling, a group from the University of Virginia in the US used a combination of experimental and naturalistic methods to test this theory. The experiments involved a game which took one of two forms. In the high-inequality game, outcomes were very different (roughly a dollar at one extreme to a cent at the other), while in the low-inequality form of the game outcomes were not so different (approximately 60 cents to 40 cents). All players were offered the option of a lottery which was either high risk/high jackpot or low risk/smaller maximum prize—in fact rather like the options facing customers in real life land-based or online gambling settings. The results were consistent across several such experiments: playing a relatively high-inequality game resulted in a greater preference for the high-risk lottery option. In the naturalistic studies, it was found that in more economically unequal US states, online search terms reflecting monetary strategies which might be construed as higher risk—‘lottery,’ ‘payday loans,’ and ‘win money,’ were examples—were used comparatively often. Terms such as ‘savings,’ ‘invest,’ and ‘retirement account,’ suggesting low-risk strategies, were used relatively less often. The suggestion is that, especially in making financial decisions, upward social comparison is more the case than downward comparison, and that high income inequality has led to a ‘culture of upward comparisons,’ greater interest in acquiring luxury goods, and a greater resort to debt.⁴⁴

Others have used a similar method to test the related idea that higher inequality leads to status signalling and conspicuous consumption. Across 99 countries, online searching for luxury brands, like Gucci, Louis Vuitton, Rolex, Prada, and Chanel, was more common in those countries that were both richer and more unequal, and in the US, tweeted messages mentioning luxury brands and expensive

products were more common in more unequal metropolitan areas, counties, and states.⁴⁵

Another set of studies tested a prediction, derived from what the authors termed the ‘hedonic risk hypothesis,’ that economic inequality can increase risk-taking in pursuit of pleasure even in non-economic domains. For example, they found evidence that higher economic inequality at the state level was associated with people in those states spending more time pursuing pleasure. Using data from the annual American Time Use Survey, they found, as predicted, that people living in US states with higher inequality (higher Gini coefficients averaged across 2006–2015) reported spending more time in a typical day seeking out pleasurable experiences. Specifically, they used the category of activities covering leisure and sports which included ‘socializing and communicating,’ ‘relaxing and thinking,’ ‘watching television,’ ‘reading,’ ‘playing games,’ ‘computer and internet use for leisure,’ ‘participating in sports, exercise, and recreation,’ ‘other leisure and sports activities,’ and ‘travel related to leisure and sports activities.’ The experiments they carried out supported that survey finding and also provided evidence that the relationship between inequality and risk-taking in pursuit of pleasurable experiences was moderated by upward social comparisons.⁴⁶

Narcissism, Self-Enhancement, and Competitiveness

The attraction of high-status goods, immediate pleasures, and high-risk choices may suggest that economic inequality can lead to something other than just a narrowing of perspective on our lives. Perhaps there is another way of responding to witnessing some around us doing so much better than others. In a 2017 paper, Wilkinson and Pickett wrote:

If we are particularly sensitive to social evaluative threat, what is the effect of living in a society in which levels of threat are raised? We hypothesise that there are two contrasting responses. One is to be overcome with feelings of inadequacy, self-doubt, low self-esteem and depression. The other is almost the opposite and involves forms of narcissism and self-enhancement that may or may not serve as covers for self-doubt.⁴⁷

They cited several relevant pieces of research. One was a study of 15 different countries from five continents showing that *self-enhancement*—seeing oneself as better than the average person—was strongly related to the Gini coefficient of income inequality. Self-enhancement was highest in very unequal countries like Peru, Venezuela, and South Africa and lowest in low-inequality Japan and Germany.

The link was stronger than that with cultural variables, such as a country's individualism versus collectivism, which have typically been used to explain the greater bias towards self-enhancement in some countries than in others. Self-enhancement was measured using a standard questionnaire asking participants to rate themselves on 20 desirable personality traits compared to what they believed was the average for their country.⁴⁸ Based on several sources, they also plotted a steep rise in scores on a Narcissistic Personality Inventory in samples of the US population between 1982 and 2006, a period when economic inequality was rising. *Narcissism* they saw as being 'part of the struggle for social survival against self-doubt and the sense of inferiority.' Another sign of the link between rising inequality and desire for status, they thought, was the changing attitudes and aspirations in the US. Comparing different generations at the same age, including Baby Boomers (born 1946–1961), Generation X'ers (born 1962–1981), and Millennials (born after 1982), one study had found that the perceived importance of money, image, and fame had grown, while that of self-acceptance, affiliation, and community had waned. Another reported that the prospect of making money had become a more important motive than gaining a greater understanding of ideas, or continuing education to college level.⁴⁹

Competitiveness was the focus of a strong set of studies carried out in the US and reported in the *European Journal of Social Psychology*. Their strength lay in the combination of a two-year longitudinal study involving over 1700 participants from more than 500 US counties (using the county-level household income Gini as the measure of inequality) and a carefully conducted series of experiments using an adapted version of the Bimboola paradigm, in which participants were assigned at random to one or other of two fictitious societies differing in the income gap between the rich and the poor and in the affordability of items like homes, cars, and holidays (see Table 4.1). In both types of study, higher income inequality predicted greater perceived competitiveness (assessed with items such as 'In my town/city, it seems that people are competing with each other' 1 = *not at all*, 7 = *completely*). In the surveys, inequality predicted competitiveness two years later, but not the other way round, and in the experiments, those in the high-inequality condition thought Bimboola was more competitive.⁵⁰

Economic inequality might not be good for the future of gender equality either. One suggestion is that the increased competitiveness and status-seeking associated with economic inequality shows itself in the form of risky status protection in men and status signalling among women. For men, inequality may lead to status being threatened, which can foster increased violence, as well as the kinds of risk-taking behaviours we discussed earlier. For women, a combination of economic and gender inequality may encourage a focus on physical attractiveness as a valuable re-

source, leading to greater self-sexualisation, demonstrated in increased rates of posting ‘sexy selfies,’ and spending more money in beauty salons and women’s clothing stores—the so-called lipstick effect, referring to the surprising growth of beauty products at times of economic recession when consumer spending generally is declining.⁵¹

Adding Complexity: Who Is Most Affected by Economic Inequality and Why?

A further unique element in the studies reported in the *European Journal of Social Psychology* was the successful testing of a hypothesis about when and why competitiveness might be related to poor psychological well-being (measured using the well-known 4-item Beck hopelessness scale). Both the surveys and experiments supported the idea that income inequality negatively impacted well-being via the effect of perceived competitiveness on what they termed ‘avoidance motivation.’ They defined the latter as the adoption of ‘perceptual vigilance with regard to undesirable possibilities and potential punishments.’ It was assessed using nine items, such as ‘I frequently think about how I can prevent failures in my life’ (1 = *not true of me*; 7 = *completely true of me*). The report’s authors argued for an Opposing Processes Hypothesis whereby income inequality *only* affected well-being negatively if the perceived competitiveness it induced was reacted to negatively, with increased avoidance motivation. What they expected, and found evidence for in both the surveys and experiments, was that increased competitiveness predicted *not only* avoidance motivation but *also* ‘approach motivation,’ assessed using nine items, such as ‘I often think about how I will achieve success.’ Competitiveness had two, opposite, consequences. When it led to positive approach motivation, the effect of income inequality, either through living in a relatively unequal county or induced by an experimental manipulation, showed a *positive* effect on psychological health. On the other hand, when it led to negative, avoidance motivation, the effect on health was actually *negative*. There was no overall, direct effect of inequality on health.⁵²

These findings imply that economic inequality need not lead to poor health and well-being. The authors suggest that, instead of continuing to look for main effects of income inequality on psychological health, research should shift towards studying the conditions and psychological processes involved in the inequality–health relationship. Indeed, they claim that previous research has not consistently shown that economic inequality is associated with poor health. One review published in *The Lancet* had concluded that overall income inequality did affect mental health

negatively but the effect sizes were small and there was much heterogeneity amongst the 27 studies reviewed.⁵³ Another review, of 39 studies, had also found results to be very mixed; the pooled, overall association between income inequality and well-being was not statistically significantly greater than zero.⁵⁴

We need to be clear, however, that the *European Journal of Social Psychology* competitiveness study was a study of variation between individuals not between countries, states, regions, or counties. The units in the statistical calculations carried out were individual people, not socio-political entities like the UK in the financial year 2023–2024, for example. We must constantly remind ourselves that we are principally interested in the latter. What Wilkinson and Pickett, and Marmot, and others, have been drawing attention to is how the distribution, relatively equal or unequal, of income and wealth in a society as a whole impacts upon the health and well-being of its inhabitants as a whole. It should not be assumed that relationships at the socio-political system level necessarily translate into similar or equally strong relationships at the level of individuals or households within a system. To assume so is usually referred to as *the ecological fallacy*. How individuals perceive, experience, and react to the economic inequality in their societies, though of great importance psychologically, is something else. System-level economic inequality does not itself tell us how individuals experience it.

The study of competitiveness supports one potentially useful idea about how individuals react to the inequality they see. It may make all the difference to health and well-being depending on whether it evokes greater anxiety, heightened vigilance and rumination regarding potential threats, and self-protective actions focused on survival, or, alternatively, feelings of challenge, eagerness to engage in tasks, opportunity, vigilance regarding desirable possibilities and potential rewards, and exploratory behaviour focused on thriving.

A different suggestion was that there might be two psychological mechanisms which could explain how the perception of economic inequality affects individuals' well-being: (1) perceived anger towards inequality and (2) economic vulnerability. Those were the hypotheses tested by a group at the Department of Psychology at the University of Milano-Bicocca, Milan. In recent years economic inequality has been high in Italy compared to most other Western European countries, but there are notable regional differences. The household income Gini index is considerably higher in the south and in the islands of Sardinia and Sicily, compared to the centre and north. The Milan group tested their ideas with a representative Italian sample from five Italian regions. They used a two-fold measure of perceived inequality: seven items, e.g. 'In Italy there are a few very rich people and many very poor people' (*strongly disagree* to *strongly agree*) and a measure of perceived wage inequality requiring participants to estimate the average monthly salaries of the

highest-ranking employee and the lowest-ranking employee in a typical Italian company. Perceived economic inequality correlated with poorer subjective well-being at both the cognitive level (e.g. 'I am satisfied with my life,' *strongly disagree* to *strongly agree*) and the emotional (e.g. 'I felt cheerful, light-hearted during the past month,' *never* to *all the time*). Results supported their notions that the link between perceived economic inequality and both facets of psychological well-being could at least in part be explained by the feelings of anger which inequality evoked and people's economic vulnerability. Anger was measured with a single item, 'When you think about economic inequality in Italy, to what extent do you feel angry?' (*not at all* to *very much*) and individuals' economic vulnerability with five items, e.g. 'How likely do you think that in 1 or 2 years you will not be able to pay the bills?' (*very unlikely* to *very likely*).⁵⁵

Yet another study tested the theory that higher income inequality leads people to be more concerned about their socio-economic status relative to others, but that this could have one or other of two contradictory effects. Two experiments were carried out involving over a thousand Spanish university students. Perceived economic inequality was manipulated by presenting fictitious information suggesting that the inequality of incomes of graduates from their universities was either high (top third's mean monthly income €3800, bottom third €700), medium, or low (top third €1800, bottom third €1200). Status anxiety was assessed by asking for responses to five statements (e.g. 'I worry that my social status will not change after college' and 'Sometimes I worry that I may become lower in social standing after college'). The expected effect of anticipated economic inequality on status anxiety was confirmed but the results were not straightforward. Anticipated economic inequality also decreased both expected upward and downward mobility after graduating (e.g. 'How probable do you consider you will climb up/fall down to the first/last group of graduates with the highest /lowest incomes?' rated from 1 to 7) and those expectations were crucial. The effect of anticipated economic inequality on status anxiety was only found when students expected less *upward* mobility. When they expected less *downward* mobility, the opposite effect was found, status anxiety becoming less with higher anticipated economic inequality. The suggestion was that estimates of one's future prospects might affect anxiety about status in contradictory ways: suppressing the negative effect of inequality if one feels reassured that moving down the socio-economic ladder is less likely than had been thought, but exacerbating it if one came to believe moving up was less likely than previously anticipated.⁵⁶

Finally, there is evidence from human experiments and animal studies that social inequality can, under certain circumstances, be as stressful for those who are objectively privileged as for those who are deprived. The particular circumstances

when that is the case are thought to be those when the privileged—whether those assigned managerial roles in experiments, men discussing gender roles, or high-status male baboons—find their higher status threatened. The relevant studies included physiological measures of stress such as blood cortisol levels or blood pressure. The specific suggestion is that when conditions of inequality are believed to be stable, it is the disadvantaged who compare themselves with those above them. When status is threatened, on the other hand, the relatively high status become more dissatisfied and start making downward comparisons. Under threat, the higher-status groups show more prejudice towards the less privileged and start to close ranks against those who might aspire to join them.⁵⁷

Chapter Summary

Wilkinson and Pickett's 2009 *The Spirit Level* alerted us to an impressive volume of work demonstrating that greater economic inequality at the country level, and state level in the US, is associated with a higher prevalence of a range of health, educational, and social problems, affecting citizens right across the socio-economic spectrum. The relationship only pertains in those countries which have reached such a level of economic prosperity that its distribution among the population is now more important than the country's or state's overall level of income or wealth. That body of work dovetails with the tradition, particularly strong in the UK and dating back to the 1980s, of research demonstrating social class gradients for much the same problems, especially health problems, which are associated with economic inequality.

The leading theory for explaining the economic inequality–problems relationship is social evaluative threat theory: that inequality causes problems via an increase in the salience of differences in socio-economic status, heightening people's social evaluation anxieties, and encouraging the making of upward social comparisons. The effects include social identity threat in educational settings, increased feelings of shame and inferiority, and reduced trust in others generally.

Variants of that theory have been taken up in social psychology and have been tested using a rich combination of research methods including: use of large existing data sets, bespoke surveys of samples recruited at levels varying from county to international, studies of how online search terms are being used, and inventive experiments asking for responses to fictitious communities varying in levels of economic inequality. This is a fast-developing area of research and there is no shortage of psychological ideas about exactly when and how economic inequality impacts our personal lives. In Fig. 4.2 I have summarised some of those ideas covered in

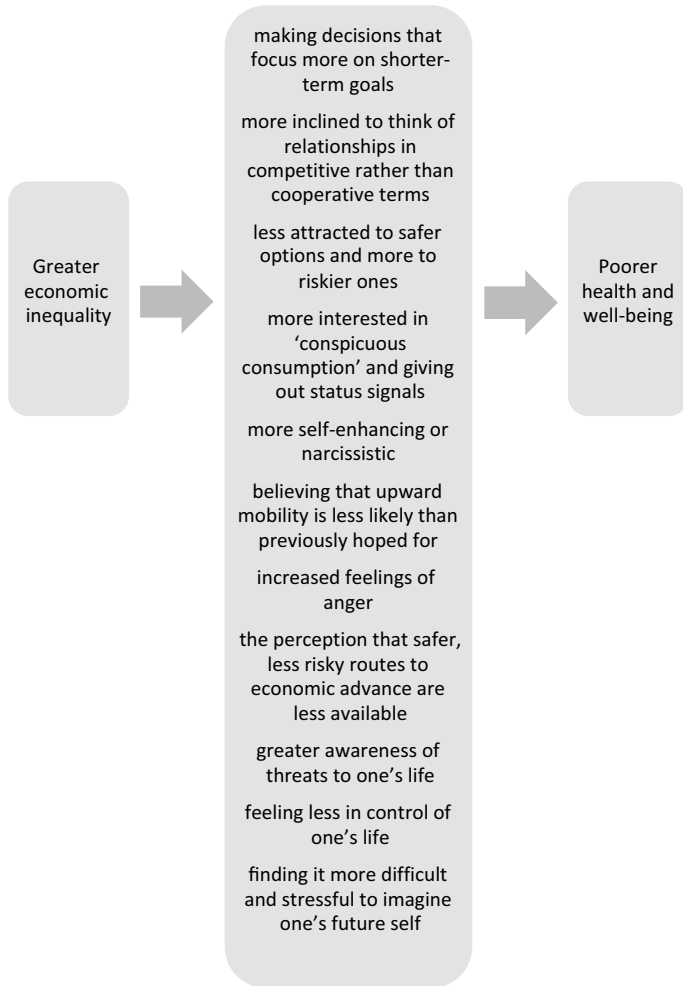


Fig. 4.2 How higher economic inequality may be resulting in poorer health and well-being: leading hypotheses currently being researched

this chapter that have grabbed my attention as likely contenders for helping us understand how it is that economic inequality wreaks its havoc on our personal well-being, the processes—intervening variables in statistical terms—that may mediate the relationship between economic inequality and its negative personal effects.

This has led to more nuanced ideas about the apparently contradictory effects of economic inequality on individual people, depending on their circumstances and how they have reacted to it. Might, for example, the effects be less negative, even positive, if one makes reassuring downward social comparisons rather than depressing upward comparisons; or if the competitiveness that inequality induces translates into success-focused ‘approach motivation’ rather than failure-focused, ‘avoidance motivation’? Or is it simply one’s relative material status that matters more, with the effects of inequality dependent most on a person’s or household’s economic vulnerability?

Many of the psychological studies I have considered are about individuals and how they react to economic inequality. People react differently; some may benefit psychologically from it. But that should not detract from the general finding that large differences in incomes and in wealth are bad for our collective health, education, and well-being as a nation or a state. Therein may lie yet another reason why we are not facing up to the damagingly high levels of economic inequality we are living with: as individuals and households, we are not all affected equally. There may be damage to the nation’s mental health, for example, and that of many will be harmed as individuals. But there may be some fortunate enough to find inequality stimulating rather than threatening to their status.

That is, no doubt, highly significant. Even if we could see economic inequality clearly for what it is, we are not, as individuals and householders, equally disadvantaged by it. We are *not* all in the same boat, however much some politicians might have it otherwise. To obfuscation and diversion, identified in earlier chapters as sources of our confusion about economic inequality, we can now add a third source, DIVISION. Most of us are psychologically hurt by high economic inequality, but not all are so affected. We are divided. Hence, speaking out with one voice is inhibited.

We must not lose sight, however, of the fact that this chapter has principally been about how economic inequality impacts citizens in aggregate; for example the sum total of individual cases of depression in the UK population. In the next chapter, we shall be looking at how economic inequality harms us, not just as a collection of individuals, but as a total society; for example how it might reduce our belief in democracy. The true cost of high economic inequality must take account of both the sum of individual harm and collective harm.

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10. See also Dorling, D. (2017). *The Equality Effect: Improving Life for Everyone*, Oxford: New Internationalist Publications, figures 4.13 and 4.14, 154–5, citing data from the Programme for International Student Assessment (PISA): already by age 15, young people in high-inequality countries like the US and Israel were performing relatively poorly in mathematics, according to data for 2004 to 2013, and for young adults up to age 24, the relationship with countries' equality and mobility was even clearer, with the Netherlands, Japan, and Sweden best, and the US worst followed by Italy, UK, and Spain.
11. Finland, one of the most equal of all rich countries, but which, according to the UN, had a particularly high rate of gun ownership, bucked the trend by having a homicide rate more typical of the most unequal rich countries; the same was true for Alaska among US states.
12. Wilkinson and Pickett, 2010, op.cit., Figures 2.2 and 13.1, 20, 174.
13. Wilkinson and Pickett, 2010, op.cit., 175: suicide rates is a negative case that underlines the point: it was the only social problem they looked at which did not correlate with inequality, but nor at that time did it show a class gradient in many countries, only emerging later in Britain, for example.
14. Wilkinson and Pickett, 2010, op.cit., 109, 180.
15. Wilkinson and Pickett, 2010, op.cit., 179, 182.

16. Wilkinson and Pickett, 2010, op.cit., 90–94; and see more recent studies confirming these social gradients, e.g. for childhood excess weight and obesity, starting from ages three and five according to Fitzsimons, E., Children of the new century, *The Psychologist*, October 2023, 16–19, citing Millennium Cohort Study findings in Britain; and for overweight and obesity among French women, Saurel-Cubizolles, M-J., Azria, E., Blondel, B., and Regnault, N. (2022). Exploring the socioeconomic disparities of maternal body mass index: a national study in France, *European Journal of Public Health*, 32, 528–534.
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Why It Matters for Collective Well-Being

5

Abstract

The evidence is accumulating in support of the thesis that inequality is harmful, not just for individuals who live in unequal societies, but for the very fabric of the society itself. This chapter explores the idea that a high level of income and wealth inequality is exacting a high price for us collectively. Theoretical ideas covered are that economic inequality erodes generalised trust in others, makes for difficulties in relationships at work and at school, and makes us more individualistic, harder, hostile, and more ready to see threats and conspiracies. A relatively new area of research concerns our relationship with the environment. There are strong grounds for believing that high levels of economic inequality foster antagonisms between groups of citizens and undermine societal cohesion. Theory and research suggest that economic inequality may stifle trust in the political process, diminish civic participation, and thus be bad for democracy. It may be a factor promoting civil unrest and political violence. The chapter will conclude by considering a case of a different order that can be made against high economic inequality, a moral case, based on the argument that it is contrary to our sense of fairness and justice.

Keywords

Income inequality · Wealth inequality · Generalised trust · Conspiracy beliefs · Societal cohesion · Civic participation · Democracy · Civil unrest · Fairness

Ill fares the land, to hastening ills a prey,
Where wealth accumulates, and men decay, Oliver Goldsmith 1728–1774¹

... the growing and ... pessimistic majority who now see life as a zero-sum game ... a mindset that, recognising the economic pie is not growing, leads people to an erroneous conclusion: “I will only do well if someone else does badly.” Once embraced, this view is hard to shake, Gordon Brown, 2004, UK Prime Minister 2007–2010²

The case that a society’s economic inequality is associated with poorer health and well-being for individuals is a strong one, as we saw in Chap. 4, and there are good reasons to believe inequality is a causative factor, and plenty of creative ideas about how and why. But the case against economic inequality goes further. The evidence is accumulating in support of the thesis that inequality is harmful, not just for individuals who live in unequal societies, but for the very fabric of the society itself.

Some of the things we have already heard about in the previous chapter sound as if they would be bad for society in general. A society with a heightened prevalence of depression, obesity, and addiction, poorer educational performance, and higher teenage pregnancy and homicide rates is an unhealthy society. One composed of people increasingly preoccupied with their social status, and more inclined towards competitiveness, self-enhancement, and narcissism, doesn’t sound like a healthy society either. In this chapter I shall be exploring further the alarming idea that the high level of income and wealth inequality we now live with is exacting a high price for us collectively.

Economic Inequality Changes Human Relationships for the Worse

Inequality Erodes Trust in Others

Most people would probably agree that a happy well-functioning society rests on our being able to trust the large majority of the other people we need to interact with in daily life. General trust in others has been the subject of study for a long time. It is one of the main indicators of what came to be called ‘social capital,’ a concept that one enthusiastic advocate of its use described as ‘... the most important and exciting concept to emerge out of the social sciences in fifty years.’³ Others have criticised the idea for being woolly and difficult to pin down, because of the exaggerated claims made for it, and for its employment of a concept borrowed from economics, implying a social asset much like economic ones. In practice it has more often been employed at local, neighbourhood, or community levels than

at the national and international levels that figure mostly in work on economic inequality. Most researchers and theorists of trust have distinguished between trust in local social networks and more generalised trust. It is the latter which relates more clearly to economic inequality. It is captured by asking for disagreement or agreement with statements such as ‘People are generally dishonest and selfish and they want to take advantage of others’ or simply ‘In general most people can be trusted’.⁴

Disagreeing with the latter statement was one of the indicators of social problems which Wilkinson and Pickett looked at in *The Spirit Level*. Using country by country data from the European and World Values Survey and data from 41 of the US states thanks to the federal government’s General Social Survey, the familiar pattern emerged. The proportions of people agreeing that most people could be trusted were higher, 60 per cent or more, in the more equal countries, and lower, 25 per cent or less, in the less equal ones, although the US came out somewhat better than expected and Portugal and Singapore particularly badly. The same general pattern was true for the US states. They were able to cite an interesting piece of research from the US which plotted trust decreasing steadily in the US from a high of 50–60 per cent in the 1960s to below 40 per cent in the 1990s, the same period during which income inequality gradually increased.⁵ Since then general trust in others has fallen further in the US to just over 30 per cent in the years 2014–2018.⁶ What best explains these various findings, in Wilkinson and Pickett’s view, is that economic inequality erodes social cohesion, more specifically that it shifts the balance between our innate tendencies towards cooperating with and competing with others. It inhibits the socially best in us and brings out our negative social sides.⁷

These findings, suggesting that higher economic inequality erodes our general sense that others around us are to be trusted, are in keeping with the evidence that in more unequal societies one finds more property crime and a higher proportion of ‘guard’ labour in the workforce, for example more police and prison officers, and security staff.⁸ Are we witnessing a spiralling effect involving greater inequality leading to more crime, and fear of crime, along with declining trust in other people reflected, for example, in greater efforts being made to protect oneself and one’s assets? Is this just the public expression of something more subtle, private, but fundamental, happening to the ways we construe human relationships and interact with others, under conditions of high economic inequality?

Although, as we saw in Chap. 3, social class or socio-economic status is not the same as economic inequality—class is a positional variable, not a distributional variable—when it comes to generalised trust in others, class has often been the focus. Some believe it is the more important factor. One longitudinal study carried out in both the US and UK found that a fall in someone’s social status was associ-

ated with a decline in generalised social trust at a later time. The authors of that study preferred the explanation that members of low-status groups face long-term threats to their social value. Such threats lead to feelings of psychological defensiveness, which in turn can lead to social distrust.⁹ Another study started from the observation that, while there was academic consensus that trust is weaker among those in lower social class categories *and* in unequal regions or countries, existing studies had been inconsistent and were limited due to the small numbers of regions and countries sampled. Using two large nationally representative data sets from the US and from South Korea and a very large repeated cross-national data set encompassing more than 500,000 participants from more than 1500 regions or countries, they found that social class—both subjective and objective social class, the latter combining education and income—was repeatedly found to be related to general trust, while the effects of economic inequality were not significant.¹⁰

Economic Inequality Makes Us More Individualistic, More Competitive, Harder, More Ready to See Threats

The erosion of general trust in others may sound a bit abstract, difficult to grasp perhaps. What does it mean for the reality of people's lives? Other psychological research, much of it experimental, has looked more closely at how economic inequality might be affecting social relationships, including relationships in the workplace. One angle on the question of the link between economic inequality and people's general beliefs about how we interact with others focuses on beliefs in *individualism* versus *collectivism*. The latter is a much-studied variable in cross-cultural psychology. In three experiments, the undergraduate student participants were more likely to construe a high-inequality fictional society (the Bimboola paradigm was used; see Table 4.1 in Chap. 4) as one where the norms were more individualistic and where there was more competition and less cooperation between people. Breaking individualism down into several distinct facets, it was found that those assigned to the high economic inequality condition were more likely to infer that people were cautious about engaging in relationships (e.g. 'Most people carefully calculate costs and benefits of their relationships with other people' versus 'Most people focus on their relationship with other people without caring about associated costs and benefits'), whereas those in the low economic inequality condition inferred that people were more open socially, more 'interdependent'.¹¹

A group of psychologists at Beijing Normal University found something very similar in a series of ingenious experiments designed to induce an expectation of

inequality and an atmosphere of competition in a workplace-like setting. The basic experimental design was as follows:

Participants read a story about Wang Hua who was up for promotion at the accounting company he worked for, where he currently earned a middle-level salary. In the high inequality experimental condition, the gap between higher and lower level salaries was five times larger than in the other, low inequality condition. Wang Hua was up against an equally highly rated colleague who had offered to informally check over some technical parts of a key project Wang Hua had been working on. Participants were asked two questions: “How likely do you think it is that the colleague will secretly sabotage Wang Hua’s project?” and “How likely do you think it is that the colleague will undermine Wang Hua’s project?” (each answered on a 7-point scale). The two ratings combined were taken as a measure of hostility and threat from other people, or what was termed *social vigilance*.

The results supported the hypothesis that perceived economic inequality increases social vigilance. Their theory, the reader may recall (see Chap. 4), was that economic inequality induces the perception of competitive norms and raises our ‘threat detection system,’ a form of mental ‘vigilance,’ preparing us to cope with potential harm from others.¹²

We have already seen in previous chapters what a pivotal role education plays in social mobility and the close links between educational opportunity, inequality, and social class differences. We saw the suggestion that young people from a lower social class background experience *social identity threat* and cultural clash when it comes to education, believing that ‘people like us’ are not academic and are not the types who do well at school or who go on to university. We came across the same suggestion in relation to getting in to, and progressing once in, elite occupations. The further suggestion here is that this is socially divisive. Whether owing to parents being more inclined to buy privilege for their offspring at private schools in the UK or at elite universities in the US or because young people feel relatively comfortable or out of place in various educational establishments, or later in different kinds of employment, the suggestion is that greater inequality in education and the workplace leads to the erosion of solidarity.¹³

Boyka Bratanova and colleagues draw on a wide body of evidence of different kinds to support their contention that, ‘Once in place, inequality seems to deeply affect the human psyche, trapping people in a harmful cycle of competitive ego-centrism, social vigilance, and self-consciousness.’ This is to be seen in work organisations, a key arena where structural inequalities are to be found. They point to evidence that in occupations with greater pay inequality, status-seeking is greater, leading to longer working hours and greater stress. Highly unequal pay environments, where employees are rewarded according to rank and large compensations

are awarded to those of highest rank, have been called ‘tournament incentive systems,’ in which ‘contestants’ compete for ‘prizes.’ Such an atmosphere encourages more risky behaviour and unethical behaviours including workplace bullying. Perceiving one’s work environment as competitive rather than one of sharing decreases mutual helping behaviours and leads to poorer employee health.¹⁴

One experimental study assigned the participants, who were students at the University of Geneva, to conditions varying in terms of income inequality, as follows:

In one condition, participants were given to understand that managers in the fictitious organisation earned 50 times more than employees in non-managerial positions, while the ratio in a lower inequality condition was a mere five times more, and in the perfect equality condition all employees earned the same. Drawing on the theory of social perception, the test was what employee relationships were thought to be like in those differing organisations. To be specific, participants were asked to imagine how a middle-status employee would typically behave towards others in terms of two key social perception traits: agency (e.g., “dominant,” “courageous”) and communion (e.g., “warm,” “sensitive”) (these have sometimes been referred to as masculine and feminine, or as instrumental and expressive, or as competence and warmth).

Participants attributed more agency than communion to the middle-status employee in the high-inequality condition, and more communion than agency under the economic equality condition. Analysis showed this effect to be mediated by perceptions of how competitive relationships were thought likely to be in the organisation.¹⁵ Perhaps a ‘hardening’ of relationships might be one way of summarising a subtle organisational shift from warmth towards dominance.

Based on a modern understanding of leadership, Peters and colleagues argue that high CEO pay is likely to interfere with their ability to create a shared sense of ‘us,’ a shared social identity with their workforce, and hence their ability to lead. Greater pay disparity, especially when a CEO’s pay is more contingent on company performance than is workers’ pay, puts at risk a sense of common fate, of being valued, of fairness, and of identifying with the CEO and the perception of a CEO’s effectiveness. Much the same is true of sports teams, and I might add of universities. Interestingly, though, one study of more than 50,000 people in 16 higher-income countries found evidence for a widespread view that CEOs *should* be paid more than the average worker. But, while the *ideal* CEO/worker pay ratio averaged 4.6 to 1, that ratio was less than half the average *estimate* of the actual existing ratio, and only one twentieth of the *actual* existing ratio¹⁶! One study, confined to the US, produced ratios of 7 to 1 ideal CEO-worker gap, and an estimated actual of 30 to 1, again far below the actual gap.¹⁷

Our Relationship With the Environment

What is more, it looks as if, in conditions of higher economic inequality, it is not just that we are not so good at looking after each other, we are not so good at looking after the environment either. Wilkinson and Pickett in *The Spirit Level* looked at many social issues but not many environmental ones, although in their later 2018 book they do refer to business leaders rating environmental agreements as less important, and a lower proportion of waste materials being recycled, where inequality is greater.¹⁸ Daniel Dorling makes more of this. In more equal countries, he suggests, public provision of goods is more favoured. Greater use of public transport is an example; for one thing there is less flying because there are comparatively few very rich people who can afford it. Clothing is less likely to be designed not to last and less is thrown away. The percentage of the population walking or cycling to work as the main form of transport varies, he told us, from about five per cent in the US to 50 per cent in the Netherlands, with the UK at about half that figure. Meat eating varies from about 120 kg per capita per year in unequal US to about 50 kg in Japan, with the UK and other Western European countries at about 80 kg. It is not clear why there is this link and there are countries that buck the general trend—Aotearoa/New Zealand and Australia are high-meat-consuming outliers and Singapore a low-meat-eating outlier—although Dorling claims the graphs he shows would look even more convincing if the US was split into the 50 separate states. UN data shows something similar for water consumption, which varied from around 225 cubic meters per capita per year in Singapore and the US to about 60 in Denmark, Belgium, and Germany (in this case the UK was a low-water-using outlier at around 100, and Norway an outlier the other way at about 180). A plot of annual municipal waste collection by inequality finds the US at one end at around 700 kg per capita, and Japan and South Korea at about 350 kg at the other, but again there are those that are higher than their inequality would predict if the relationship was a perfect one (Denmark and Switzerland high waste, the UK a lowish outlier). CO₂ emissions also show a relationship with income inequality: the US at about 17 metric tonnes per capita, with France, Switzerland, and Sweden at less than a third of that figure (once again there are outliers: Australia which mines and burns a lot of coal is a high outlier, the UK low because of access to North Sea natural gas). Motor fuel in barrels per year per capita varied in 2013 from 10 in the US and eight and a half in Canada to about one in France and Italy and just under three in Japan, with UK a low outlier at just under two.¹⁹

Dorling favours an explanation of such findings in terms of the greater individuality, lack of respect for others, and selfishness in the more unequal richer nations, along with wastefulness, a throw-away culture, keeping up with peers, status

symbols, and advertising. He acknowledges that the link between inequality and the environment is a very new area of research, that data quality is questionable in places, and that much more work is needed. Oxfam in a 2015 report also concluded that excess consumption in affluent countries was driven by economic inequality because the better-off in more unequal countries wasted more energy, unnecessarily heating homes more, drove more in high-fuel-consuming cars, took more flights, and needed more cement for their larger buildings. Their 2016 report looked within countries and found the greatest polluters of all were the more affluent 10 per cent in the US, emitting on average 50 tonnes of CO₂ per year, largely through their use of cars, planes, and sometimes yachts. The top 10 per cent in Canada came next at nearly 30, the UK elite at nearly 25, then the Russian and South African at about 20.²⁰

Inequality Stifles Political Trust and Participation

Nor is it beyond belief that economic inequality could be bad for democracy. In *The Crisis of Democratic Capitalism*, Martin Wolf places much of the blame for the ‘rise of demagogic nationalism and authoritarianism in high-income democracies – the core of today’s political crisis’ on the huge increases experienced in inequality which have eroded people’s feeling that they are part of ‘a shared political project – a democracy’ and the ‘contempt of elites towards ordinary people, who increasingly feel humiliated.’ The popularity of Trump in the US, the Brexit vote in the UK, and the rise of populist politicians in other European countries are indicators of this in his view. The traditional parties of the left had been deserted by much of the working class who viewed them now as dominated by ‘graduates, academics, public sector workers, journalists and creative workers, the young and ethnic minorities’.²¹

The possibility that inequality interferes with the sense of trust in the political process and diminishes willingness to participate as citizens is another topic that has excited debate and research. It is a complex area and clear conclusions are difficult to reach. But it does seem to be well established that economic inequality is something that plays a part in political trust and participation and that the part it plays is overall not a benign one.²² Although findings are not totally consistent, there is evidence that high levels of income inequality can erode people’s beliefs in their ‘political efficacy,’ their ability to effectively participate in politics. Across 20 European countries, higher levels of objective income inequality predicted lower trust in, and satisfaction with, political institutions.²³ Thus, in the very context in

which redistribution is needed, people may be least likely to trust the government to do that job, which in turn can lead to a cycle of even greater inequality and further mistrust.

There has been work on this around the world. One study was unique both in its location and in its focus on inequality of land ownership, a form of economic inequality we touched on briefly in Chap. 2. The study explored the relationship between inequality in land holdings and participation in community assemblies in certain rural Mexican villages, taking advantage of variation in inequality due to historic and legal restrictions on the subdivision and sale of parcels of land (*ejidos*) established after the Mexican revolution of 1910. The findings showed that, at an aggregate level, there was less community participation in those villages with the greater inequality in land holdings. Individuals with larger land holdings were more likely to participate and that was more the case the greater the inequality. This had implications for the allocation of public funds. Where inequality was lower and participation higher, there was greater investment in public goods, and, if anything, it was those with smaller land holdings who were more likely to attend meetings, and the more likely to receive government benefits and subsidies.²⁴ In view of the evidence that most people have an inaccurate idea of how unequally incomes and wealth are distributed (see Chap. 6 for more on that), some have preferred to use a subjective measure of perceived distributive fairness. One study, for example, using data from the fourth wave of the Asian Barometer Survey, covering 14 East Asian countries, found the perception that income distribution was unfair to be associated with low political efficacy.²⁵

Nearer to home for me, a Belgian team, using data from the European Social Survey between 2002 and 2016 which included participants from 32 countries, challenged any simple explanation for why inequality might lead to lowered trust in politics and politicians. They confirmed that when societies were more unequal (using the Gini coefficient and several ratios such as P90/P10, P90/P50, and P50/P10; see Chap. 2), political trust was indeed lower. But, while a materialist explanation would lead to the expectation that it would be those relatively lacking in privilege whose trust in the political process would be affected most and hence socio-economic status (SES) differences in trust would grow, the opposite was found. Although lower SES (based on income level, education, and employment status) was, as expected, associated with lower levels of political trust, the gap in trust displayed by those of higher and lower SES was actually *smaller* in countries with higher levels of inequality. It appeared that when inequality grew, *all* citizens, particularly the better-off, become more sceptical about politics. The authors favoured a moral or social justice explanation. Even the privileged, they argue, including the well-off, act according to moral standards about acceptable levels of

inequality. The authors call this ‘The moral dimension’ after Amitai Etzioni’s book of that title. Or at least, the relatively privileged may have a more nuanced, less simply materialistic understanding of where their interests as citizens lie, appreciating that economic inequality may have a harmful impact on their society as a whole and hence on their own living conditions.²⁶

Another study demonstrated that, among 24 European countries, civic participation—belonging to groups, clubs, or organisations, including recreational, political, charitable, religious, or professional groups—was significantly lower in countries with higher Gini income inequality scores, like Lithuania, Poland, Hungary, Latvia, and Portugal, and highest in the most equal, such as the Netherlands, Iceland, Finland, and Sweden. The UK was a bit of an outlier, showing a relative high level of civic participation considering its relatively high level of inequality.²⁷

Another group of psychologists, at Beijing Normal University, tested the idea that economic inequality breeds corruption. Analyses of data from the US covering a 45-year period found that there were more crimes of corruption in years and states with greater economic inequality. Experiments using economic games, carried out in both China and the US, supported that thesis. The effect was mediated by increased desire for wealth and the perception of reduced fairness. The suggested conclusion was that greater economic inequality creates a competitive, self-centred environment, facilitating the conditions in which corruption thrives.²⁸

Conspiracy Beliefs

One line of relevant research focuses on what it terms ‘conspiracy beliefs.’ By that is meant, not just disagreement with what government is doing, but a belief that government, the political class, or the political system in general is operating egregiously in a way contrary to the interests of the public. To give examples of items used in two research programmes: ‘politicians aim to maintain their power and pursue their interests even when this deliberately harms the rest of the population’ and ‘opposition candidates are prevented from running, TV news favours the governing party, voters are bribed, voters are threatened with violence at the polls’.²⁹

One programme of studies was especially notable for the range of methods it included: economic inequality was assessed objectively at the country level, and subjectively, and was also experimentally manipulated. The results were consistent. Whichever way inequality was assessed, it was associated with conspiratorial thinking. Further analysis showed that the effect was mediated by the perception

that society was breaking down—a measure of *anomie* was used—which in turn increased conspiratorial beliefs, possibly, it was suggested, in an attempt to regain a feeling of order and control.³⁰ A subsequent experimental study using the Bimboola paradigm (see Table 4.1 in Chap. 4), with a large sample of women participants recruited via social media, found the high inequality condition to be associated with negative views about taxation in general—though, at the same time, with increased support for the idea that taxes should be progressive—and that this association was mediated by stronger conspiracy beliefs. It was possible that while the perception of economic inequality might be prompting a wish for more equal distribution via the tax system, it might also be encouraging conspiracy beliefs that could undermine support for taxation in general. That led the researchers to suggest that taxes needed to be clearly framed as progressive and redistributive. Otherwise, conspiracy beliefs could start to take hold and people might start to assume that taxes were an unjust burden and that the money raised would be wasted by an untrustworthy and corrupt elite.³¹

Others favour an alternative socio-economic explanation for the development of conspiracy beliefs based on the idea of economic precarity—the subjective experience of continuing insecurity due to material economic hardship—that we met in Chap. 3 when discussing poverty. The hypothesis that precarity could foster increased conspiracy beliefs was supported using data from over 20,000 participants in the World Value Survey. Results from representative poll samples in France and Italy confirmed the association between precarity and conspiracy beliefs, independently of factors such as income, social class, and educational level. Precarity was associated both with lower trust in authorities and stronger conspiracy beliefs. The implication, it was suggested, is that socio-economic precarity undermines trust in government and political ‘elites’ more generally, leading to events such as the UK’s 2016 Brexit referendum result and the Yellow Vests riots in France.³²

Civil Unrest and Political Violence

Jolanda Jetten and colleagues draw on social identity and self-categorisation theories to propose two hypotheses about the socio-political effects of economic inequality. One is that higher inequality makes group differences in terms of wealth a more salient aspect when thinking about how our group differs from other groups, a more important dimension for defining ‘us’ versus ‘them.’ The second is that such an effect on group categorisation makes it more likely that the wealth gap between groups will be perceived as illegitimate, and inequality as unfair, enhancing willingness to engage in collective action to redress inequality. Summarising

their own and others' research, they find supportive evidence in line with their hypotheses. Economic inequality, they conclude, does amplify the perception of group differences, leading to deteriorating relations between groups with differing wealth, encouraging greater inter-group competition and hostility. The danger, as they see it, is that this may fracture society into sub-groups, lowering identification with society as a whole, reducing social cohesion. Combined with evidence that economic inequality may have the effect of encouraging support for conspiracy theories and preference for a strong leader, they believe there are likely to be consequences for the very social and political vitality and sustainability of society.³³ There is indeed some evidence, from 2002–2014 data for 25 European countries, that a rise in inequality of incomes increases the probability of supporting a political party either of the extreme left or the extreme right.³⁴

The riots of summer 2011 in England and the Yellow Vests disturbances in France have been widely attributed to economic inequality. The English riots began in north London shortly after the fatal shooting by police of a local man of mixed heritage, spread to other areas of London, and then to over 50 different local authority areas across the country. They lasted for nearly a week, and involved an estimated 20,000 people, of whom more than 4000 were arrested. The government tried to attribute them to individual, 'mindless' criminality or outside interference. Another argument was that rioters' behaviour, such as the looting of fashionable footwear items, reflected a 'consumerist' motivation.³⁵

Despite media and political rhetoric to the contrary, there is certainly good evidence of an association between deprivation and those involved in the riots. One study which found such evidence concentrated on two major cities in the North-West of England, based on analysis of criminal charge and sentencing data.³⁶ Another looked at variations across 25,000 London neighbourhoods, using residential address data of arrested and charged rioters. It was found that they lived, disproportionately, in neighborhoods that were economically disadvantaged, where there were ethnic tensions (although participants were diverse in terms of ethnicity and did not discriminate in their targets), where there was a history of the police being seen as disrespectful, and where charitable organisations were few on the ground.³⁷ It has been suggested by some that anti-police sentiment, of which there was certainly much evidence, was a key driver of the rioting, or that feelings of alienation from authority more generally, or more specifically anti-corporate attitudes, were chief motivations. The desire to re-establish control over familiar, local spaces has been another suggested motivation.³⁸

The French Yellow Vests Movement was a more organised and persistent phenomenon. It was seen by Jetten and colleagues as a response to increasing levels of economic inequality, fuelled by factors such as the French President's perceived

support for the elites, heavy-handed police responding, and the long-standing and deeply held French tradition of valuing equality and recognising and being sensitive to inequality. The Movement could only be understood, think Jetten et al., in terms of group dynamics. That encompassed both *inter*-group processes (i.e. a growing gap between the 'haves' and 'have-nots') and *intra*-group processes in the form of a coming together of a broad and disparate group of all those perceiving themselves to be victims of inequality. Thus, a coalition existed of an in-group, a group of otherwise 'strange bedfellows,' who saw themselves as victims, in contrast to an out-group of the elite, the wealthy, and those not true to national values of equality.³⁹

When it comes to organised political violence, there is some evidence that there may be little relationship with measures of inequality based on the extent of income differences between individuals, but a clear relationship with measures of inequality between *groups*. There may be an important distinction to be drawn between judging that one is personally deprived relative to others and judging that a group one identifies with is deprived. Whereas there is much evidence that individual-based relative deprivation (IRD) is associated with a range of negative health indicators, group-based relative deprivation may be the better correlate of such outcomes as support for collective group action. Furthermore, their model of how inequality and the perception of deprivation works has important places for moderating factors such as the visibility of inequality—so, living in an individualistic culture that values competition, consumerism, and displays of wealth should increase the salience of social comparisons, whilst residential segregation should reduce it.⁴⁰

A somewhat different view is that, while the relationship between economic inequality and political violence can be understood on a between-individuals level, participation in violence specifically requires for its motivation the perception that one's economic status is projected to decrease. This explanation draws on prospect theory in behavioral economics which explains how we are more strongly motivated by anticipated losses than by hoped-for gains. It would follow that *changes* in economic circumstances would be key to understanding political violence.⁴¹

Although it is not something there is space to develop here, there is also suggestive evidence that more economically unequal countries are less peaceful and more likely to take up arms against others. In *The Spirit Level*, Wilkinson and Pickett referred to data, from Visions of Humanity in conjunction with the Economist Intelligence Unit, showing that more unequal countries score worse on a Global Peace Index which combines measures of militarisation with measures of security, human rights, and domestic and international conflict. Poorer communities may have been more affected by the conflict in Northern Ireland, with feelings of

inequality heightened in Loyalist communities since Brexit: ‘rising feelings of inequality can align people more closely with the group from which they derive security and safety.’ The peak in inequality in Europe immediately prior to the First World War and the sharp rises in inequality in Germany and Japan just before the Second World War are cases in support of the thesis that inequality can be a contributing factor leading to war.⁴²

Economic Inequality Is a Moral Issue

Before finishing this all too brief overview of the likely harmful effects of economic inequality, affecting both our personal health and well-being as individuals (Chap. 4) and our communities’ and societies’ collective well-being (the present chapter), we need to consider something that is perhaps even more fundamental. Inequality of any kind, including economic inequality which is our focus in this book, may matter most because it is contrary to our sense of fairness. It simply isn’t just; it is not fair. When all is said and done, we believe it is a moral issue.

Former journalist and *Observer* editor-in-chief Will Hutton gave voice to that belief in his 2010 book *Them and Us: Changing Britain – Why We Need a Fair Society*. We are passionate about the importance of fairness, he states confidently. What exactly we understand by fairness, however, is a question he admitted to having struggled with in writing his book. He ended up, he acknowledges, as the English pragmatist. His view of fairness, and he believes it is a view shared by most, is that what he calls ‘due desert’ is crucial. Not, that is, desert based on birth, accident, privilege, or power, but desert based on a person’s socially productive use of his or her own agency. Intentional, sustained effort is a central ingredient of actions that we believe are deserving of reward. But the rewards need to be deserved and proportionate. Not only were some of the higher financial rewards being garnered in early twenty-first-century Britain and the US not deserved, but the distribution of rewards was highly unfair. Even in the 1950s, John Spedan Lewis, founder of the employee-owned John Lewis partnership, was saying in a BBC broadcast: ‘Differences of reward must be large enough to induce people to do their best but the present differences are far too great. If we do not find some way of correcting that perversion of capitalism, our society will break down.’ He died in 1963. What he would have made of the colossal increase in income inequality since then, goodness knows. Going back further, to the pre-First World War era, the banker JP Morgan gave it as his opinion that his chief executives should be paid no more than 20 times the income of the lowest paid.⁴³

As we have just seen, the Yellow Vests Movement in France in recent years may have drawn strength from a deep national commitment to equality going back to the French Enlightenment and Revolution. Equality as a virtue is enshrined, too, in the US Declaration of Independence. Indeed, Daniel Dorling suggests that increasing equality, whether of gender, ethnicity, income, or wealth, is always a cause for celebration. That may not *always* be the case, as I intend to show in later chapters. But it would be hard to contradict him when he says, ‘nowhere are losses of equality listed as achievements’.⁴⁴

In community psychology—one of the areas of psychology with which I identify most closely—there is wide acceptance that social justice is, or at least should be, a central value underpinning our work. One guide has been the economist Amartya Sen. His book *Development as Freedom* (1999) was based on five lectures he gave as Presidential Fellow at the World Bank in 1996. The Bank had not always been his favourite organisation, he admitted. He was more interested in the basic human rights and freedoms that contributed to happiness and quality of life. Money and the GDP were not the end-all and be-all. Nor should the sum total of money or happiness be the aim; how they were distributed in the population was just as important. Distributive justice was central to Rawls’ influential theory of justice.⁴⁵ As Liam Byrne, Member of the UK Parliament representing a constituency in Birmingham, and former Cabinet Minister, reminds us, ideas about fairness and their importance for the stable functioning of a society go back to the Greeks and Romans. Aristotle, Plato, and Cicero each spoke of the need to equalise the rewards that go to different members of society despite the differing contributions they make and the differing monetary value of the things they produce. Aristotle called this ‘just reciprocation,’ and Cicero thought justice was achieved by giving ‘every man his desert while preserving the common advantage’.⁴⁶

Among related present-day ideas is that of ‘mattering.’ Among psychologists, Isaac Prilleltensky at the University of Miami is one who has written about the importance of social justice and mattering. The latter he defines as:

... an ideal state of affairs consisting of two complementary psychological experiences: feeling valued and adding value. Human beings can feel valued by, and add value to, self, others, work, and community. To make sure that the need for mattering is fulfilled, we must ... balance adding value to self with adding value to others. Unfortunately, the dominant neoliberal philosophy ... favors personal at the expense of relational and collective values ... result[ing] in diminished sense of mattering for millions of people To make sure that everyone matters, we must align the psychology, philosophy, and politics of mattering.⁴⁷

Others, writing in *The Journal of the American Academy of Arts and Sciences*, refer us to ample evidence of people's disapproval of high inequality, viewing it as unjust, and a violation of distributive justice and the principle of equity.⁴⁸ We saw earlier in this chapter that people in higher-income countries in general and in the US specifically would prefer their country to have much less inequality. They prefer narrower pay gaps between CEOs and workers and a reduced wealth gap in general.

An approach to morality which has become popular in psychology is Jonathan Haidt's typology of five 'moral foundations' or virtues. Andrew Franks at Central Michigan University has applied moral foundations theory to the study of economic inequality. One of the moral virtues is *fairness*—a desire to see justice. The theory sees it, like the other basic moral virtues, as foundational to how we view the world, what Haidt thought of as an intuition, something that was spontaneous to our thinking, not something we had to think too hard about—an example of what Kahneman called System 1 type thinking—pre-reflective, fast, effortless—in contrast to slower, thoughtful, System 2 thought, requiring reflection. In US politics, three of the five moral foundations he identified were each more important to Republican supporters: *in-group loyalty*, *respect for legitimate authority*, and *purity*. Fairness was one of the two of Haidt's moral foundations which were valued equally highly by US Democrats and Republicans (the other was *care*—protecting others from harm). In a series of studies, using the moral foundations questionnaire, it was found that endorsing the moral foundation of fairness consistently predicted a desire for less inequality, and willingness to donate more money to an organisation committed to reducing economic inequality, even after controlling for other factors including political orientation (perhaps more difficult to understand was the finding that endorsing purity also correlated with wishes regarding inequality but in the opposite direction).⁴⁹

An article in *Psychological Science* points out that we all, rich or poor, judge the levels of wealth of different groups in society against criteria which include both equality and *efficiency*. The latter refers to the extent to which economic activity produces a greater overall level of societal wealth. In mainstream economic theory, an increase in efficiency implies an increase in income for at least one person at no penalty to another: the Pareto optimality principle. Efficiency is reflected in a higher total or average level of wealth for the society. Increasing efficiency, often referred to as 'growth,' is generally welcomed. At the same time, other things being equal, people prefer egalitarian distributions. Hence, in general, people prefer their

societies' economic pies to be both big and cut into similarly sized slices, in other words, efficient *and* equal. The argument is that we are less bothered about inequality as efficiency rises. So long as people believe that society as a whole has become, or at least is becoming, wealthier, they will be more likely to perceive the status quo as fair, and be less inclined to support redistribution.⁵⁰ This takes us into the murky complexities of beliefs and counter-beliefs about the importance of income and wealth inequality. These are the topics, central to this book's purpose, which I shall attempt to deal with in the next two chapters.

Chapter Summary

In Fig. 5.1 I have tried to summarise the themes we have come across in this chapter. Although the ideas we have touched on may have been debated since Greek and Roman times, modern psychological research on the subject is relatively new and fast moving, a work in progress. Nevertheless, a convincing body of work already now exists which should give us all pause. The case can be made that higher levels of income and wealth inequality are harmful, not only to our individual health and well-being, but also to the very cohesion and stability of our societies. It may have been making us more competitive and less cooperative in our dealings with one another, in the workplace and elsewhere. We may now be more defensive, less trusting of others, more selfish even. We may be more inclined to believe that things are not fair. It may be eroding our sense of all being 'in one boat' together, enhancing feelings of 'us' and 'them.'

In a country like mine, which prides itself on being democratic, we should be considering the possibility that the high level of economic inequality we have been experiencing for several decades may even be a threat to our democracy. Alarm bells should be ringing. Perhaps most concerning of all, high economic inequality may have contributed to the growing distrust of politicians and the political process that we have been hearing about. At the very time in recent history when a fairer distribution is most needed, we may be least likely to trust our political leaders to do what is necessary. Herein may lie another reason why high economic inequality has become so embedded, why we are failing to confront and deal with it. High economic inequality has reduced belief in the capacity of politics and politicians to restore a fairer, more economically equal, society. Politics will be the focus of Chap. 9.

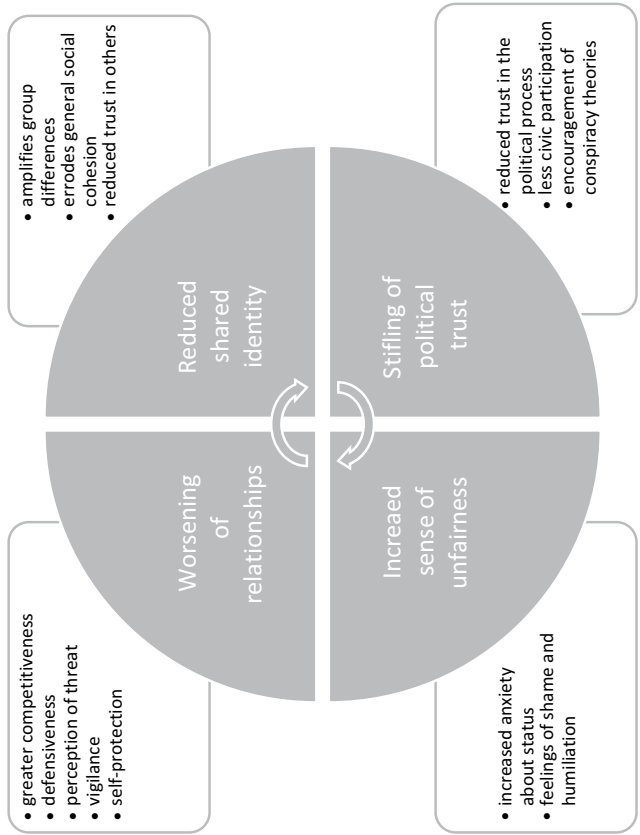


Fig. 5.1 A summary of current ideas about how high economic inequality is affecting collective well-being

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How We Justify High Economic Inequality: Lack of Awareness, System Justification, and Merit Beliefs

6

Abstract

This chapter begins by examining research showing that most people have an incorrect idea of how income and wealth are distributed, often under-estimating inequality, with judgements over-influenced by their local social environments. Perceived, rather than actual, inequality is more strongly associated with attitudes towards inequality and support for policies aimed at redistribution. The relevance of *system justification theory*, which proposes the existence of a basic motivation to justify and legitimise existing social, economic, and political systems, especially if aspects of the system have long been in place, is examined. Beliefs in merit, desert, individual autonomy, and personal responsibility are thought to play an important role in the justification of economic inequality. Meritocracy beliefs, for example, serve to cast responsibility for inequality onto individuals and away from structural causes. Belief in the possibility of socio-economic mobility also plays a role in the nexus of economic system justification. This is a relatively new, but active and lively area of psychology, a work in progress. There is already evidence enough, however, to add to the growing list of answers to the conundrum: How is it that economic inequality on such a scale is tolerated? To obfuscation, diversion, and division, we can add justificatory beliefs.

Keywords

Income inequality · Wealth inequality · System justification · Meritocracy · Social mobility · Redistribution

It is therefore a real dilemma to what extent we ought to encourage in the young the belief that when they really try they will succeed, or should rather emphasize that inevitably some unworthy will succeed and some worthy will fail ... actual differences in rewards ... will be based only partly on achievement and partly on *mere chance*, Friedrich Hayek, leading neoliberal economist who inspired Margaret Thatcher, 1976¹

Why is there not more public outcry in the face of rising income inequality? ... rising inequality can activate the very psychological processes that stifle outcry, causing people to be blind to the true extent of inequality, to legitimize rising disparities, and to reject redistribution as an effective solution. As a result, these psychological processes reproduce and exacerbate inequality and legitimize the institutions that produce it, Leanne Son Hing, University of Guelph, and colleagues, 2019²

That is the key question I am trying to answer in this book. Why has rising income inequality in the UK, US, and elsewhere not led to the public outcry that might be expected?

We Are Unaware of the Extent of Economic Inequality

General Under-Estimation of Economic Inequality

One possible explanation is that most of us are simply unaware of economic inequality or at least unaware of how large are the income and wealth gaps in society. Much cited is an article that appeared in a lesser-known academic psychology journal in 2011 under the title ‘Building a better America—one wealth quintile at a time.’ It reported the results of a research project conducted by collaborators Michael Norton at the Harvard Business School and Dan Ariely of the Department of Psychology at Duke University in North Carolina. In December 2005 they asked a nationally representative online sample of several thousand respondents to estimate the percentage of all the wealth in the US owned by the richest 20 per cent, the second richest 20 per cent, and so on, down to the poorest 20 per cent, in other words how the total wealth pie was divided between the five wealth quintiles. What they found was that the percentage of total wealth owned by those in the top quintile was dramatically under-estimated: 59 per cent was the average estimate, compared to the actual 84 per cent. At the other end of the scale, the proportion of all wealth owned by those in the poorest two quintiles was shockingly *over*-estimated at just under 10 per cent. The reality at that time was that wealth owned by the least well-off 40 per cent of the population amounted to no more than 0.3 per cent, such a small fraction of the total in fact that their slices of the wealth pie were not even

visible in their graph showing the ‘actual’ distribution of wealth.³ That of course reflects a fact of life—that the poor in our unequal societies have little or no wealth to their names, and in fact many have negative wealth due to being in debt.⁴ When it comes to wealth in a rich society like the US—and the same is true for the UK and other rich countries—the poor are truly invisible. Interestingly, these erroneous estimates were equally the case for estimates made by the richer and the poorer study participants.

The results of that study were dramatic. But individual studies need to be replicated before their conclusions can be accepted as valid. Psychological studies have been found to be particularly prone to replication failure. The *percentage* of a country’s overall wealth owned by all households in a quintile is perhaps a rather abstract idea. Higher estimates of wealth inequality were made in a subsequent study which used an equivalent but perhaps simpler method asking for estimates of the *average* wealth of households within a given quintile, although these estimates were still considerable under-estimates of actual, existing inequality. Another suggestion has been that citizens of the US—and perhaps of other countries too—may be more familiar with and find it easier to think about relative *incomes* than about relative net *wealth*. One study found a quite different picture when incomes were the focus of estimates: participants *over*-estimated the size of the gap in incomes between rich and poor, due mostly to an exaggeration of the incomes of the very top earners (the top one per cent) and a tendency to under-estimate average national incomes. As the title of the paper reporting those findings had it, we are ‘Better off than we know’.⁵ Apparently contradicting those findings, we saw in the previous chapter evidence that the gap between CEOs’ and workers’ incomes was grossly under-estimated in the US and in a number of other countries.

The US is by no means the only country whose citizens have a distorted or patchy idea of how income or wealth is distributed. A few years later, another much quoted paper summarising what had been found on the matter referred to several large, multi-country surveys, including a 2009 survey in 40 countries. To use the authors’ words, the review showed that, ‘in recent years, ordinary people have had little idea about such things ... What they think they know is often wrong. Widespread ignorance and misperceptions emerge robustly, regardless of data source, operationalisation, and measurement method’.⁶

A more recent ‘survey experiment,’ a method increasingly found in the social sciences, used US participants from the pool of paid ‘workers’ employed for such purposes by the online platform Amazon Mechanical Turk (MTurk). The results showed that the participants under-estimated the extent to which economic opportunities in their country were unequally distributed. Specifically, they were asked to estimate the actual income gaps between groups determined at birth, based on

gender, ethnicity (white or non-white), or family background (whether or not at least one parent had a university education). The actual gaps in income were: by gender \$27,300, by ethnicity \$17,800, and by family background \$18,700. The average estimated gaps were, respectively, much lower: \$14,100, \$11,200, and \$9100. The proportion of respondents who under-estimated the gaps were 98 per cent, 81 per cent, and 70 per cent. What was found in the experimental element of the study, however, was that, when provided with correct information about these economic gaps, the participants corrected their perceptions (even the minorities who *over*-estimated the gaps on average corrected them by reducing their estimates) and a follow-up survey just over a year later found that effect to have lasted well beyond the initial experimental manipulation. Men were more likely to under-estimate the gender gap and less likely to revise their estimates of it, and the same was true of white participants regarding the ethnicity gap.⁷

And Over-Estimation of Socio-economic Mobility

As we shall see in later chapters, economic inequality is often thought to be tolerable so long as society provides sufficient opportunities for advancement and social mobility. In Chap. 3 we have already seen that social mobility is constrained in the UK. A small number of studies have examined how accurately people judge the extent of their society's social mobility. For example, one such study employed an online US sample—another that used Amazon's Mechanical Turk workers as participants—of 750 participants, asking each of them for a number of estimates, including the likelihood, over a period of 10 years, of someone moving, by working hard, from the bottom income quintile to the top, of college attendance moving someone out of the bottom income quintile, and the proportion of students at top universities who came from families in the bottom income quintile. Across such studies, income-class mobility was over-estimated, the more so amongst younger participants and those who judged themselves to be in higher income class groups.⁸

Again we need to be aware that results of individual pieces of research are much influenced by such things as the exact questions asked and the makeup of the sample of participants. In the US online survey just referred to, the over-estimation of income-class mobility was increased still further when participants were asked to estimate mobility for people who 'are similar to you in terms of goals, abilities, talents, and motivations,' a manipulation designed by the researchers to heighten 'self-relevance.' Another US study, published in the same year, 2015, even came to opposite conclusions, that people were now *under*-estimating current mobility and were wrongly concluding that mobility in the US had declined over the last four

decades. This they attributed to growing scepticism about the American Dream of social and economic opportunity. However, in line with other work, which finds evidence of variation by social or economic standing or political persuasion, they reported greater under-estimation of mobility among politically liberal participants than among the more conservative, presumably because the former were less satisfied with the current unequal economic and social system.⁹

Perception of Inequality Varies by Socio-economic Group

A popular idea among inequality researchers is that our perceptions of economic inequality are over-influenced by our own social surroundings—the social and economic circumstances of those with whom we mix, those we know best. This is a variation of the long-recognised principle of homophily: that we are attracted to, mix with, and form close relationships with people like ourselves. A modern variation of the same basic idea is that of opinion ‘bubbles’: we are constantly exposed to the views of others whose opinions we share.

In the context of perceptions of economic inequality, Rael Dawtry and colleagues refer to this as ‘social sampling’: we can be relatively accurate when making judgements about distributions within our immediate social environments, they suggest, but these do not accurately reflect distributions in the wider population, ‘since our social networks tend to consist of people like ourselves, either because we choose to associate with them or become more like them.’ When it comes to income and wealth, it is therefore only to be expected that richer people on average assume society to be richer than it really is and the poorer to assume the opposite. Dawtry et al.’s own work, carried out in two countries, supported such predictions. In samples of participants in the US, the wealthier ones not only reported greater wealth within their own social networks, but also estimated there to be greater wealth in the nation’s population as a whole. Similarly, in a national survey in Aotearoa New Zealand, wealthier respondents lived in wealthier neighbourhoods and believed they lived in a fairer country than was the case for the poorer respondents: ‘Richer Americans, effectively, live in a richer America and richer New Zealanders in a richer version of their country’.¹⁰

When it comes to estimating economic position, Michael Norton says, ‘All ranks are local.’ He cites an Argentinian study in which participants were asked to estimate the proportion of families in the country who had an income lower than their own. Data were also collected about the participants’ own household income. The majority made notable errors in estimating their own relative position, as few as 15 per cent positioning themselves in the correct income quintile.¹¹

A more recent US study addressed the interesting question of how perceptions of inequality might change when people go through a life stage during which they may meet others who are not so similar to those they grew up with at home. Specifically, the study was about college students, 10 panels of whom, totally over 100,000 in all, took part. The focus was as much on racial inequality as on economic inequality, but the general conclusions are highly relevant for us. The authors ask the very pertinent question ‘As Western nations are increasingly divided by socioeconomic fault lines, how do we learn about the lives of others?’ They worry that colleges in the US are becoming more exclusive and more socio-economically homogenous. However, what they did find was that beliefs about equality and inequality change substantially during time at college, and the direction of that change depends crucially on who one’s roommates are.¹²

Support for Redistribution Also Varies by Socio-economic Group

In Dawtry and colleagues’ study, participants were also asked about their attitudes towards policies of wealth redistribution. Compared to poorer participants, the richer believed the existing distribution of wealth to be fairer, and they were less enthusiastic about redistribution. Similar results were found in Aotearoa New Zealand. It seems it is not just self-interest and political ideology that accounts for the relatively rich being more strongly opposed to redistribution, although those are important factors that we shall consider again in later chapters. We inhabit different social circles and that distorts our perception of what is going on more generally in our regions or nations, and that in turn influences our attitudes towards economic inequality and what to do about it.¹³

Michael Norton and Dan Ariely, whom we met earlier, also used their large, nationally representative US online sample to go beyond estimates of inequality and ask their participants what they thought would constitute a fair distribution of wealth. To do so, they used an interesting method. Respondents were asked to choose which of three nations they would prefer to live in. In one, wealth was perfectly equally distributed across five quintiles. The second distribution, very skewed towards the wealthiest, corresponded to the actual distribution of wealth in the US at the time (although participants were not told that). The third distribution showed a level of inequality somewhere between those two, which in fact corresponded to the distribution of wealth to be found in Sweden. They were to choose under the constraint which Rawls had suggested was reasonable when making judgements about a just society—the so-called Rawls constraint: ‘In considering

this question, imagine that if you joined this nation, you would be randomly assigned to a place in the distribution, so you could end up anywhere in this distribution, from the very richest to the very poorest.’ The results were clear-cut and surprising. Although perfect equality was not the most preferred choice for most, it turned out that, irrespective of gender and political party support, over 90 per cent would prefer to live under Sweden-like conditions than under the US-like ones. That was even the choice of 89 per cent of those with incomes greater than \$100,000. When questions were asked in terms of *ideal* wealth ratios, it also appeared that the large majority would favour much greater economic equality than actually existed in their own country. Asked what the ideal ratio should be between how much the wealthiest 20 per cent should own and the least wealthy 20 per cent, the average answer was 3 to 1, utterly different from the actual ratio of several hundred to one. As noted in the previous chapter, when asked how much the more privileged (e.g. company CEOs) should earn compared to the least privileged (e.g. unskilled workers), the ideal income ratio averaged 7 to 1, again vastly at odds with the actual ratio of over 300 to one.¹⁴

In any case, it does appear to be *perceived* inequality, rather than the actual level of inequality, which has the stronger association with demand for redistribution. This has led some to suggest that theories about the political effects of inequality should be recast as theories about the effects of perceived inequality.¹⁵ Even then, there is a view that, although a link has been observed between the subjective belief that income inequality is excessive and demand for redistribution, the effects are typically weak.¹⁶

A study carried out with undergraduate students in Chile also raised the perennial question about the direction of cause and effect. The same data were collected four times, in May and November 2017 and again during the same months in 2018. As expected, a positive relationship between perceived economic inequality in everyday life and intolerance of inequality was found, and intolerance of inequality was in turn positively associated with support for policies of redistribution. The repeated data gathering allowed for tests of prediction from one time point to another a few months later. The results suggested a bidirectional relationship among the variables. Not only did perceived economic inequality in daily life predict intolerance of inequity and support for wealth redistribution, but the reverse was equally the case. Nor were the effects, either cross-sectional or predictive, strong ones, the authors admitted. They did, though, acknowledge the possible weakness of the single items they used to measure perceived economic inequality in daily life—‘How often do you see situations of economic inequality in your daily life?’ rated on a 5-point scale, from ‘never’ to ‘very frequently’—and intolerance of inequality—‘In Chile, income differences are too large,’ rated on a 5-point scale, from ‘totally agree’ to ‘totally disagree’.¹⁷

The Absence of Any Simple Relationship Between Rising Economic Inequality and Dissatisfaction With It or Support for Redistribution

Nevertheless, the evidence from cross-sectional studies, and from short-term longitudinal studies such as the Chilean research, is generally supportive of the expectation that where people perceive there to be greater income inequality, there is greater dissatisfaction with the level of inequality. But that may not translate into a simple relationship, over longer periods of time, between rising inequality and concern about it or support for action to reduce it. For example, as income inequality rose over the two decades beginning in the early 1980s in the UK, public support for redistribution, rather than increasing, actually fell. Over the same period, as inequality rose in the US, there was a decline in reporting on the issue in the print media. Similarly in Japan, where objective income inequality increased in the 'lost decades' starting in the late 1980s, most people expressed a fairly high level of tolerance for inequality. In fact, tolerance was reported to have increased: 42 per cent expressing a high level of tolerance in 1990, rising to 51 per cent in 2005, according to one study. In China, on the other hand, where income inequality is relatively high, and rose over the same period of time, there was evidence that tolerance for income inequality decreased. Even so, almost half of Chinese participants continued to have a high level of tolerance for income inequality in 2007.¹⁸

Nor have cross-country or cross-region studies shown any simple relationship between actual levels of income inequality and beliefs that income differences are too large. For example, neither across the countries of Europe nor across five Japanese regions, nor across five regions of China, did higher objective income inequality correlate in a simple, expected way with lower tolerance for inequality. However, at an individual level, as elsewhere, higher income and older age were associated with greater tolerance for income inequality in both Japan and China.¹⁹

It has often been assumed that economic inequality drives political change—demand for redistribution, changes of government, the outbreak of political violence, even revolution. Based on their own and others' research, Moscow economist Vladimir Gimpelson and Los Angeles political scientist Daniel Triesman, in their 2018 paper in *Economics and Politics*, report finding little evidence that demands for government redistribution are associated with actual economic inequality, but strong evidence that such demands are correlated with the levels of inequality and poverty that citizens *imagined* existed. As they said, 'Although we cannot make strong causal claims, the patterns are consistent with the notion that beliefs about inequality—rather than the actual phenomenon—drive political outcomes'.²⁰ I be-

lieve they put their finger on it when they concluded that the *beliefs* we hold about income and wealth inequality, poverty and riches, and socio-economic class and mobility are central to understanding why we put up with such economic inequality. It is to those beliefs that we must now turn.

System Justification

Former journalist and editor-in-chief of the *Observer* Will Hutton made a profound statement when he wrote in his 2010 book *Them and Us*, ‘At any moment in time there is huge cultural, financial and intellectual loyalty to what is known and a comparable distrust of the new.’ Broadly speaking, theories that address people’s position regarding inequality fall into two groups. There are those that are based on the premise that we are rational actors, motivated largely by self-interest. The ‘haves’ of this world would be expected to defend inequality; the ‘have-nots’ would oppose it. We shall see in Chap. 7 that there is, indeed, some support for that kind of theory. But in this chapter let us have a look at the other kind of theory, the kind that supposes that we are far from rational. Psychology, from Freud onwards, has been rather hot on teasing out how and why it is that we think and act in ways that appear to be irrational, and not even in our best interests. One such theory, first proposed 30 years ago, and now supported by much research, is *system justification theory* (SJT). The theory has been applied to a wide range of judgements people make, including those that concern poverty and inequality.²¹

According to SJT, there exists a quite basic motivation to justify, legitimise, and defend all or parts of the existing social, economic, and political systems, the rules, policies, and norms which form the status quo within which we live. SJT is a motivational theory: as the theory has it, justifying or rationalising the system we are part of rests on the all-important motive of keeping anxiety under control. The idea is that it is uncomfortably anxiety-making to keep on thinking that the existing system is undesirable, illegitimate, or unfair, and needs changing, particularly if we believe we are partly responsible for how things are, understand we are dependent on the system, or think we can do little to change it. Believing the system to be justified helps us feel better about the status quo and reduces or avoids the uncertainty and discord that would be associated with challenging the system. Really challenging the system involves conflict with supporters of the system, including perhaps family and friends, and even poses a potential risk to one’s safety and security. Just thinking about it is anxiety-provoking. As would be expected if system justification is a source of motivation, research has shown that people will put

in effort to support their system-supporting judgements and engage in selective, biased information-processing to help reach their system-justifying conclusions.

SJT is one of a number of psychological theories which rest on the idea of us being motivated to reduce the threat and anxiety occasioned by a lack of fit between how we would like to believe things are and the actual reality. The *theory of cognitive dissonance* is one, although it is more concerned with one's personal behaviour. Another, *belief in a just world theory*, like SJT is more oriented towards perceptions about a system, but it focuses more specifically than SJT on perceptions of justice. Some would argue that what SJT casts in the language of cognitive psychology, others might refer to in terms of false consciousness, a way of coping in the face of opposition, social control, propaganda, and stigma, by avoiding acknowledging one's lowly economic position and confronting inequality.²²

However it is understood, the consequences of justifying economic inequality are likely to be profound. There is evidence from studies in Spain—participants were recruited in various public places—and in the US—recruitment was via Amazon Mechanical Turk—consistent with the idea that justifying the economic system reduces the degree to which people *perceive* their society as unequal, helping to blind them to inequality.²³ Other work has found that system justification tempers the association between deprivation and both personal and group outcomes of the kind we discussed in Chaps. 4 and 5. Both the relationship of an individual's relative deprivation with poorer personal well-being, and that between a group's relative deprivation and awareness of group discrimination and support for collective action, were weaker when people held system-justifying beliefs.²⁴

When first proposed, SJT was more specifically focused on trying to explain why members of disadvantaged groups in particular would justify the existing social system. Why do those disadvantaged under a system put up with it, support its legitimacy, even express opinions that on the face of it seem to be in direct contradiction to their own interests? Women justifying lower salaries than men and African American children favouring white dolls were examples. And, of relevance to us here, why do poor people often oppose the redistribution of wealth? Antonio Gramsci thought that 'the great mass of people hesitate and lose heart when they think of what a radical change might bring They can only imagine the present being torn to pieces, and fail to perceive the new order which is possible'.²⁵

Several studies have indeed shown that it is the very people who are the most disadvantaged by the existing system who are particularly likely to justify and defend the status quo, for example by subscribing to the view that those more privileged within the system are virtuous or deserving, and/or that the disadvantaged are less worthy. Five separate US surveys gave support to that seemingly paradoxical prediction. For example, it was found that it was those in the Latino community on

low incomes who were the more likely to trust in US government officials and to believe that ‘the government is run for the benefit of all’; *low*-income respondents who were more likely than those with high incomes to believe that large differences in pay were necessary to encourage motivation and effort; and *low*-income respondents and African Americans who were more likely than others to believe that economic inequality was necessary and legitimate.²⁶

The suggestion is not that people generally, or the disadvantaged in particular, invariably justify and support the status quo. Several factors have been found to increase the likelihood of system justification occurring. Feeling especially powerless or dependent on the system is amongst such factors. Another is awareness that the very system one is part of is being challenged or threatened, which can instigate a backlash against change. Research aiming to tease out why those of lower social status might justify the system continues.²⁷

Longevity Bias

There is also good evidence that system justification is especially likely when a system has been in existence for longer—an extension of SJT termed *longevity bias*—perhaps because if things have long been a certain way, we assume that the system has endured through its intrinsic worth, and that is surely how things are meant to be. An ‘existence bias’ has been suggested, whereby we have a tendency to conflate what exists with what is good and right. System justification combined with this longevity bias may provide an especially powerful basis for acceptance of income and wealth inequality. John Stuart Mill referred to the ‘despotism of custom’ and how departures from it ‘come to be considered impious, immoral, even monstrous and contrary to nature’.²⁸ Consistent with the SJT-longevity theory, a surprisingly good predictor of what people think is an ideal wage gap between low and high occupational wage earners is their perception of the gap that they perceive to exist currently in their own country.²⁹

Backing this up was a series of clever experiments, of the kind beloved by social psychologists, which manipulated the perception of the longevity of systems encouraging inequality.

In one experiment, participants were given some information supporting economic capitalism contained in Adam Smith’s *The Wealth of Nations* and some information about rising present-day economic inequality. Using a visual timeline (but without any dates) the impression was either given that Adam Smith’s work was relatively historic and several relevant events had followed its publication (the “old” condition) or that it was relatively recent and that relevant events had preceded it (the “new”

condition). The legitimacy of Adam Smith's ideas and justification of the existing economic system were assessed by items including "In general, the American economic system operates as it should," and "The American economic system is set up so that people usually get what they deserve." In another experiment, in which both US and Indian citizens participated, the perception of the longevity of the Indian Caste System was manipulated simply by informing participants either that it originated "only a few hundred years ago" or "thousands of years ago." Examples of items used to assess justification of the system were "There are many reasons to think that the caste system is fair," and "Most people who don't get ahead in Indian society should not blame the system; they have only themselves to blame."³⁰

As predicted, the 'old' condition led to greater system justification—the perceived legitimacy of Adam Smith's ideas and justification of the existing economic system in the first experiment, and acceptance of the caste system in the second. Indian participants were more inclined to justify the caste system but both Indians and Americans were affected significantly by the experimental manipulation of the system's supposed longevity.

But how does perception of longevity do its work? Is it because we think something that has lasted must have intrinsic value, that there is something inherent in it which has passed the tests of time and scrutiny? In the case of economic inequality is it that the rich are inherently more capable or hard working and the poor less so? Or, is it to do with appreciating the comfort of arrangements that appear more stable and orderly, probably more appealing to the traditionalists amongst us? Might it be due to what the experimenters called 'diminished moral outrage'? They found evidence consistent with three of those ideas in a study which showed a link between a triad of intrinsic explanations for wealth inequality: moral traditionalism, plus justification of the socio-political system, and lesser feelings of moral outrage in response to wealth inequality. Acceptance of wealth inequality, in turn, was related to less support for government action to redress inequality.³¹

The social psychology can become tortuously complicated. Much of the psychological theorising about economic inequality focuses on individuals, their attitudes and justifications. The even longer-established *social identity theory* (SIT), on the other hand, emphasises membership of groups and group interests. The strength of group interest is another factor that can affect support for an existing social system. Sometimes we are highly conscious of and invested in a group identity, perhaps as a member of an ethnic, religious, or social class group with which we identify strongly, or because group membership is particularly salient, perhaps because we align with a group currently active on the political scene. But whereas SJT predicts that the disadvantaged are likely to be particularly prone to justify the present unequal state of affairs, SIT makes the opposite prediction. Those advan-

tagged by a system, it proposes, are motivated to legitimise and to endeavour to maintain the system, while the system-disadvantaged are motivated to do the opposite. There are conditions under which SJT also predicts that people who believe themselves to be members of lower social class groups will be *less* likely to show support for the socio-economic status class system. That will be so, it is predicted, when their group interests are relatively strong. That, the theory argues, is because their motivation to act to improve their class group's social position is then stronger than their motivation to justify the system. By contrast the prediction from SIT, supported, for example, by a series of studies conducted in Malaysia and Australia, is that when group interests are relatively strong, group members will be *more* likely to justify the system, at least so long as the system is seen as fixed and difficult to change. That is because a central tenet of SIT is the motivation of group members to protect a *positive and distinct* group identity. One way of doing that is to justify the system as a fair one, believing there are prospects of improving one's group's future position within the existing system. If the system is believed to be unstable, on the other hand, people from lower-class groups with strong group interests may be expected to be less favourably disposed towards the system and be more active in trying to change it.³² It is such intriguing theories and the hypotheses derived from them that make psychology such a fascinating, though sometimes frustrating, discipline, the likes of which captured me for life some decades ago.

Merit, Individuality, and Just Desert

We are all encouraged to think about inequality as a result of being brought up and living our lives in a society whose culture favours a certain way of justly distributing economic advantage and disadvantage. Widely subscribed to in my country and in most other Western countries is the principle of merit, otherwise known as the equity principle. Unlike the alternative distributive justice principles of equality, proportionality, and need, it does not look unfavourably on at least some degree of inequality, believing the greater economic position of some to be merited. The corollary is that the position of those in a lower position is also merited. Subscribing to the merit principle has the effect of legitimising inequalities by de-emphasising differences in initial privileges and advantages, and justifying resistance to redistributive policies aimed at reducing inequality.³³

The now familiar term *meritocracy* was popularised by Michael Young in his 1958 book *The Rise of the Meritocracy*. The extraordinary thing about meritocracy is how we have all, me included, been beguiled into thinking of it as a good thing, when in fact Young's argument 70 years ago was exactly the opposite. He was try-

ing to alert us to the possibility of a dystopia, not a paradise. His prediction was that it would take 80 years for this to become clear. By 2033 it would be evident that the poor and powerless would still be poor and powerless. All that would have changed is that one form of oppression would have been replaced by another, even more insidious than its predecessor. No longer could we put the blame for inequality on a conspicuously unfair system of inherited privilege. Now we could only blame ourselves if we failed to progress in a system that provided opportunities for all and rewards for those who merited them. Michael Sandel quips that the backlash which Young predicted would arrive by the early 2030s had in reality come almost 20 years early in the form of Brexit and Trump's election.³⁴

In his book *Why Does Inequality Matter?* philosopher T. M. Scanlon unpicks the arguments used to justify some, such as CEOs, receiving greater economic benefits than others on the grounds that they have deserved them. He uses the concept of 'desert,' which is close to 'merit' although not exactly the same thing. He takes us carefully through the different possible justifications for unequal financial rewards for work, finally rejecting them all on philosophical grounds. One desert-based argument for unequal shares is that those who have exerted greater effort than others deserve a higher reward. The problem with that argument, as others have pointed out, including Rawls, in *A Theory of Justice*, is that this is a moral argument, and in any case, effort is subjective and hard to discern. Furthermore, argues Scanlon, 'moral merit may deserve praise and admiration. But it does not follow that any particular amount of extra pay, or indeed any amount at all, is called for.' An additional, telling point he makes is that any justification for some to have more must also be accepted as a justification for others having less. For unequal rewards to be justified on grounds of unequal effort, there also needs to be assurance that the conditions under which some choose to exert extra effort, and others not, are not themselves unjust. It could be argued that the ones who deserve more are those who make the greater sacrifices, carrying out kinds of work that are more unpleasant, dangerous, or bad for one's health, often the jobs that in practice are considered of lower status and ones that receive *less* financial reward. But, whatever the supposed justification, in complex work settings requiring cooperation between workers doing different jobs, it is not easy to justly apportion reward on the basis of desert or merit.

A different kind of justification for unequal rewards rests on the argument that certain roles in an organisation involve directing others in a way that increases production. The person who provides such direction may be chosen on the grounds of possessing a relevant skill or may receive special training for the role. Quite apart from the difficulty of assessing whether this direction was what made a difference, Scanlon argues that 'the extra quantity of goods produced as a result of

this direction is not something “produced by” the person who provides the direction. Rather, it is produced by the other workers with her help.’ In any case, it could be argued that possessing the necessary special skills and receiving special training, not to mention the higher status likely to accompany such a position, is a sufficient benefit in itself, and constitutes a form of inequality without compounding it with differential financial rewards. He acknowledges that ‘Some kinds of ability, in art, science, engineering, and perhaps in organization and management as well, may be excellences that deserve our praise and admiration. But ... it does not follow from this that any particular economic reward, or any economic reward at all, is called for.’ The final nail in the coffin, for Scanlon, is that, while an organisation may decide to select, train, and reward its workers in certain ways, those special treatments are what Rawls called ‘institutional entitlements,’ specific to the organisation or institution. Justifications for greater (and lesser) financial rewards on the basis of *desert* must be ‘distinct from claims of institutional entitlement ... not dependent on institutions that are justified in some other way’.³⁵

A book that came out in 2020 focused on the closely related idea of individualism, which we already touched on in the previous chapter. The book is entitled *Greed is Dead: Politics After Individualism* and is authored by two prominent Oxford academics, Paul Collier and John Kay. The former had served as Director of the Research Department of the World Bank, the latter was founding Head of the Oxford Said Business School. Despite their establishment credentials, they believe we have become more individualistic in recent decades and they find this distasteful:

... the extreme individualism embraced by many prominent and successful people in recent decades, and which sought justification in terms of merit or celebrity, is no longer intellectually tenable ... it’s all about *me* This ugly stridency is the product of an extreme elite individualism – the rise of the self at the expense of community – which has taken over much of modern political and cultural thought

They describe two related facets of this modern individualism. One, economic, asserts entitlement based on property rights and the assumption that these rights derive from one’s own efforts—what they call ‘possessive individualism.’ This belief is ethically vindicated by the second facet, ‘market fundamentalism’—the belief that as few restrictions as possible should be imposed in order for economies to prosper. I find it interesting that such criticisms of the way we now conduct economic and social life in a relatively rich country like mine have been coming thick and fast in the last few years, and by no means only from those who might be branded as radical leftists. These two authors say they are as critical of ‘claims of entitlement,’ a modern culture beginning with the 1948 UN Declaration of Human

Rights, as they are of the self-centredness of Trump and other populists. Both, in their view, emphasise the self, the *me*. They are as suspicious of state direction of economic activity as they are of free markets: 'We are communitarians and economists We see no inherent tension between community and market: markets can function effectively only when embedded in a network of social relations'.³⁶

A cluster of tropes, among which merit, desert, and individuality are central, are used to defend economic inequality. Closely related are others such as personal responsibility, freedom, and mobility. This is a classic example of using language to cast attention on to the attitudes and actions of individuals. Thereby, the structural causes of inequality are denied and in the process the victims of inequality are blamed.³⁷ Blaming and shaming is something we shall look at more closely in the next chapter. Interestingly enough, it seems that we gradually acquire these habits of attributing unequal rewards on the basis of personal merits and shortcomings, during childhood and adolescence. We don't start out that way. Several studies have shown that young children in countries including the US and Canada have a strong preference for giving game rewards equally. At least by age 10 to 11, this preference for equality has been largely replaced by a preference for equity, for example allocating rewards based on fairness or merit. Unequal outcomes were tolerated, so long as there was evidence of unequal inputs. As the authors of one Norwegian study report put it, 'the younger children were strict egalitarians, but the older ones—perhaps as a consequence of exposure to a variety of achievement-based social activities, such as sports—tended toward meritocracy'.³⁸ Even Friedrich Hayek, the leading neoliberal economist who inspired Margaret Thatcher, was doubtful about the wisdom of inculcating merit beliefs in the young. He thought it 'important in the market order ... that the individuals believe that their well-being depends primarily on their own efforts and decisions' But he recognised that this could lead to 'an exaggerated confidence in the truth of this generalization,' since success and failure in reality owed a lot to chance.³⁹

Belief in Social Mobility Provides Justification for Economic Inequality

Social mobility beliefs, the perceived chances of social class change from one generation to the next or within a lifetime, are also part of this psychological nexus of system justification. So long as people believe they have equal opportunities, unconstrained by differences at birth, based for example on sex, race, or family background, they may accept economic inequality. That is perhaps especially the case for those living in the US, where one survey in 2011 found 70 per cent believ-

ing that the government should increase opportunities for people to get ahead, and 83 per cent that it should boost mobility for the poor and the middle class, whereas only 46 per cent believed it was their government's job to reduce the wealth gap.⁴⁰

However, as we have seen, the extent to which mobility can overcome such birth differences is over-estimated in the US. Rising income inequality there and elsewhere has not led to the public demand for change that might have been expected. That, it can be argued, is not just because most people under-estimate the extent of income inequality, and don't necessarily support redistribution when they are informed of its real extent, but also because it is unequal *opportunities* that many care more about rather than inequalities of *outcomes*. Evidence suggests that the more a society is characterised by mobility, the less support there is for redistributive policies such as increasing taxation on the rich. There have been studies from the US, Australia, and Spain showing that belief in the chances of social mobility in one's country—for example, the chances of *upward* mobility for the poorest 20 per cent—is related to defence of its economic system, belief that the system is fair and legitimate, and acceptance of current economic inequality. Downward mobility may be a different matter. In one study, across 21 countries, personal experience of *downward* social mobility was related to support for redistribution.⁴¹

A series of studies, published in 2016, used both survey and experimental methods to look at this further.⁴² Survey data from 19 countries, involving nearly 20,000 participants, clearly showed that the more economically immobile the country, the more people agreed with the statement that differences in income in the country were too large. The measure of economic immobility was the familiar one, which we met in Chap. 3, namely *father-son income elasticity*, in other words the degree to which differences in sons' incomes followed differences in their fathers' incomes. South Africa scored highest on this measure, Scandinavian countries the lowest. This was a strong finding, remaining significant after controlling for several individual- and country-level factors. In fact, the perception of lack of mobility was a stronger predictor of dissatisfaction with inequality than a country's level of inequality. Citizens who believe they live in countries with higher economic mobility do seem to find inequality more tolerable.

The experiment, carried out in the US, involved 500 plus participants, at least 100 from each of five income quintiles. In true experimental social psychology fashion, perceptions of income mobility were manipulated by randomly assigning the participants to read fabricated news articles, attributed to *The Economist* newspaper, reporting either high or low rates of US social mobility. Asked to rate the degree to which they thought the extent of current income inequality in the US was acceptable or unacceptable, those who had read the high-mobility article were

more accepting of income inequality than those who had read the alternative, low-mobility article. Further statistical analysis confirmed that this effect on tolerance of inequality was mediated by satisfaction with the current level of mobility.

This interesting set of studies went on to try to tease out the psychological mechanisms whereby perception of mobility makes income inequality tolerable. Two mechanisms, proposed by economists, were tested: we believe there is a prospect of upward mobility, and inequality can be tolerated, provided there is *hope* that we ourselves or our children may attain the advantages currently only enjoyed by some; and a perception of *fairness*—we believe there exist equal opportunities for people to advance economically through their own efforts.

HOPE was tested by asking participants where on a 0–100th percentile scale of relative income they were currently, where they expected to be in 10 years' time, and where they expected their children to be when they reached the respondent's present age.

FAIRNESS was tested by asking, 'To what degree do you think your current economic station is the product of your own efforts *versus* external circumstances out of your control (e.g. the level you were born into, luck, etc.)?' rated on a 100-point scale from 0 ('due to other factors') to 100 ('due to my own efforts').

The results gave support to both hope and fairness explanations for the link between perception of mobility and tolerance of inequality, although in the case of hope, it was hope for the *next generation* that was more important than hope for oneself.

The authors of that report acknowledge that the survey was largely limited to Western countries and that their experimental work was confined to one country, the kind of limitations which I have had to face repeatedly in researching for the present book. In addition to questions of generalisability, the point about replication needs emphasising. This was an exemplary set of related studies but, as always, its findings need substantiating and extension by further work.

In his book *Inequality: What Can Be Done*, Anthony Atkinson thinks the line of reasoning that says provided we have equality of opportunity, inequality of outcomes should not concern us, is wrong for three reasons. First of all, we can't ignore what happens to people along the way, the chances and lucky breaks that come to some and not others. Secondly, not all economic outcomes are available to all. Economic life may in some respects be like a race in which there can only be a certain number of winners. Thirdly, we should be concerned about inequality of outcome because, even if that could be claimed to be deserved, it can be passed on to the next generation in the form of inequality of opportunity. In any case, as we saw in Chaps. 4 and 5, inequality of outcomes is bad for society and its members in so many ways.⁴³ Quite apart from such arguments for being concerned about inequality of outcomes, there is the objection that perfect equality of opportunity is

hard to imagine and perhaps impossible to ensure. In the real world, inequality of opportunity, from birth onwards, plays some role in determining dispersion of economic outcomes, however hard we try to eliminate its influence. Andrew Sayer refers to ‘endless talk of social mobility, equal opportunities and meritocracy,’ a kind of ‘spurious egalitarianism’ that has come to replace the overt snobbery and working-class deference of earlier times, but which still serves to deny ‘the extent and effects of major inequalities in people’s circumstances and life chances’.⁴⁴

Chapter Summary

Already, in previous chapters, we have identified a number of possible explanations for the strange phenomenon of widespread acceptance of high economic inequality. We are easily confused by a combination of obfuscation, diversion, and division. Not only are we confused about the very concept of economic inequality, but we are diverted by constant reference to alternative ideas like poverty, social mobility, and social class, and when we are able to focus on income and wealth inequality, we are divided amongst ourselves.

In this chapter we have come close to what I believe is at the heart of the matter, our faulty beliefs about the issue of gross inequalities of incomes and wealth. We began by examining the possibility that we tolerate high inequality because we simply don’t have the facts, we are in a state of ignorance on the subject. The picture, judging by the research I have looked at, is more complicated than that, but it does show that most of us have, at best, a patchy and far from complete idea of how income and wealth are now distributed and how much inequality has grown. Underestimation of the extent of income inequality is very common. Judgements about economic inequality, and about poverty and social mobility, are over-influenced by our local social environments, making it difficult for us to make accurate assessments for our country or society in general. Not surprisingly, then, there is no simple relationship between actual societal levels of economic inequality and beliefs that differences of income and wealth are too large or that policies aimed at redistribution should be supported. It is perceived rather than actual inequality which is the more strongly associated with dissatisfaction with the level of inequality and support for redistribution.

The chapter then proceeded to consider examples of what Thomas Piketty would call the ‘apparatus of justification,’ supporting the new high levels of income inequality experienced in a number of countries. One theory which we found to be especially helpful is *system justification theory* (SJT), which proposes the existence of a basic motivation to justify and legitimise existing social, economic, and

political systems, especially if aspects of the system have long been in place—the ‘longevity bias.’ Social psychological research, using a rich mix of methods, continues to explore the details of how this works and what factors make a difference. One intriguing line of work, drawing on *social identity theory*, examines variation of beliefs depending on whether individual or group interests are of most relevance.

We then examined a powerful set of beliefs considered to play a particularly important role in the justification of high-level economic inequality. These are the ideas of merit, desert, individual autonomy, and personal responsibility. The concept of meritocracy, now thought of positively but originally coined in dystopian terms, is central to understanding acceptance of economic inequality. It operates by casting responsibility for higher and lower income and wealth on to individuals’ efforts and actions and away from factors such as luck and opportunity. In the process, the structural causes of inequality are de-emphasised or denied.

Socio-economic mobility beliefs also have a role to play in the psychological nexus of economic system justification. Perceiving there to be hope for improving one’s own or one’s children’s economic position, and believing that to be fair, serves to bolster tolerance of inequality and reduce support for redistributive policies.

To finish with an important caveat, it needs to be acknowledged that this is a relatively new, but active and lively area of psychology. Research is largely limited to Western countries, often confined to a single country. Individual studies, as always, have limitations and need replication. This is work in progress. Nevertheless, there is already evidence enough, I conclude, to add another item to the growing list of answers to my basic conundrum: How is it that economic inequality on such a scale is tolerated? To obfuscation, diversion, and division we can add JUSTIFICATORY BELIEFS. There is a bias towards accepting and justifying the status quo, supported by deeply rooted beliefs in meritocracy, individualism, and free choice.

There is a darker side to the beliefs that justify economic inequality, to which we must turn in the next chapter.

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How We Justify High Economic Inequality: Blaming and Shaming and the Role of Culture, Mass Media, and the Educational System

7

Abstract

The earlier part of Chap. 7 examines a darker side to the belief that such inequality is merited on the grounds of personal attributes such as effort, hard work, self-reliance, and sensible life choices. There is widespread evidence of negative perceptions and judgements, sometimes even amounting to dehumanisation, of those who are less well-off economically. The use of blaming and shaming language, the bias towards accepting economic inequality, and resistance to redistribution policies are generally stronger among the wealthy and those of higher socio-economic status, including those who themselves have come from poorer backgrounds, and those who express liberal views but who in practice may oppose redistribution policies that would affect them personally. At the same time, there is evidence that inequality-supporting beliefs may decline amongst those directly experiencing adverse economic circumstances, personally or in their localities. Inequality-supporting justifications are rooted in both personal beliefs, such as social dominance orientation, and in the wider social system. The chapter examines cultural-level beliefs in capitalism, individualism, and unequal economic rewards based on effort, and the roles in promoting those beliefs played by an educational system based on merit, and by the mainstream popular media.

Keywords

Dehumanisation · Stigmatisation · Capitalism · Individualism · Educational system · Merit · Popular media

The word 'loser' now evokes contempt, not compassion.... You're on your own, free to choose, free to lose, depending on how you navigate through the world of opportunities and dangers. Instead of seeing ourselves as members of a common society, contributing what we can, sharing in its growth, pooling risks and providing mutual support, we are supposed to see ourselves as competing individuals with no responsibility for anyone else, Andrew Sayer, *Why We Can't Afford the Rich*¹

Among certain professional classes, there is a meritocratic exuberance that has led people to believe their success is completely self-made. As a result, those who actually keep the show on the road don't get the respect they deserve, Olaf Scholz, German Chancellor, at a campaign rally²

In the previous chapter we explored a set of beliefs—in meritocracy, individualism, and opportunity for socio-economic mobility—of central importance in justifying an existing system characterised by economic inequality. In the present chapter we shall take a closer look at the implications of those beliefs and at some of the pillars of modern society which contribute to maintaining such beliefs and resisting redistribution.

Blaming and Shaming

If we believe that the greater income and wealth enjoyed by some of us is merited, deserved, part of the equitable distribution of rewards that characterise our socio-economic system under which there is sufficient equality of opportunity and mobility, how should we view those who are left behind—the poor, those experiencing precarious economic circumstances, those who remain of lower socio-economic status? Surely, then, they must bear some responsibility for their lowly position. If the higher status of some is merited, so too must the lowly position of others be merited, mustn't it? Or perhaps they have suffered bad luck and misfortune. But in that case, shouldn't the higher position of others be attributed to their good luck and better fortune? The sad truth of the matter is such logic is hard to find in public discourse. On the contrary, high levels of economic inequality are too often accompanied by congratulating the well-off and denigrating the income- and wealth-poor. That is certainly what Wilkinson and Pickett thought. In *The Spirit Level* they wrote about the importance of shame, the 'social emotion' par excellence, and how the enhancement of status differences, brought about by increasing inequality, encourages those of higher status to feel more able and successful, superior in fact, and leaves those of lower status ashamed of their lower position, 'looked down on and disrespected'.³

An experiment, which illustrates the negativity bias towards the income-poor which is associated with inequality, assigned participants to one of three anonymous countries with high, medium, or low levels of income inequality (with differing P90/P10 income ratios—see Chap. 2). Participants were asked to predict how most other citizens of the country would rate two people, one from the ninetieth percentile (high earners), the other at the tenth percentile (low earners), in terms of four signifiers of merit. Specifically, they were asked to rate how confident, competent, hardworking, and deserving they estimated people in that country would think those two people to be. As hypothesised, the merit gap differed significantly between the high and low inequality conditions. When the average ratings were examined, it was found that the source of the difference was not how those at the ninetieth percentile were rated, which did not differ between high and low inequality conditions. The difference lay in a substantial difference in how those at the tenth percentile were rated. When inequality was believed to be high, it was those with lower incomes who were rated as less meritorious, not the relatively high earners who were believed to be seen as more so. This the report's authors say 'supports the hypothesis that greater inequality leads to greater perceived merit gaps and suggests that this effect is driven by differences in perceptions of the poor rather than the rich'.⁴

Basing their thinking in social identity and self-categorisation theories, Jolanda Jetten and colleagues sought evidence for the hypothesis that higher inequality makes income and wealth differences more visible and hence more salient for understanding and categorising other people. Does inequality, in short, increase the likelihood that we will see the social world in terms of income and wealth? More specifically, that should be reflected in 'richer and more developed stereotypes' about both the rich and the poor. The work they reviewed supported their thinking. In their own experiments, it was found that participants assigned to a high inequality condition stereotyped the wealthy as more assertive and the poor as less so, compared to those assigned to a low inequality condition, suggesting that high inequality helps to promote the common stereotype that the wealthy are ambitious and the poor lazy.⁵

Blaming and shaming figure strongly in the language we use to explain and justify economic inequality. Based on *attribution theory*, popular in social psychology since the 1970s and 1980s, 'individualistic or dispositional' attributions have been found to be preferred for explaining poverty, the more so in Anglo-Saxon compared to Nordic countries, and more so too amongst the middle class and the politically more conservative. Such attributions included laziness, lack of care with money, and alcohol and drug misuse. In her 2020 book *The Shame Game: Overturning the Toxic Poverty Narrative*, Mary O'Hara claims that the dominant

popular narrative for explaining poverty is still that the poor themselves are to blame because of bad life choices they have made and their failure to take personal responsibility and show self-reliance, unlike the well-off, who are so as a result of their admirable talents and hard work. She is far from alone in making such claims. The narratives surrounding poverty were addressed by UN Special Rapporteur Philip Alston, for example, in his report on poverty in the US:

In thinking about poverty, it is striking how much weight is given to caricatured narratives about the purported innate differences between rich and poor that are consistently peddled by some politicians and the media. The rich are industrious, entrepreneurial, patriotic, and the drivers of economic success. The poor are wasters, losers and scammers.

In the UK, Psychologists for Social Change/Psychologists Against Austerity (PAA) wrote:

Experiences of both shame and humiliation are endemic in poverty.... Both shame and humiliation are social emotions. Humiliation arises when people are made to feel that they are lesser in status or worth, while shame occurs when people are made to feel that they have violated a social or moral standard. These feelings have been compounded by the punitive benefits rhetoric used to drive through austerity policies, which has promoted the idea that those who use welfare benefits are worth less ("shirkers") than those who work ("strivers").⁶

Although blaming and shaming the poor is by no means confined to the US and UK, O'Hara believes that this 'toxic poverty narrative' has been promoted and widely accepted to the greatest extent in those two countries, underpinned by a political culture obsessed with 'individual agency' and a belief in 'personal responsibility'.⁷

The journalist and author of *The American Way of Poverty: How the Other Half Still Lives*, Sasha Abramsky, says much the same, pointing out that blaming and shaming is a lazy, simplistic way of thinking about what is, in reality, a complex issue. Among those in the UK who have written on the subject and are cited by O'Hara are researchers Tracy Shildrick and Ruth Patrick. The former refers to what she calls 'poverty propaganda,' the title of her book, which purveys the message that poverty and related disadvantages are, in one way or another, deserved. This, she says, is a pervasive and powerful message, misrepresenting the causes and consequences of poverty in contemporary Britain, drowning out more accurate ways of understanding it. Ruth Patrick, in a 2016 journal paper, focuses on out-of-work benefit claimants and the political narrative, dominant at the time, which stereotyped and stigmatised them as problematic welfare dependants in con-

trast with the 'hard-working majority.' That she saw as part of a long-standing view of 'deserving' and 'undeserving' populations, concealing and neglecting the systemic causes of poverty.⁸ Jennifer Sheehy-Skeffington is another British academic who has written about the way public opinion tends to put the blame for poverty on individual failures, encouraged in doing so by endless soap operas, reality shows, tabloid newspapers, and political speeches.⁹

Dehumanisation

The stereotyping and stigmatising often goes beyond blaming and holding the less well-off personally responsible. In the UK this was spelt out by well-known journalist and commentator Owen Jones in his much-quoted 2011 book *Chavs: The Demonization of the Working Class*. Demonisation, as he put it, serves the purpose of rationalising inequality by attributing it to the talent and ability of the well-off and the complementary moral failings of the poor: 'demonization is the ideological backbone of an unequal society.' It had been particularly apparent in public discourse in the years prior to the publication of his book. One commentator for the *News of the World* had referred to 'a sub (human) class that now exists in the murkiest, darkest corners of this country... good-for-nothing scroungers who have no morals, no compassion, no sense of responsibility....' The *Daily Mail* called them a 'feral underclass.' Extreme though such comments may have been, they were reflecting changed public attitudes. Jones cites figures from the British Social Attitudes series of surveys showing that in 1986, 19 per cent of respondents thought poverty was caused by laziness or lack of willpower, and that figure had risen to 27 per cent 20 years later. Margaret Thatcher, UK prime minister from 1979 to 1990, in an interview given the year before she became premier, said, 'Nowadays there really is no primary poverty left in this country... now you are left with the really hard fundamental character-personality defect.' Still true to form, in a lecture she gave in 1996, talking about those on social benefits, she proclaimed, 'poverty is not material but behavioural.' By the time Owen Jones was writing his book, the slur 'chav,' which derives from the Romany word 'chavi,' meaning child, had entered the national vocabulary. Believe it or not, in addition to references in the *Daily Mail* and elsewhere, there were books on the subject, such as *The Little Book of Chavs* and *The Chav Guide to Life*, as well as a 'ChavScum' website. The message conveyed, in stark, poisonous terms, was that sections of the lower classes were not simply behaving despicably, selfishly, and irresponsibly, scrounging off the rest of us, but were 'taking over our towns and cities,' nothing less than 'a new ruling class'.¹⁰

Such things were always so, argues one of the contributions to a special 2017 issue of the *Journal of Social Issues*, devoted to ‘The great recession and social class divides.’ Across history, it claims, negative stereotypes and dehumanising images of low-status workers have existed, serving the function of perpetuating inequality. They do that by making it appear that status hierarchies are natural, not a social construction, in the process negatively affecting workers’ own identities and recruiting them as contributors to acceptance of the status quo. Historical examples of dehumanisation were the *animal laborans* (less than human slave labourers), the *minus habens* (incomplete cases of humanity), the *cives imperfecti* (imperfect citizens), and the *artifices ignobiles* (i.e. despicable workers) of the European classical and medieval worlds. In the modern era, studies in the UK and US in the 1950s and 1960s were finding that blue-collar workers were stereotyped as ignorant, apathetic, lazy, incompetent, troublesome, and violent. Further than that, evidence is reviewed showing that objectification and dehumanisation of low-status workers is still prevalent. Workers in low-status jobs are sensitive to the reality of a work role which is demanding but relatively lacking in autonomy, control, and use of discretion, characteristics associated with being viewed like objects, tools, or instruments. Dehumanisation was illustrated by one series of studies published in 2014 which found that epithets frequently applied to lower-status people—such as *chavs* (in the UK), *white trash* (a US term), and *bogans* (in Australia)—were remarkably similar in content. In particular, the characteristics that were seen as distinguishing these social groups from others, such as lack of human intelligence and sophistication, were the same ones distinguishing humans from apes.¹¹

This idea that, under conditions of inequality, such dehumanising perceptions and judgements may flourish is, sadly, far from fanciful. A team led by a Chilean psychologist has carried out a series of studies of what they call the ‘humanity gap.’ Their work has included studies in Mexico and in Spain. Their key measure of the humanity gap is the Ascent of Man Scale which asks participants to rate different groups of people by using a slider that moves from zero (*least evolved/animal-like*) to 100 (*most evolved/human-like*). Several of their studies had shown a social class humanity gap, a tendency to dehumanise low socio-economic status compared to high socio-economic status groups. Studies in Mexico sought to unravel the ideological roots of that perceived socio-economic humanity gap. Using correlational studies and a Bimboola-type experiment (see Chap. 4, Table 4.1), it was found that it was underpinned by a belief in dominance hierarchies, a belief in meritocracy (e.g. that ‘If people work hard, they almost always get what they deserve’), and hostile classism (e.g. a belief that ‘Many poor people cannot be trusted to make important life decisions for themselves’). Studies in both Spain and Mexico con-

firmed that the perception of high economic inequality—either in one’s own society or in a fictional one called Mazimba—was correlated with and predictive of the degree to which participants endorsed the socio-economic humanity gap.¹²

A different theoretical approach, but one that is compatible with the idea of blaming and shaming the poor, uses the notion of different types of mindsets which we adopt towards other groups. To be specific, an important distinction is drawn between ‘growth mindsets’—believing that attributes, traits, and personality are highly malleable—and ‘fixed mindsets’—the belief that people’s characteristics are relatively stable. Using both cross-sectional and experimental methods, support was found for the prediction that growth mindsets towards those who were poor, by not blaming them on account of their personal and unchangeable dispositions, predicted less stigma towards them. They warn, however, that adopting a growth mindset may be a double-edged sword, since it is known that growth mindsets, while they can predict more positive perceptions of others via reduced essentialised thinking, can also promote *less* positive perceptions of others via increased attributions of blame.¹³

Who Is More Inclined to Blame Others?

General Ideology

This tendency to see others as inferior and to blame them for their circumstances—which has been termed ‘blaming the victim’—may be more deeply rooted in a general, personal orientation towards supporting hierarchy and the domination of ‘inferior’ by ‘superior’ groups. That has been termed ‘social dominance orientation’ (SDO), and is linked to a general theory of social dominance.¹⁴ Across several studies in the US, involving both advantaged and disadvantaged group members, it was found that individuals scoring higher on a measure of SDO perceived less inequality between groups differing in (dis)advantage. Perceiving less inequality was associated with rejecting social policies aimed at reducing inequality.¹⁵ In the US arm of the Spanish/US study mentioned in the previous chapter, participants were asked to indicate their degree of support for government and non-government policies that would reduce inequality. The policies asked about, which were described in some detail, included social welfare programmes, progressive taxation, and charitable giving. For example:

Participants were presented with -100 to +100 scales for six primary social welfare policies – healthcare benefits and subsidies; unemployment benefits; food stamps;

social security; education grants, scholarships, and subsidized loans; and public housing – and were asked to indicate how much government should increase (toward plus 100) or decrease (toward minus 100) spending. Other scales asked participants to rate their support for progressive taxes on incomes, estates, luxury goods, and corporations, and to indicate their preferred percentage tax rate on people in seven different income brackets. When it came to charitable giving, participants had a hypothetical \$100 to distribute among four charities, two of which were considered redistributive, aiding the financially disadvantaged, and two not; they were also asked for an indication of the importance of each charity.

People with a stronger SDO and a belief in economic system justification (ESJ) were found to be less inclined to support policies that would reduce inequality. Furthermore, the relationships they found between SDO/ESJ and opposition to inequality-reducing policies were mediated by a belief in ‘dispositional poverty.’ The latter was defined as the tendency to attribute poverty to personal dispositions in contrast to situational causes, for example ‘People are poor because they are lazy’ as opposed to ‘People who are poor are not to blame for their circumstances’.¹⁶

Other surveys conducted in the US and UK, using a variety of measures of right-wing authoritarianism, social dominance orientation, and economic system justification, have found that citizens tend to hold a coherent set of attitudes. Political views and attitudes about social and economic issues tend to be in close alignment, they found. It was concluded that the political belief systems of ordinary citizens were ‘coherently organized around support for versus opposition to both social and economic forms of inequality in contemporary capitalist societies’.¹⁷

Class, Income Groups

Others see it in social class terms. A special volume of the *Journal of Social Issues* came out in 2017, consisting of a set of papers reporting research based on a mix of large-scale surveys, archival data, and experiments, and contributed by authors from 12 countries, all on the subject of socio-economic inequality. Summarising the papers, one of the clearest conclusions according to the volume’s editor was that those of higher social class show heightened levels of beliefs in individualism and independence, seeing themselves as separate or different from others and operating ‘under their own steam.’ Those of lower social class standing, in contrast, had a tendency towards greater *interdependence*, with more of a focus on similarity to and relationships with others, and more likely to place importance on being resilient and upholding a moral order.¹⁸

It seems that the wealthy, at least in the US, are less favourably disposed towards redistribution. A survey, which incorporated an experiment, was carried out in late 2016 and early 2017, with a broadly based national sample, recruited with the help of YouGov. Although attitudes towards government redistribution was the focus, the use of the word ‘redistribution’ was avoided, a telling detail in view of the steadfast avoidance of the expression by mainstream politicians in countries like the US and UK. Participants were asked, on a 5-point scale from ‘much lower’ to ‘much higher,’ whether they would prefer a higher or lower effective income tax rate for those on the highest incomes (the rate at the time was 33 per cent for households earning \$467,000 or more). A similar question was asked about the effective estate (inheritance) tax rate (which, at that time, was 17 per cent for those with estates valued at \$5.45 million or more). The findings showed that, on average, the wealthiest top five per cent were less supportive than others of those two means of redistribution. That was the case even after accounting for their greater average age and years of education. The analysis also showed that their lower preference for redistribution was the case irrespective of whether tax increases would directly affect them, suggesting that it might not just be self-interest that was involved. Their experiment took the following form:

Participants were assigned the role of spectators or workers. Spectators had to decide whether to redistribute earnings between a pair of workers, one high-income, the other low-income, who had completed the same number identification task. After doing the task, workers were informed that they or another worker would receive, in addition to a participation fee of \$1.00, an additional \$6.00, whereas the other would not. Since the task took only five minutes, this was equivalent to a generous rate of pay! They were randomly assigned to one of three conditions that manipulated the relative importance of hard work and luck as determinants of the bonus. In the “luck” condition, a random draw selected one of the two workers to receive the bonus. In the “merit” condition, the worker in the pair who performed better on the task earned the \$6.00. The spectators’ task was to decide how much of the earnings to redistribute from the high- to the low-income worker.

What was found was that spectators chose to redistribute less in the ‘merit’ condition and more in the ‘luck’ condition. Irrespective of condition, however, the wealthiest top five per cent tolerated inequality better, choosing to redistribute less.¹⁹

Another study, looking at meritocracy beliefs in more than 1800 counties across the US, was based on four nationally representative surveys conducted between 2005 and 2009. Income inequality varied greatly around the country: the average Gini coefficient ranged from 0.33 to 0.61, with a mean of 0.44. A map showed inequality to be concentrated in the South, Northeast, and West regions, although

both extremely high and low inequality counties were to be found throughout the country. A typical measure of belief in meritocracy (it varied slightly from one survey to another) asked participants to choose whether the statement ‘Most people who want to get ahead can make it if they’re willing to work hard’ or ‘Hard work and determination are no guarantee of success for most people’ came closest to their personal opinion.

When the analysis was confined to the majority non-Hispanic white respondents, a clear difference emerged between those with lower and higher pre-tax family income. For the income-poorer, endorsement of statements supporting meritocracy *decreased* as county inequality increased— supporting what the study’s authors called the ‘activated disillusionment’ hypothesis. What made the results even more interesting was that the effect of increasing county inequality went into reverse as family income increased (in statistical language, the interaction term was significant). For the income-rich, greater county inequality was associated, not with a decrease in the likelihood of participants accepting the idea of meritocracy, but with an *increase* in meritocracy belief. That, the authors say, supported their ‘activated loyalty’ hypothesis: the relatively wealthy living in unequal settings are more motivated to justify the economic system than the wealthy living in low-inequality areas. It was where local inequality was high that beliefs in meritocracy were most strongly polarised by family income. The report’s authors construed these findings in terms of ideological class conflict between the rich and the poor:

In local areas where wealth is relatively equally dispersed, higher- and lower-income citizens uphold the American dream at equal rates, which some readers could interpret as indicating the presence of “false consciousness” among the lower class. However, in contexts with pronounced inequality, we observe a significant divergence in belief reminiscent of class-based awareness and conflict.²⁰

Notably, that pattern of results was not found among the minority, non-white survey participants, for whom no effects of local inequality emerged, a result the authors suggest indicates that for ethnic minorities, economic inequality may take second place to experiences of racial discrimination and lower status in the US. What this demonstrates is that great care needs to be taken in generalising results found in one country at one time to other countries, or even to a different socio-cultural group living in the same country.

Spain is another country where the relationship between social class and beliefs justifying economic inequality has been studied. It is also one where inequality increased very considerably in the years following the 2007 economic crisis. One Spanish study went like this:

Participants were recruited by approaching people in public places such as a bus station or a library. To measure perceived inequality, they were asked to choose which of seven graphs, ranging from very low to very high inequality – similar to the kind on which a Gini coefficient is calculated – came closest to their perception of the economic structure of contemporary Spanish society. They were also asked “To what extent do you think that the resource distribution in Spanish society is just/fair?” from 1 (totally unfair) to 7 (totally fair). They were also asked for their own assessment of where they thought they personally stood in Spanish society in terms of socio-economic status (by placing an X on one of ten rungs of a ladder).

Results showed that subjectively feeling oneself to be of higher social class increased the perception that the actual economic structure was fair, which in turn reduced the degree to which society was perceived to be unequal. The authors commented that it was as if social class was acting to justify inequality and even blind people to its existence.²¹

A paper that appeared in the *Journal of Applied Social Psychology* in 2022 adds further complexity. Rather than focusing on the well-off as the group most likely to hold beliefs that support inequality, it shone the light on the role of liberals in contributing to social inequality. It tested and found evidence for what the paper’s authors called ‘a privileged liberal principle-implementation gap.’ When privileged liberals have a personal stake in a potentially redistributive policy, a gap may open up between their expressed principles and their actions. They point out, for example, that while New York and San Francisco are amongst the ‘most liberal’ cities in the US, they also have relatively high levels of income inequality and highly racially segregated school systems.

A series of six studies demonstrated that privileged liberals reported higher principles in favour of reducing inequality compared to conservatives, but in settings where they would have ‘skin in the game,’ they exhibited no differences in behaviour compared to conservatives. For example, in one study—all participants, recruited via Amazon Mechanical Turk, qualified as middle or upper class—liberals were higher than conservatives in terms of general egalitarianism (they were lower on SDO), and opposition to gentrification, but there were no differences between liberals and conservatives when it came to preferences for different apartments, the most preferred for both being a more affordable apartment that they were informed would displace working-class people. In another study, liberals expressed greater support for equal access to education for working-class children, but no differences in support or lack of it for a controversial education re-zoning plan that they were told would reserve 25 per cent of the local school for ethnic minority students from a neighbouring working-class area. In another, when asked about the building of a homeless rehabilitation centre, again liberals were the more

supportive of the principle of equal treatment of disadvantaged groups, but there were no differences between liberals and conservatives in their support for moving the centre into their own home district, or in their preference for moving the centre into an alternative district.²²

Climbers and Winners

There is other research suggesting that it is not only a person's current higher social class position that affects inequality-maintaining beliefs; how he or she got to that elevated state may also be relevant. You might suppose that those who have personally experienced upward mobility would be especially critical of unequal income and wealth distribution given their modest beginnings. It seems you would be wrong to make that assumption. Research suggests that 'first-generation wealthy' individuals are *more* accepting of income inequality than other people (including others whose wealth has been inherited), and are also less supportive of government policies aimed at redistribution.²³

For example, one group of studies in the US compared how being *born rich* versus *becoming rich* was likely to affect attitudes towards poorer people. First, in line with the veneration of rags-to-riches stories in the US, it was shown that people did generally expect that those who became rich would be more empathic and understanding towards the poor and more sympathetic towards social welfare. Further study, however, found evidence that these expectations were probably misguided. People receiving substantial incomes and classifying themselves as 'upper middle class' or 'upper class' were sub-divided into two groups: those who indicated that their past social class had been 'lower class,' 'lower middle class,' or 'middle class'—the Became Rich group—and those who classified their past social class as 'upper middle class' or 'upper class'—the Born Rich group. It was the latter, *not* the former, who were more likely to: believe that 'it is difficult to improve one's socio-economic conditions in the United States'; attribute poverty to external circumstances (e.g. discrimination in hiring, or a lack of opportunities); think that the poor are sacrificing many things in life (e.g. personal life, sleep, time, immediate desires) in order to improve their socio-economic conditions; feel more empathy (e.g. compassion, sympathy, worry) towards the poor; and show greater support for redistribution. It was the Became Rich who saw improving one's socio-economic conditions as less difficult, which, in turn, predicted less empathy for the poor, less perceived sacrifices by the poor, more internal attributions for poverty, and less support for redistribution. Finally, these results were corroborated in an experiment in which participants were randomly assigned to one of two conditions:

moving upwards to a high-status position in a fictitious company or entering the company's employment at an initial high level; both were then asked to evaluate an employee who started working at the company around the same time but who had then remained in the same lowly position despite lengthy service to the company. The findings demonstrated that even just imagining having experienced upward mobility led people to view such mobility as less difficult, reducing empathy and support for those failing to move up.²⁴

In Germany, a natural experiment allowed for a study of whether personal experience of success or failure over a much shorter period of time affected inequality-related beliefs. In this case the focus was belief changes before and after learning that one had either succeeded or failed in gaining admission to medical training at one of Germany's public universities. These were highly selective training programmes. Indeed, success was found to reinforce the belief that admission depended on effort, while failure strengthened the belief that admission depended on luck—'whether I am admitted to medical school depends on: how much effort I put in and how hard-working I am/how lucky I am.' Furthermore, whether success or failure in admission had been the experience generalised to beliefs about inequality in society beyond the narrow world of university admission—'In Germany whether someone is successful and ascends the social ladder depends on: effort and hard work/being talented and intelligent/coming from the right family/having money and assets'.²⁵

Another experiment, from a country that otherwise doesn't figure much if at all in research on the psychology of economic inequality, comes from Ethiopia. The Integrated Housing and Development Programme in Addis Ababa oversees construction and allocation of high-quality apartments which are sold at highly subsidised prices. Demand for these studio, one-, or two-bedroom apartments is naturally high and allocation is decided via a lottery. As a result, winners experience a substantial increase in wealth, which losers do not enjoy. This provided the opportunity for a rare, randomised, natural experiment. The main finding, from a study of a 2016 round of the lottery, involving over 12,000 apartments, was that winning or losing the lottery did not affect fundamental attitudes towards redistribution or acceptance of inequality, e.g. 'In the long run, hard work usually brings a better life' vs 'Hard work doesn't usually bring success, it's more a matter of luck and connection'; 'Incomes should be made more equal' vs 'We need larger income differences as incentives for individual effort.' However, winners were less likely than losers to attribute poverty to luck; and winning or losing did affect attitudes towards an estate tax. Winners were less supportive of that specific redistributive policy that would directly affect them personally, a finding that the study's authors interpret as evidence of a self-serving bias.²⁶

Perhaps, when it comes to economic wealth, having more makes us want yet more—a ‘having more–wanting more’ relationship as one group of researchers put it. They carried out a series of studies combining data from 73 countries and regions with data from a representative Australian sample, confirming the expectation that higher levels of inequality would be associated with a greater expressed desire for more wealth and status. Furthermore, compared to people in the lower-class group, those of upper class were more likely to see and use wealth and status as important attributes in defining and categorising the self, and compared with those of lower social class expressed a stronger desire for wealth and status. Incidentally it is worth noting that in their writing these authors – and they are not alone – explicitly use the terms *low-status/high-status groups*, *have-nots/haves*, *lower class/upper class*, *the poor/the rich*, and *the underprivileged/the privileged* interchangeably.²⁷

Thinking About the Social Structure: The Role of Economic Threat, Culture, Mass Media, and the Educational System

The Role of Threatening Economic Circumstances

Much of this chapter and the previous one have up to now been about those factors standing in the way of challenging economic inequality which might be termed micro-level or cognitive factors. But if, as I argued in Chap. 3, income and wealth inequality are properties of a whole system, then we should also be looking for explanations at the macro or structural level. Among the relevant macro-level factors we should be considering, listed by Hing and colleagues, are: economic conditions, cultural norms, and the role of mainstream mass media. They also include political institutions, the subject of Chap. 9. In their paper, entitled ‘Thinking structurally: a cognitive framework for understanding how people attribute inequality to structural causes,’ Amemiya and colleagues present a framework (applicable to any kind of inequality, not only economic) which, although referred to as ‘cognitive,’ goes far beyond the kinds of knowledge, beliefs, and attitudes we have been considering. Their position is that people recognise the importance of structural factors when they are perceived as really making a difference to inequality. Specifically, they propose two types of evidence that support inferences about ‘difference-making’ structural factors: *within-group change*—observing that outcomes for disadvantaged groups improve under better societal conditions; and *between-group comparisons*—observing that members of some groups, otherwise similar to their own, nevertheless are experiencing better societal conditions and outcomes.²⁸

One study of special interest took place in Spain. The principal hypothesis tested was that a period of relatively high unemployment associated with recession makes people less likely to believe that one's economic position is determined by factors within an individual's control, related to effort, compared to factors beyond their control, due to circumstances or luck. Spain provided a good opportunity to test this. A key question had been asked regularly in a national survey since 2010, covering the years of the Great Recession, which hit some Spanish provinces particularly badly, others less so. Participants were given the following instructions: 'Some people think that economic position depends almost exclusively on effort, education, and professional worth (on a 0–10 scale they would choose 10). Other people think that what really matters is family background, social network, or simply luck (they would choose 0). What do you think influences more the economic position that people achieve in Spain?' Over the years 2010 to 2018, the average response hovered between 4.5 and 5.

The research hypothesis was confirmed. On a national level, the average rating was lower when the unemployment rate peaked during the recession. At the province level, controlling for the wide variation in average unemployment rate (the national average over the period was 21 per cent, but unemployment rates by province varied between 8 per cent and 41 per cent), an increase in unemployment rate significantly shifted ratings towards a belief in the importance of family and social background and luck. The influence on beliefs of changes in the province-level unemployment rate remained significant after controlling for several personal demographic and socio-economic position factors. Whether a participant was personally unemployed at the time of completing the survey had an even stronger effect than changes in the province's unemployment, with the unemployed believing more in luck and circumstances.²⁹

Reviewing the various contributions to the 2017 special volume of the *Journal of Social Issues* on the subject of 'The great recession and social class divides,' referred to earlier, the concluding section identified several tendencies. One was that, regardless of one's social position, an economic threat seems to create more *interdependence* within one's social in-group, a 'sharpening of the we/they bias.' This might be an example of circumstances really making a difference to one's consciousness about inequality, a psychological mechanism for 'turning helpless actors into collective actors,' as one of the contributors put it. However, there were also clear indications that the bolstering of in-group thinking that seemed to accompany an economic threat was also associated with greater derogation and distrust of out-group members, and more blaming and shaming of others who require more resources, which can easily lead to 'hostile ethnocentrism.' As was the case during the Great Depression, it was those with more resources, status, power,

and influence who were likely to experience the greater fear of falling; those of lower social class were the more likely to be the targets of discrimination, blaming, and shaming, and were more likely to have their circumstances attributed by other people to personal, dispositional factors. Furthermore, there was evidence, if such was needed, that those of more lowly social and economic circumstances, though more alert to the structural context as a result of the recession, faced the greater task of surviving and maintaining their lifestyle with fewer resources than the more fortunate, leaving them with little time or energy to engage in collective action aimed at trying to change the structural inequality affecting their lives. All in all, it is difficult to overcome what the special issue's conclusion calls 'the default Western tendency for inattentional blindness to inequality and its collective sources'.³⁰

The Role of Culture

Cultural norms was one of the factors which Amemiya and colleagues included in their framework for understanding when and how people become more conscious of the social structure. Others have noted the same thing. Meritocracy has been spoken of as 'a fundamental tenet of the "American Dream."' Others have referred to large differences in notions about meritocracy, even amongst the richer countries, for example a higher proportion of US citizens, compared to those in European countries, believing that hard work will be sure to pay off in the long run. In *The Spirit Level*, Wilkinson and Pickett drew attention to evidence of a contrast between inequality-relevant beliefs in the US, where personal successes were more likely to be attributed to one's own personal abilities, and in the more economically equal Japan, where success was more often attributed to luck. Andrew Sayer's focus was on the rich. There is, or at least should be, he says, public outrage at staggeringly high pay rates; but, he also says, there seems to be greater acceptance of such high pay in Anglo-Saxon countries, more so than in other European countries and much more so than in Japan, although acceptance there, he suggests, is catching up.³¹

A German psychology group put their finger on ideological adherence to 'capitalist ideology' as a crucial factor underlying opposition to redistributive policies. They recruited participants from local groups and student organisations in a medium-sized town in the west of Germany, and via social media, and measured support for capitalist ideology with two items asking the participants to indicate their position on scales ranging from 1 (socialist/'the state should control the economy') to 7 (capitalist/'control of the economy should be left to the market').

Adherence to capitalist ideology strongly predicted opposition to redistribution, whereas ‘classism’—holding negative stereotypes about the lower social class as the beneficiaries of redistribution—did not. It was concluded that when it comes to the issue of economic inequality and how to remedy it, the crucial obstacle to redistributive policies is not any negative attitudes towards the likely recipients but a more fundamental ideological opposition.³²

An important study was carried out in 25 provinces in China using a nationally representative survey conducted by the Institute of Social Science Survey at Peking University. The study was also a rare example of including a longitudinal component. Legitimation of inequality—responses on a 5-option scale, from strongly agree to strongly disagree, to the statement: ‘Increasing income inequality is needed to pursue economic development’—was associated with less perceived inequality six years later—‘How severe do you think economic inequality is in our country?’ rated out of 10. Furthermore, it was found that in more unequal provinces, people perceived *less* income inequality, a finding contrary to the weak positive correlation between actual and perceived inequality that has been the general finding in Europe. The study’s authors suggest possible explanations for that contrary result. Asian collectivistic cultures, they suggest, may have a more normative acceptance of inequalities than Western individualistic cultures, and those living in some Chinese provinces may now have higher expectations of upward mobility than do most Europeans. Another speculation was that some provinces with low inequality might have experienced relatively large changes in recent years, making inequality more noticeable and newsworthy, leading to a perception of greater inequality in those regions of the country.³³ Another longitudinal Chinese study found, surprisingly to those more familiar with research in Europe or the US, that beliefs in meritocracy *decreased* as the perception of inequality increased (although meritocracy belief did not change as objective economic inequality increased).³⁴

There is an important hint there that perceptions of the extent of economic inequality, and associated beliefs in the legitimacy of inequality, and expectations of socio-economic mobility, may vary by country and culture, suggesting that they may have deep roots in the way we see ourselves in relation to others around us. Individualism versus collectivism may be one cultural variable of relevance, and another is self-enhancement—a bias towards seeing oneself as better than the average person. Across 15 diverse nations, both were found to be stronger in countries with the higher levels of income inequality.³⁵ Another study suggesting the importance of cultural values using data from the European Social Survey, involving participants from 20 countries, found that in those countries where belief in individualism was higher, responsibility of the state for welfare received less support,

and views on the latter issue were more polarised between those with right-wing and left-wing political views.³⁶

Once again, cause and effect are complicated. A series of experiments demonstrated that, in addition to any effect a society's normative climate might have on the perception of economic inequality, there might also be an effect in the opposite direction. The experimenters asked their participants (university students in Spain and Australia and an online community sample in the US) to imagine that they were going to live in fictional Bimboola (see Table 4.1 in Chap. 4). Those randomly assigned to be told that income inequality was high there were more likely to think that Bimboola was characterised by individualistic versus collectivist norms—participants chose between paired statements such as ‘Most people see themselves as independent from others’ versus ‘Most people see themselves as interdependent with others’; ‘Most people do what is enjoyable to them personally’ versus ‘Most people carry out their group obligations’—and also as more competitive and less cooperative.³⁷

Well beyond Europe, relevant beliefs may be very different. In the West, ideas about fairness are known to develop during childhood, becoming less exclusively self-centered. But fairness beliefs are not universal, and may be very different in parts of the global south, as a study of three contrasting cultures showed. As they aged, German children gave more importance to meritocracy, whilst in an egalitarian foraging society in Namibia, children had a strong preference for equal outcomes across all age groups. And in a Kenyan gerontocracy, governed by elders, there was no evidence of meritocratic beliefs at all.³⁸

The Role of the Popular Media

What role might the media be playing in fostering inequality-supporting beliefs? A randomised experiment in the US demonstrated how easy it is to manipulate opinions about the legitimacy of income inequality.

One group received detailed information about two jobs, that of a relatively highly paid radiologist, and that of a health technician who was paid the national median income for that year. Details of the educational requirements, skills, and responsibilities necessary for each job were provided, as was an economic argument suggesting that the need to encourage workers to invest in obtaining these skills justified those pay differences. A second group only received information about the current distribution of incomes in the US. A control group received no information at all.

Compared to the control group, those in the first group, primed to think of income differences as fair, were then less likely to say they supported policies aimed at addressing pay inequality, for example a wealth tax, increased estate tax, an increased minimum wage, and support for more equal pay generally. Simply receiving information about the national income distribution made no difference, perhaps, it was suggested, because people in the US are already fairly well informed about pay differences.³⁹

A US political scientist, E. Kim, wanted to understand how it was that, despite all the evidence and numerous media reports suggesting that economic mobility had declined in recent decades—Kim’s report was published in 2023—the American public had remained convinced of the prospects for upward mobility for the working and middle classes. Using an imaginative combination of survey and online plus lab-in-the-field experiments, convincing evidence was produced that the media diet the public was being fed was playing an important role in explaining this persistence of belief in economic mobility. The focus was on reality/game shows, the numbers of which had surged from around the year 2000 onwards.

A content analysis of such shows was carried out – over 100,000 TV programmes in all, released between 1960 and 2017, including those on Netflix and other popular streaming services, were examined. Three elements were thought to be particularly relevant to fostering beliefs in upward mobility: had the programme (1) featured ordinary USAmericans such as small business owners, home-based cooks, amateur singers, and food-truck owners, *not* just experts or celebrities; (2) been clearly merit-based, dramatising the process of working hard (*Shark Tank* and *MasterChef* were examples) as opposed to such as dating or trivia quiz shows; (3) offered the possibility of considerable economic benefits, involving recognition and prizes with definite implications for contestants’ prospects (a recording deal, a business contract, or a million-dollar cash prize, for example).

Over 70 per cent of the competitive reality/game shows aired between 2015 and 2017, including the most watched ones, contained all three elements of that rags-to-riches narrative, while less than two per cent contained none of them. Their viewing figures were impressive, putting the popular Fox News into the shade.

Kim then designed a national survey that was administered to 3,000 US residents in 2018. They were asked which of 12 rags-to-riches programmes, airing that year, each of which featured those three crucial elements – ordinary Americans, working hard, to achieve considerable economic benefits – they had watched.

Those who regularly watched more than six of these 12 programmes were the more likely to believe in economic mobility and were more likely to attribute eco-

conomic success to internal factors such as ambition, self-determination, hard work, and talent. Other factors were just as important, however. For example, Republican supporters and those who perceived their lives as better than those of their parents were more likely to be upholders of the belief in economic mobility.

The final component of this research project used a specially designed mobile media laboratory in the form of a big box truck complete with TV screens. It was driven to events like farmers' markets, flea markets, and summer festivals, where people of various ages watched one of four specially constructed, 5 minute long, rags-to-riches TV shows depicting ordinary USAmericans achieving economic gains. Two examples provide a flavour of these experimental "treatments." The *Shark Tank* treatment featured two young entrepreneurs pitching their start-up business product to a panel of judges, and at the end of the treatment video, they got a successful business deal. The *Toy Box* treatment showed an elderly female toymaker pitching a multilingual doll she invented to representatives of major toy manufacturers. She explained how she spent years developing this toy and faced many financial challenges in the process. The video ended with her doll being endorsed and chosen by the judges.

Comparison of beliefs before and after watching one of these mini-shows revealed that participants were on average about six per cent more likely to believe in the prospect of upward economic mobility afterwards. This was a significant change, equivalent in fact to more than half the size of the average difference in the beliefs of participants who supported the Democrat and Republican parties.⁴⁰

Of course, not all exposure to entertainment material has the same effect. In another creative series of studies—surveys in the UK and US and an experimental study in Italy—it was shown that reading *The Hunger Games* fantasy saga, which depicts characters living in a post-apocalyptic society with large social disparities between advantaged and disadvantaged groups, was associated with *greater* willingness to engage in collective, remedial action on behalf of the disadvantaged.⁴¹

An interesting aside here concerns the inauguration of a national lottery in the UK in 1994. The idea had been controversial. Margaret Thatcher was amongst the many who were against it, as was *The Times*, which in the early 1970s rejected a national lottery as unfair, rewarding luck and gambling rather than merit. But by the early 2010s its attitude had totally changed. It now welcomed it as both fair and as a social good, contributing to causes such as National Cycle Network, thousands of afterschool clubs, or the new wing of London's Victoria and Albert Museum. In the summer of 2016, around the time of the Rio Olympics, advertising posters appeared in countless public spaces such as bus shelters proclaiming in very large font: BY PLAYING THE NATIONAL LOTTERY YOU'RE PART OF TEAM GB. THANK YOU. The reversal in attitude expressed in *The Times* towards the new national lottery appeared to some to reflect a broad change in national attitudes,

towards a new idea of fairness, endorsement of a smaller state that enabled rather than provided, allowing people to take personal responsibility for themselves. Had there been, over the decades since the 1970s, one researcher speculated, a greater acceptance that we live in a 'lottery culture,' where, for example, inequality in education and health care provision were being referred to as a 'postcode lottery,' and some kinds of happy outcome were talked of as 'like winning the lottery'⁴²?

The Role of Education

It has been argued by many writers on inequality that it is in the educational setting that the merit principle is most evident. Writing from a French perspective, Croizet and colleagues claim that educational institutions have always been a major part of the system which produces and justifies inequality, 'by imposing systems of classification that not only channel how individuals think, act, and define themselves, but also determine their fate... [they] act as "sorting machines"... produc[ing] disparate outcomes as a function of class, gender, and race.' Educational terms like 'grades,' 'awards,' 'high achievers,' 'gifted,' 'straight As,' 'low achiever,' and 'dropout,' signify categorisation, justified as deserved on the basis of merit, or lack of it, but at the same time ignoring any pre-existing differences in advantage or disadvantage, and certainly having implications for students' futures.⁴³ We saw from British research in Chap. 3 how educational advantage can carry through into later, career privilege. Another group of social psychologists, from the Netherlands, France, and Switzerland, draw their conclusions, from research evidence, that there is a 'convincing case for the role of educational institutions in the reproduction of inequalities... the discourse depicting how educational institutions provide equality of opportunity conceals inequalities by presenting them as an accurate reflection of differences in individual merit'.⁴⁴

In his book *The Tyranny of Merit: What Became of the Public Good?* Michael Sandel devotes a whole chapter to what he calls 'credentialism,' reflected in the importance of a college education in the present-day US and the kudos of studying at one of the most prestigious colleges. He cites research evidence of prejudice towards those with less education shown in both the US and UK by the 'credentialled,' those with degrees. While the prestigious private US universities have progressively become more exclusive, he says, education has increasingly become a means of 'sorting' young people into the more or less successful, and non-academic work has come to be seen as of lower status, which it was not previously. Throughout his book he refers repeatedly to those who do not achieve positions of higher status being looked down on, the undermining of self-esteem and self-respect, the sense

of humiliation felt by some, and the generating of hubris among those who enjoy the experience of success. He points out that both the UK's Brexit and Trump as US President were disproportionately voted for by those of lower educational status, those without university or college degrees.⁴⁵ The Spanish study, referred to earlier, linking higher unemployment level to beliefs in the importance of circumstances and luck, also found that those with higher levels of education assigned a larger role to factors such as effort and education (as did those who considered themselves more right-wing in political beliefs).⁴⁶ Ben Ansell, in his 2023 BBC Reith Lecture on solidarity, told us that being a university graduate or not is now the big dividing line in British society, for example when it comes to voting Conservative. Education has replaced money as the big dividing factor, he believes.⁴⁷

A series of studies carried out in Germany and the UK, with a variety of samples including students and Mechanical Turk employees, illustrates the role that education plays in laying a foundation for an acceptance of social inequality, a legitimisation of it as the studies' authors put it. Embedded among questions on various topics, participants indicated how warm or cold, on a scale from 0 to 100, they generally felt towards groups with different educational experiences. That included groups such as 'people who go to higher education,' 'people who leave school after their GCSEs,' 'people who have studied at university,' and 'people who drop out from school before getting their secondary school diploma.' In one of the studies, participants were asked to evaluate four individuals who differed in education level. Their findings, in contrast with the optimistic view of the more highly educated as tolerant and enlightened, indicated that the more highly educated participants displayed a bias based on education, expressing more negative attitudes towards less educated others than towards the more highly educated. That was the case whichever exact attitude measure was used. The less educated participants did not show that education-based bias. In further sub-studies it was found that less educated people, compared with poor or working-class people, were seen as more responsible and blameworthy for their situation. Furthermore, higher ratings of responsibility and blameworthiness were correlated with beliefs in meritocracy.⁴⁸

Another series of studies included both international surveys—one European from 2018, the other still wider, involving participants from over 40 countries in 2009—and an experiment with psychology students from a large Australian university.

In the experiment, participants were randomly assigned to high or low school meritocracy conditions. Those in the high meritocracy condition were told that the OECD had named Australia as a "world leader in educational mobility," with "very few bar-

riers for Australian students who work hard to get ahead in the educational system.” They were then shown statistical information indicating that social class had little impact on educational outcomes in Australia. In the low meritocracy condition, participants read that, “While educational disadvantage is a problem across the globe, the problem is especially pronounced in Australia. This means that there are still many barriers even for Australian students who work hard to get ahead in the educational system,” followed by statistical information suggesting that social class had a strong impact on educational outcomes in the country. The key measure was belief in school meritocracy.

The results were consistent across the studies. The stronger the belief in school meritocracy—whether assessed by survey or induced experimentally—the less likely it was that social class was perceived to be a source of privilege for some, and social class inequality thought to be discriminatory and unfair, and the less participants expressed support for policies aimed at reducing inequality and for collective action. In the surveys, these effects were stronger for more educated participants. In general, these results support the authors’ view of educational establishments’ crucial role in underpinning and perpetuating inequality-supporting beliefs in meritocracy:

The main purpose of educational institutions is to educate and select students to produce a merit-based hierarchy.... Consistent with this, most educational institutions officially claim that their selection rules are exclusively based on merit. The resulting selection is generally treated as legitimate and is rarely challenged: educational credentials are seen as reliable indicators of individual merit and diplomas grant access to social and economic positions in society. Educational institutions—both overtly and more implicitly—encourage students to believe in school meritocracy: educational institutions’ structure, discourse, and selection practices contribute to the institutionalization of an individualistic self-concept where talent and effort are seen to be the key factors of academic success.⁴⁹

That, they say, is supported by dozens of pieces of research showing that teachers place value on internal attributions for success and failure, such as talent and effort, or their lack, and that students are well aware that meritocratic beliefs are desirable and are rewarded in the education system. Recall our discussion in Chap. 4 about the status anxiety experienced in educational settings by those who felt they did not fit in because their backgrounds were dissimilar to those who found school or university more compatible with their backgrounds.

Chapter Summary

If high incomes and wealth can be justified in the belief that they are merited on the grounds of personal attributes such as effort, hard work, making sensible life choices, and showing self-reliance, the corollary is that those of us who do not succeed so well economically must have been lacking in those departments. There is indeed widespread evidence of negative perceptions and judgements, sometimes even amounting to dehumanisation, of the less well-off.

The use of blaming and shaming language, the bias towards accepting economic inequality, and resistance to redistribution policies are generally stronger among the wealthy and those of higher socio-economic status, including those who themselves have come from poorer backgrounds, and those who express liberal views but who in practice may oppose redistribution policies that would affect them personally. At the same time, inequality-supporting beliefs are likely to decline amongst those experiencing adverse economic circumstances, including, for example, experiencing unemployment, locally or personally.

Inequality-supporting beliefs are both culturally and personally rooted. At the cultural level, living in a country where, and at a time when, belief in capitalism, individualism, and unequal economic rewards based on effort are accepted and promoted is of undoubted importance (though care is needed in generalising, from country to country, beyond Western countries, or within a country from one socio-cultural group to another). The mainstream popular media plays an important role in promoting a culture's inequality-justifying beliefs and the ways in which they might be changing. Educational institutions are also thought by many to be a major part of the system which produces and justifies inequality, both by grading and classifying students, and more generally by promoting an understanding that educational success is based on merit, in the process down-playing the role of other sources of advantage or disadvantage. At the same time, at the personal level, beliefs about economic inequality are influenced by where a person stands on a more general 'social dominance orientation' continuum, supporting or opposing hierarchy and the domination of 'inferior' by 'superior' groups.

The material discussed in this chapter has taken us further in our exploration of the reasons for our collusion with high-level economic inequality. It has added considerable weight to two of my previous conclusions: that much of the blame lies with the strength of beliefs which appear to justify inequality, and the forces that create division between us, so that we fail to speak out with a united voice against inequality. We have also learnt that justificatory beliefs are not just matters of personal preference, but are endemic within cultures, and heavily promoted by societal

institutions, including a competitive educational system and the media. This prepares the way for the two chapters that follow, both devoted to macro-level explanations for economic inequality-acceptance. We need to look at the very fundamentals of how we have been told to understand economics (Chap. 8) and at how political power and vested interests have been marshalled to defend the status quo (Chap. 9).

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Bad Economics Is to Blame

8

Abstract

The growth in influence of ‘financialisation,’ and of neoliberal economic theory, has come under increasing criticism from commentators with varying backgrounds. A central criticism is that money itself, rather than the genuinely productive purposes it might serve, has become the overriding goal. Critics point to the excesses of a ‘rentier economy,’ characterised by company mergers and takeovers, exploitation of debt, tax avoidance, weak competition, and poor corporate governance, from which those with higher incomes and greater wealth benefit the most. Many go further, accusing neoliberal economic thinking for its reverence of a greedy, selfish Economic Man, interested only in personal, financial gain, individual freedom, and free choice. Psychology played a part in the 1960s and 1970s, with its limited behaviourist model of human nature. The founding of the Mont Pelerin Society, a transatlantic network of think tanks with wealthy supporters, and strong ties with academics at the University of Chicago and elsewhere, helped create a powerful alliance of interests, a modern ‘plutocracy,’ strong enough to have reshaped the economy’s rules in its favour. The economic conventional wisdom of recent decades has supported economic inequality and stood in the way of reducing it, adding to general confusion about the subject.

Keywords

Financialisation · Neoliberalism · Tax avoidance · Economic Man · *Homo economicus* · Free choice · Power

... over the past few decades our political discourse has been dominated by a harsh and individualistic neoliberalism, combining a single-minded focus on economic efficiency and growth with an almost religious faith in the benefits of free markets, Daniel Chandler *Free and Equal: What Would a Fair Society Look Like?*¹

... neoliberalism continues to dominate our lives ... you must first recognise and appreciate its genius ... a kind of brilliance in its transformation of the deeply unpopular musings of a handful of eccentric economists into the dominant story of our lives, Monbiot and Hutchison, *The Invisible Doctrine: The Secret History of Neoliberalism*²

In Chaps. 6 and 7, we looked closely at belief systems which operate to justify inequalities of income and wealth, and in Chap. 7 we also considered the ways in which education, the media, and cultural beliefs more generally may be contributing to inequality-acceptance. But is there something, yet more engrained in societies like mine, that is to blame for acquiescing to such high levels of economic inequality? In this chapter we need to listen to the clamour of voices that is now pointing the finger of blame at some of the quite fundamental assumptions that have been made about how the economy works. The conventional economic wisdom of recent decades, many experts are now telling us, has been seriously at fault. We need to understand how.

An Economic Model That Promotes Inequality

In her much acclaimed 2017 book *Doughnut Economics: Seven Ways to Think Like a Twenty-First-Century Economist*, Kate Raworth, economist and leading tweeter on economic transformation, lays into the conventional economic theories that she was taught and which have dominated the subject in recent times. So powerful had economics become that these faulty ideas had not only dominated that academic subject but had also come to dominate our political life. Its language, of customers, service providers, incentives, was everywhere. But she is far from being alone. Amongst the many others who have been saying much the same thing are some we have met before in earlier chapters. One is Andrew Sayer, Professor of Social Theory and Political Economy at Lancaster University, in his book *Why We Can't Afford the Rich*. Another is Martin Wolf, Chief Economics Commentator at the *Financial Times*, in his recent book *The Crisis of Democratic Capitalism*. Paul Collier and John Kay, authors of *The End of Greed: Politics after Individualism*, are other established economists who have joined the chorus of those who have dared to argue that there is something rotten at the heart of the economic thinking that came to dominate the field in the later decades of the last century and the ef-

fects of which we are experiencing to this day. Central to their critiques appears to be the charge that money, rather than the productive purposes it can serve, has become the end-all and be-all—the dominance of finance, ‘financialisation’ in a word.³

Andrew Sayer puts it well. Contemporary mainstream economic thinking, he argues, favours investment, not in those activities that are most needed, wanted, and productive, that are value adding, but rather in those where financial return on investment is likely to be highest. The latter may well be those where labour is most exploitable, or where consumers are wealthier. This is nothing less than ‘a shift from wealth creation to wealth extraction Finance has come to dominate rather than serve the productive sector of the economy.’ To mainstream economists, Sayer opines, ‘anything that sells, be it food, guns or the latest derivatives, must be meeting a need: otherwise it wouldn’t sell!’ Everything has its market price and any intervention by governments, unions, or anyone else is to be resisted as unnecessary and inefficient. Sayer notes a shift towards the use of language that focuses on the financial gains to investors rather than on the productive things they are investing in, in other words ‘exchange value’ as opposed to ‘use value,’ a shift that has corresponded with the rise of financialised capitalism. Critics of the financial system are certainly not confined to radicals like himself, Sayer points out. He cites journals like the *Financial Times* and the *Wall Street Journal*, and insiders like Andrew Haldane of the Bank of England.⁴

One of those whom he had in mind was Martin Wolf, who is cited as saying: ‘a large part of the activity of the financial sector seems to be a machine to transfer income and wealth from outsiders to insiders, while increasing the fragility of the economy as a whole’.⁵ In Wolf’s view the belief that we were experiencing growth in productivity prior to the economic crisis of 2007/2008 was a delusion since much of the supposed growth was in the financial sector where it is difficult to distinguish real growth from mere ‘rent extraction’:

Financialization has meant enormous expansion in the scale of financial sector activity ... this has dubious benefits for economic performance ... our economy, far from being a hive of competitive behavior, has created all sorts of opportunities for rent extraction. This has always been so. The powerful have always been rentiers Nevertheless, opportunities for rent extraction have turned out to be far greater than many expected four decades ago. And this has helped generate an extraordinary maldistribution of the gains from growth and left a large part of the population confused, frustrated, and angry.⁶

That is the view from part of the economic establishment. Within my discipline, psychology, comes support from my colleague in Aotearoa New Zealand, Peter

Adams. In an original and engaging book, he takes neoliberal economics as a prime example of what he calls *Monster Metaphors*, his book's title. The metaphor that has been disseminated in the case of economics is one, as he sees it, that compares the movement of money through markets to that of free-flowing liquids in a confined space. For both money and liquids, their flows, if left without interference, will find their own optimal points of stability. This *free-flowing-markets* metaphor, like others he considers in his book, is a monster because of the size to which it has grown and the damage it has inflicted. The emphasis of Milton Friedman and other economists associated with the Chicago School was not just on flows, but on *free* flows. They argued that, when the movement of fluids is left to take its own course unimpeded, the system will work its way towards a natural and productive equilibrium. Human control is no longer desirable. What matters is the freedom of flow. Human and government interference would only end up distorting or diverting these flows away from their natural resolution. The image was of natural flow combined with that of a self-determining and independent system. If there was any controller, it was, like Adam Smith's 'guiding hand,' some kind of superordinate, autonomous being. The image was reflected in statements such as 'markets know best,' 'we need to hear what markets are saying,' and 'markets do not have the appetite for more taxes.' This was at the centre of the neoliberal economic religion. Whether you think the metaphor analogy works—I think it does—Adams clearly joins the ranks of the economists who point to the wrong and damaging turn that much of mainstream economics had taken. He gives examples of how the dominance of the monster metaphor had led to harm in the form of escalating inequalities, deteriorations in physical, mental, and social well-being, and failures in adapting to economic crises.⁷

Also from outside the economics profession, Will Hutton is another who has been clear that we were being let down by a financial system that had been allowed to get out of control. But, again, he is not outside the establishment. A successful journalist, he has edited a major British newspaper—the *Observer*—led the government's Fair Pay Review, and went on to be principal of an Oxford college. In his 2010 book *Them and Us: Changing Britain – Why We Need a Fair Society*, he wrote:

The purpose of the financial capitalism that Britain has created is not to build great businesses as moral enterprises that win the hearts and minds of employees and customers alike. It is to make extraordinary riches by translating financial relationships into a bewildering array of transactions, observing no moral code beyond whether the transaction brings immediate profit; then to hope that the benefits trickle down to the rest of us.⁸

Hutton cites the New Economics Foundation estimate in 2010, that while the pay for the likes of childcare workers, hospital cleaners, and waste-recycling workers undervalues the work they do for us by a factor of about 10, that of bankers, tax accountants, and advertising executives represents a loss of social value. He did not mince his words. At the time of the financial crash in 2007/2008, 'Big finance had lost all sense of proportion, fair dealing and due desert. It had become an incumbent elite, its sheer size imposing a tax on the rest of the economy Big finance was economically inefficient, dysfunctional and socially destructive. Above all, it was unfair. And it still is.' Banks had not been reformed following the crash, nor had the culture of bonuses in the financial sector. Bonuses were still paid irrespective of what most of us would understand as performance: 'Financial executives and their boards had lost any sense of morality or how to connect reward to desert.' All in all it amounted to '... a classic example of an incumbent elite creating economic rent by transferring wealth from one part of the economy to another. The financial sector grew even larger in relation to GDP without serving any useful economic or social purpose whatever'.⁹

Misleading Economic Science

As a student in the late 1980s, Kate Raworth confesses she was 'so busy getting to grips with the theory of demand and supply, so determined to get my head around the many definitions of money, that I did not spot the hidden values that had occupied the economic nest' Worship of Gross Domestic Product—the ubiquitous GDP—a nation's income generated within its national borders, and whether its growth was always desirable, was never questioned during her training.¹⁰ Two other concepts, central to neoliberal economics, which she learned about—both less well known outside economic circles, although their social and political implications are—were the Kuznets Curve and the so-called Pareto 80-20 rule.

The influential but flawed Kuznets Curve is one of special relevance for understanding resistance to dealing with economic inequality through redistribution. Kuznets' inverted U-shaped curve was based on analysis of trends in incomes in the US, UK, and Germany, which seemed to suggest that as countries get richer, inequality must rise before it will eventually fall as income per capita grows still further. Hence the belief that a nation must bear the pain of inequality before its economic growth is sufficient for all to benefit and inequality diminishes. With what looked like scientific backing, this 'no pain, no gain' law of economic life justified, amongst other things, belt-tightening austerity. Good economic time series data were scarce until the 1990s, however, and once more such data were avail-

able, it became clear that there were many exceptions to the Kuznets Curve. For example, Japan, South Korea, Indonesia, and Malaysia experienced, early on in their periods of modern-day economic growth, falling poverty and *low* inequality—the East Asian Miracle. But the influence of the idea that greater equality may hinder growth lingered on.¹¹

Even older but equally fundamental was the Pareto 80-20 rule. Vilfredo Pareto's analysis in 1890, of English, Italian, and German income and tax records, suggested an invariant pattern whereby 80 per cent of national income was always owned by 20 per cent of a population, the rest being distributed among the other 80 per cent. That being the case, redistribution was pointless and expanding the economy was what was necessary. He thought that the 80/20 distribution reflected innate differences in ability and talent and that societies risked stagnation if they tried to change it. The Italian fascists were amongst those who were inspired by that idea and the accompanying notions of 'Pareto efficiency' and 'Pareto improvement'—justifying inequality provided at least someone gains and no one loses.¹²

Financial Bad Behaviour

My principal informants—Raworth, Wolf, Sayer, Hutton—provide more detail about what has been going on in the financial sector. For example, here is Hutton again:

The short-term structure of bank lending, the unwillingness to finance innovation, the creation of an "asset management" industry that is more interested in buying and selling companies than exercising ownership responsibilities, excessive takeovers, sky-high fees and commissions and the sheer size of the City ... comprise a formidable anti-investment and anti-innovation structure.¹³

As Wolf sees it, from around 1980 to 2010 liberalisation became the ideal everywhere from the 'reform and opening up' in China to the Thatcher-Reagan zeitgeist in the West. Under supposedly left-wing governments of Mitterrand in France and Blair in the UK, socialism became a dirty word. Globalisation had 'corrode[d] the loyalty of businesses to the countries in which they were built ... so many people feel that business has abandoned them ...' and the exploding liberalisation of finance had created financial crises and brought to the fore concerns about tax competition, tax avoidance and evasion, and corruption. Even more dangerous, Wolf believes, is 'the exploitation of market and political power' or what he calls the 'rentier economy.' This has been, he says, nothing less than a failure of the liberalisation project, leading to poor corporate governance, winner-takes-all mar-

kets, rents from agglomeration, weak competition, rent seeking, and the erosion of ethical standards. In 1998, the share of the financial sector in corporate profits in the US had increased and much of that gain had been the result of unproductive activity including 'hedging against the volatility created by financial sector activity; invention of complex derivatives that conceal embedded risks; and outright gambling.' He cites former chair of the UK's Financial Services Authority Adair Turner, who described much of this activity as 'socially useless'.¹⁴

Sayer elaborates on the theme of unearned income, with special focus on the exploitation of debt. He explains. Debt, specifically interest on loans, is a relationship between lender and borrower, and is almost by definition a relationship of unequals, one between the rich and the poor. The interest payable is a form of unearned income which some would define as usury. The exchange serves to widen inequality. The relatively poor pay more interest than they can gain from loaning to others or charging rent for the use of any assets they might own. Only the top wealthiest 10 per cent get more than they pay out. Another source of unearned income, for banks in this case, is interest-bearing credit extended by banks, not just lending money that savers have deposited with them, but much of it which the banks have electronically created. The interest charged, the debts borrowers accrue, is then, in effect, 'a private tax on borrowers'.¹⁵ Banks and the building societies—now 'demutualised,' which effectively turned them into banks—were falling over themselves to lend money for house purchases, and average household debt rocketed as a result.¹⁶ Making still worse the inequality of the debt relationship, whatever its origins, is the 'asymmetry of information' that usually exists between lender and borrower. As well as interest on loans, other forms of unearned income include: rent from property ownership (the expression 'rentier' is often used to stand for all those benefitting from unearned income); capital gains from asset inflation; and 'intellectual property' in the form of copyrights and patents, for example—a relatively new form of unearned income, much of it now involving software.¹⁷

Sayer is especially exercised over what has been called 'value skimming,' such as charging what appear to be small commissions on financial transactions like mergers and takeovers but which are sufficient to make small fortunes. In fact, by the time Sayer was writing, 'high income but largely anonymous financial intermediaries,' amongst whom he picks out hedge funds and their managers for particular comment, 'far outnumber[ed] the much publicised CEOs.' In Britain at the time, the estimated 15,000, largely anonymous, intermediaries in the financial sector far exceeded the roughly 600 CEOs. These are all forms of what Sayer calls 'wealth extraction' and, as one might expect, they are more prominent in people's incomes the higher up the income distribution we go. For example, he cites figures such as

the average UK income earner receiving seven per cent of their income from investments while the top 0.1 per cent receive 17 per cent of their much larger incomes that way. Many of us, my family included, are ‘small-time rentiers,’ he points out, by virtue of house-price inflation, and benefitting from pension funds that depend on shareholding and speculation, or even by owning a few shares ourselves. But this pales into insignificance beside the fortunes made by the big-time rentiers.¹⁸

Among the practices of the financial sector which Sayer criticises are: the selling off of public utilities and other public assets with the excuse that the size of the public debt requires it; securitisation, the bundling up and selling on of debts; mergers, acquisitions, and buyouts (often ‘leveraged’ with resulting large debts for the company), which in the last two decades of the twentieth century involved sums of money equivalent to more than 80 per cent of the amount spent on productive investment in the UK and 70 per cent in the US—the takeovers of Manchester United football club and of Birmingham-based Cadbury are notorious British examples; and the encouragement of tax avoidance and evasion. In 2012 at least US\$21 trillion and possibly as much as \$32 trillion was hidden in tax havens by the world’s richest individuals, according to the Tax Justice Network, and an estimated \$250 billion is lost by governments in taxes as a result every year. Not that all such havens are ‘off-shore,’ since the City of London and the US states of Delaware, Nevada, and Wyoming are very much onshore. The UK’s network of havens for the rich is the largest. New ways of avoiding or evading tax are constantly being thought up by accountancy firms, auditors, and others. Banks created literally thousands of subsidiaries, few of them actual operating companies, to avoid tax or external regulation.¹⁹

In theory, company shareholders should be able to exercise control and restraint on the world of finance. But control by shareholders is problematic since they often own such a small fraction of a company and can much more easily ‘exit’ by selling their shares than they can exercise ‘voice,’ by becoming more involved in the company’s affairs. Hence they are better insured against risks than the company’s workers or the localities in which a company does its business. Small shareholders were never in a position to exert any control; it was a ‘fiction’ to think they could, says Hutton. In any case they were beneficiaries of any large gains a company might make, more than compensation for any risk shareholders ran if a company failed. In fact company shareholders are now much less often small shareholders and more often the wealthy than they were. They are now, very often, though not always, absentee owners with no great commitment to the company, spreading their risk, fickle, moving their investments around. Management has an incentive to maximise a company’s shareholder value, hence encouraging short-termism, and

to ignore any harm and exploitation a company's activities may be causing—the 'negative externalities,' as they are euphemistically referred to in economic parlance. Companies have an interest in 'internalizing gains while externalizing costs,' as a means of increasing market power. Current CEO financial rewards and the bonus culture incentivises executives to focus their sights on short-term share price increases rather than investment for the longer term.²⁰

Economic Man: A Demeaning Model of Human Nature

As if all that was not bad enough, many are calling out neoliberal economic thinking for the malicious effect it has had, more generally, on how we think about ourselves and our relationships with others. 'The prevailing assumption was that the free pursuit of self-interest is enough on its own: it is not,' says Martin Wolf. These dominant economic ideas left little room for consideration of values like equality, equity, or fairness, writes Kate Raworth. She cites Michael Sandel who has spoken of the 'moral vacancy' at the heart of public policymaking, strong on economic efficiency, productivity, and growth but weak on justice, fairness, and rights. Andrew Sayer refers to 'mainstream economics' miserable, demeaning view of individuals as purely self-interested.' Like Raworth, he favours a *capabilities approach* as espoused by Amartya Sen and by Martha Nussbaum in which real development—whereby everyone is enabled 'to have and do the things necessary for a good life'—is what is valued, not that captured by GDP, now recognised by many developmental economists as fairly useless.²¹

That there was something wrong, demeaning, repellent even, with the economics thinking behind much of neoliberalism is not a view confined to a few strident leftist academics. Take, for example, Paul Collier and John Kay, authors of *The End of Greed: Politics after Individualism*. The former, Professor of Economics and Public Policy at the Oxford Blavatnik School of Government, has served as Director of the World Bank's Research Department. The latter, leading economist and fellow of St John's College, Oxford, was founding Head of the Oxford Said Business School and the Institute for Fiscal Studies. These are clearly pillars of the establishment. But they are just as forthright in arguing that, despite the claims of an economic system based on free exchange to be both efficient and moral because the outcomes it produced were just, in practice it '... provided both a pragmatic and a philosophical basis for an ideology which acquiesced in, or even embraced, greed as a dominant human motivation The practical workhorse of market fundamentalism was Economic Man ... who responded only to financial incentives'.²²

Peter Adams understands how this can have happened in terms of the monster-like effects of a metaphor that is disseminated so powerfully and which can take hold of how we come to see the world and our place in it. Much disruptive change could have been avoided, he concludes, if the *free-flowing markets* metaphor had been confined to a useful way of understanding how economies function, but, unfortunately, its bolstering and ‘linguaging’ took it to other places, places where it offered far more than a handy way of explaining financial systems. The dominance of the metaphor had spread and attached itself to key concepts from other domains. For example, freedom of flow became increasingly interlinked with how we understand individual freedom, and free choice, in general. It came to influence even notions of liberation, emancipation, and democracy. This extended the metaphor into fundamental understandings of what it means to be human and the very nature of social relations. The words ‘free’ and ‘freedom’ crop up repeatedly in these debates. Neoliberalism guru Milton Friedman’s best-selling book of the early 1960s, *Capitalism and Freedom*, extolled the advantages for us all, of free markets and freedom from government interference; business freedom was equated with personal freedom.²³ Six decades later, Joseph Stiglitz’ critique of neoliberalism, entitled *The Road to Freedom*, turns that on its head, arguing that the freedom neoliberalism afforded, while it may have benefitted some economically, was for many exploitative and coercive, reducing their personal freedom rather than enhancing it.²⁴

I am sorry to have to say that my discipline, psychology, played its part in purveying a limited, reductionist model of human nature. The limited behaviourist model, based on theory derived from Pavlov’s experiments with dogs and Skinner’s with rats and pigeons, was at its most confident in the 1960s as I was embarking on my career, and at the same time neoliberalism was on the rise. As Collier and Kay put it, the model of Economic Man was an ‘astonishingly limited representation of humanity ... humans ... [as] neither more or less than robotic maximizers,’ as Aldred said. So too was the strict learning and conditioning model I was introduced to in the 1960s astonishingly limited. The difference, though, was that, while such a limited psychological model did not last long, the constricted economic model persisted, growing ever more confident, becoming a dangerous monster in the process.²⁵

Many of us are caught up in this artificial, over-financialised world because of the jobs it has spawned. So says David Graeber, Professor of Anthropology at the London School of Economics, in his highly original book *Bullshit Jobs: A Theory*. His definition of a ‘bullshit job’ is ‘... a form of paid employment ... so completely pointless, unnecessary, or pernicious that the employee cannot justify its existence even though ... [s/he] feels obliged to pretend this is not the case.’ To be clear, he

points out that bullshit jobs are not the same as ‘shit jobs,’ of which there are also many, which are not pointless although they may be badly paid and their employees badly treated. Following an essay on the subject that Graeber wrote, YouGov polled Britons, asking, ‘Does your job make a meaningful contribution to the world?’ Thirty-seven per cent said no (men 42 per cent, women 32 per cent), and a further 13 per cent were uncertain. In a similar poll in the Netherlands, 40 per cent said no.

Graeber’s own research involved gathering 250 testimonies, most but not all from English-speaking countries, which generated over 100,000 words of textual data. Bullshit jobs were found to be mostly white-collar, well-paid jobs, and certainly not confined to the public sector. They come in a variety of forms, including: cold callers, portfolio coordinators, lobbyists, public relations specialists, telemarketers, corporate lawyers, and ‘box tickers’ and ‘taskmasters’ of one kind or another. There are second-order bullshit jobs, not pointless in themselves but ultimately so because they support a pointless enterprise. Many involve moving money around to some people’s gain while serving no productive purpose. Some jobs are now partly or mostly bullshit because of the excessive load of administrative form filling, emails, and meetings. He has much to say about the growth of layers of unnecessary administration at universities, for example a proliferation of deans and deputy deans, justifying their existence by producing mission statements, and requiring academic staff to fill in unnecessary forms. Maybe ‘at least half of all work being done in our society could be eliminated without making any real difference.’

Graeber found that people don’t feel good about doing bullshit jobs. Why then, he asked, do people put up with them? And, on the political and cultural level, why is the bullshitisation of the economy not seen as a social problem and why has no one done anything about it? Long-term increases in the proportion of jobs in the service sector, as the proportion in industry has declined, has been a factor. But the service sector can be divided into two, he suggests: genuine service and the FIRE sector—finance, insurance, real estate—which is where bullshit jobs proliferate. Like my other main economic informants, he blames neoliberalism. The rise in finance capitalism, a new feudal-like capitalism as he sees it, under which the finance sector redistributes the rewards of production unfairly, is really a system of rent extraction, creating supportive bullshit jobs in the process. We have accepted the ideology that capital not labour creates wealth and prosperity, along with the idea that ‘consumerism,’ not ‘producerism,’ is the source of status: ‘nowadays, if one speaks of “wealth producers,” people will automatically assume one is referring not to workers but to capitalists’.²⁶

Power and Influence in Academia and Beyond

How did the financialised, neoliberal form of economic thinking grow and become so widely disseminated and accepted so quickly, becoming so dominant that little space was left for alternative perspectives? A large portion of the strength that monster metaphors acquire is derived from forming strategic alliances with people and organisations who benefit from their dominance, explains Adams. A common combination takes the form of a triple alliance between the monster, an institutional elite such as politicians or university directors, and an economic elite such as the wealthy or corporate bosses. Such alliances contribute to the monster's dominance as well as advancing the interests of other parties in terms of power, profits, and persuasion. Raworth and Adams both trace things back to a meeting held in 1947 at Mont Pèlerin in Switzerland, attended by some of the big names in neoliberalism like Hayek, Friedman, Frank Knight, and Samuelson, author of the classic *Economics* of 1948. The meeting led to the launch of the influential Mont Pelerin Society (MPS), an organisation which promoted the ideals of neoliberalism and which continues to meet to this day. Adams takes up the story. Following the first MPS meeting, a transatlantic network of think tanks helped to establish, refine, and transmit a coherent neoliberal model, including its emphasis on individual liberty, deregulation, rational self-interest, competitive pricing, and consumerism. Early such think tanks included the American Enterprise Institute and the Foundation for Economic Education in the US, and the Institute of Economic Affairs in the UK. Later, in the 1970s, came better funded think tanks like the Centre for Policy Studies and the Adam Smith Institute in Britain, the Heritage Foundation and the Cato Institute in the US, and the Institute of Public Affairs in Australia. Adams notes that most neoliberal think tanks rely on less than fully transparent donations from wealthy supporters. Consolidated by then into a transatlantic network of centres and institutes, the think tanks formed strong ties with academics, particularly those at the University of Chicago. But what really mattered was their involvement with people of influence, including politicians and top executives from large corporations. These connections enabled their thinking to spread out into business and into the realm of public discussion on the economy. The stage was then set for these ideas to break through into political decision-making.²⁷

Mary O'Hara, whose interest was in the creation and perpetuation of poverty (see Chap. 3), also drew attention to the series of UK and US think tanks, funded by rich individuals to spread the meritocratic, blaming-the-victim message. This is nothing less than propaganda in her view, designed to manufacture compliance with inequality-supporting beliefs. In Britain, many of these think tanks have direct

connections with elected Conservative politicians, sponsoring research and putting up reliable adherents to appear on mainstream news channels such as on the BBC, not coming clean about their political connections. One notable such think tank—the Centre for Social Justice—was established in 2004 by Iain Duncan Smith, who, as Chief Welfare Minister during the worst of austerity, was an enthusiastic propagator of the idea of there being a ‘growing dependency culture’ that needed to be dealt with.²⁸

Sayer is another who writes about the dominating influence of the economic model both in academia and government policy. The growth of university business schools and the growing closeness to business of academic economics, not to mention the modern misrepresentation of the work of Adam Smith, were testimony to the capture of economics by neoliberalism. He likens the alliances of the rich individuals and organisations, which had effectively captured the state, to a modern plutocracy. The alliances were shifting and piecemeal, never united as a force, but very effective. Manifestations of the plutocracy included: political donations and lobbying, trade and professional organisations, and the think tanks—usually claiming to be ‘independent.’ Together this constituted a ‘lattice of influence’ which met encouragement rather than resistance from politicians, even those from parties that might have been expected to be unsympathetic.²⁹

Collier and Kay are in agreement with Kate Raworth and others that the economic model they have come to despise had been rigorously promoted over several decades by those who sought to gain from it. At least parts of the academic economic community became closer to the financial and business community than ever before, they point out, led by the Institute of Economic Affairs in the UK and the American Enterprise Institute and the Heritage Foundation in the US.³⁰ Raworth refers to ‘the power of the wealthy to reshape the economy’s rules in their favour ... the extreme concentration of income and wealth – in the hands both of billionaires and of corporate boards – rapidly turns into power over how and for whom the economy is run.’ She cites election funding in the US and corporate lobbying for the EU-US Transatlantic Trade and Investment Partnership, as examples. Democracy, she says, ‘is jeopardised by inequality when it concentrates power in the hands of the few and unleashes a market in political influence’.³¹ The political process does a poor job in neutralising such effects, according to Wolf: ‘In all democratic processes, well-motivated, well-informed, powerful, and concentrated interests outweigh the diffuse interests of bigger but weaker groups’.³²

It is the capture of *political* thinking which is most alarming. Wolf, in his recent book *The Crisis of Democratic Capitalism*, writes of ‘... the rise of rentier capitalism, in which a relatively small proportion of the population has successfully captured rents from the economy and uses the resources it has acquired to control the

political and even legal systems, especially in the US, the world's most important standard bearer of democracy.' Wealth, he says, 'has a powerful direct influence over politics, by funding parties, supporting candidates, buying political advertising, promoting political causes, and paying for lobbying'.³³ Less obvious than in the US where lobbying and vote buying by financial companies was rife, Will Hutton pointed to the existence in Britain of a 'revolving door' between finance and officialdom, appointments to influential committees, lobbying, and funding of political parties—an example being City funding of the Conservative Party under David Cameron who had expressed support for the City's competitiveness—and individual politicians—an example being support from hedge funds and private-equity firms for Boris Johnson's 2008 campaign to be London mayor. Big finance had 'the politicians in its pockets'.³⁴

Reason to Be Cheerful

That such a range of commentators have seen the neoliberal economic revolution for what it is gives us hope for the future. Adams already sees change occurring. The monster had grown to such a size that by the 1980s it had effectively eclipsed all other ways of practising economics, leaving little room for other perspectives. However, in marginal spaces in some universities, alternative approaches were managing to survive and were finding ways of sharing their concerns. In 1993 the International Confederation of Associations for Pluralism in Economics was formed, bringing together more than 30 groups of resistance, rallying under the banner of 'heterodox economics.' Its successes had already given my colleague some cause for hope that the power of the *free-flowing-markets* monster was on the wane.³⁵

Chapter Summary

Many commentators, from varying backgrounds, are drawing attention to what they see as something very wrong with the kind of thinking that has dominated the field of economics in recent decades. The central critique is that money itself, rather than the genuinely useful, productive purposes it might serve, has become the overriding goal. This 'financialisation,' and the neoliberal economic theory which supports it, has grown in influence to take on monster-like proportions. It has been underpinned by some doubtful, but highly influential science. Prominent examples are the Kuznets Curve which has been taken to suggest that as countries get

richer, inequality must be allowed to rise before economic growth allows it to fall, and the Pareto principle, suggesting that 80 per cent of national income is always owned by 20 per cent of the population, due to differences in individuals' abilities and talents, and that any attempt to alter that balance is harmful. Such economic conventional wisdom clearly stands in the way of trying to reduce economic inequality.

The critics point to the bad behaviour of the 'asset management' industry that has been created: the excessive buying and selling of companies, the mergers and takeovers, the encouragement and exploitation of debt, the small fortunes made by financial intermediaries charging fees and commissions on transactions, tax avoidance by setting up phoney company subsidiaries, weak competition, the erosion of ethical standards, poor corporate governance, and the inability and/or unwillingness of large and small shareholders to exercise control. The result is a 'rentier economy,' much of the gain being the result of unproductive activity, those with higher incomes, and greater wealth benefitting the most, thus widening inequality. Meanwhile, enormous sums of money are hidden in tax havens, the UK's network of havens being the largest. Many go further, accusing neoliberal economic thinking for its moral shortcomings, for its reverence of a selfish Economic Man, interested only in personal, financial gain. Some see this economic philosophy as having contributed to a more general alteration, many would say deterioration, in how we think about human nature and social relationships, with a greater emphasis on self-interest, personal greed, individual freedom, and free choice. Psychology also played a part, at least for a time in the 1960s and 1970s, in purveying a limited behaviourist model of human nature. The link with economic inequality-legitimising beliefs such as individualism and meritocracy is evident.

How had these ideas become powerful enough to dominate not only academic economics, but also the worlds of finance and politics? The finger can be pointed at the 1947 meeting of big names associated with neoliberalism, the founding of the Mont Pelerin Society, and the establishment of a transatlantic network of think tanks, with wealthy supporters, which refined and transmitted the neoliberal model, nurturing strong ties with academics at the University of Chicago and elsewhere, and with politicians and other influential people. Some liken this powerful alliance of interests to a modern plutocracy, a 'lattice of influence,' strong enough to have reshaped the economy's rules in their favour, in effect to have 'captured the state.'

We can now add a fifth item to our growing list of sources of confusion about income and wealth inequality. Economic inequality-legitimising beliefs and policies, we can conclude, have been fostered by the dominance of neoliberal economic theory, and the financialisation of the economy it has promoted. To obfusca-

tion, diversion, division, and justificatory beliefs, we need to add DOMINANT ECONOMIC THEORY. However, it is the capture of political thinking which many find most alarming, and it is to that we turn in the next chapter.

Notes

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4. Sayer, 2016, op.cit., 34–39, 131–36, 179–81.
5. Sayer, 2016, op.cit., 223, citing Wolf, M. (2010). The challenge of halting the financial Doomsday machine, Opinion, *Financial Times*, 20 April.
6. Wolf, 2023, op.cit., 99, 148–9, 168.
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8. Hutton, W. (2011) [Little, Brown Book Group 2010]. *Them and Us: Changing Britain – Why We Need a Fairer Society*, London: Abacus, 14.
9. Hutton, 2011, op.cit., 64, 178, 184, 215.
10. Raworth, 2017, op.cit., 35–40 (GDP's predecessor, GNP, based on income generated worldwide by a nation's residents, was first invented in the US by Simon Kuznets in the 1930s).
11. Raworth, 2017, op.cit., 38–40, 166 (although Kuznets himself was critical of the lack of consideration for how income and consumption were distributed between households).
12. Raworth, 2017, op.cit.
13. Hutton, 2011, op.cit., 26.
14. Wolf, 2023, op.cit., 130, 137–8, 148, 151–2.
15. Sayer, 2016, op.cit., 59–62, 68–9, 73–4.
16. Hutton, 2011, op.cit.
17. Sayer, 2016, op.cit., 54–5, 80; Wolf, 2023, op.cit.
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31. Raworth, 2017, op.cit., 91–2, 171.
32. Wolf, 2023, op.cit., 158.
33. Wolf, 2023, op.cit., 91, 173–4.
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35. Adams, 2023, op.cit.

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Politics and the Hidden Nature of Power

9

Abstract

The US's and UK's high levels of economic inequality are the result of political choice. The two main UK political parties have used rhetorical devices to hide or justify high inequality, claiming to support 'fairness' or championing the meritocratic ideal of personal improvement. With the encouragement of sections of the popular media, blaming and shaming language was used to demonise the poor and unemployed. The capture of power over economic and political life by a small section of society is seen by many as centrally important. Power has been theorised as having several 'faces.' It can be exercised openly and undisguised; or by controlling what is discussed and the language in which it is talked about; or, most effectively and hidden from view, instigating acceptance of how things are by influencing people's own attitudes and beliefs. The latter is, in effect, a form of thought control or 'cognitive capture.' The operation of powerful vested interests, the chapter concludes, is one of the most significant sources of our confusion about economic inequality, constituting an important part of the explanation for the continuation of high-level inequality.

Keywords

Power · Power theory · Cognitive capture · Rhetorical language · Role of the media · Economic fairness · Political choice

It is our job to glorify in inequality and see that talents and abilities are given vent and expression for the benefit of all, Margaret Thatcher, 1991¹

Mainstream politics ... has abandoned the attempt to provide a shared vision capable of inspiring us to create a better society ... the only thing almost everyone strives for is to better their own position – as individuals, Wilkinson and Pickett, in *The Spirit Level*²

The previous chapter brought to our attention the possibility that economic inequality-supporting beliefs are being promoted by a powerful alliance of vested interests. That alliance, it is argued, works by promoting a dominant conventional wisdom about the subject of economics and about how economies should be run. In this chapter, the nature of power and how it may be being used to justify and maintain gross levels of income and wealth inequality is addressed directly. Taking the UK of the last half century as an example, we shall look at how political parties in power have ignored or justified economic inequality. We shall take a short excursion into the theory of power in order to understand the ways, both overt and hidden, in which power is exercised. There is a real possibility, I shall conclude, that we are being manipulated into complying with inequality.

Political Power: Inequality Is a Political Decision

Social geographer Daniel Dorling puts it plainly, pointing out that since the 1970s, inequality has taken different directions among the richer countries: ‘... growing inequality since then has not been similar or inevitable, rising inequality was deliberate It is not as if inequalities falling and then rising follow some kind of business cycle; rather, they follow political victories and failures.’ It is now recognised that no one pattern of distribution is inevitable. The varying fortunes of the richer countries since 1980, some like the US and the UK experiencing large increases in inequality, while others like Canada, Japan, Italy, France, Belgium, the Netherlands, Scandinavian countries, and Hungary have experienced much less of an increase, in some cases inequality being stable or falling, makes that clear.³ Joseph Stiglitz too emphasises the role of governments in pursuing policies that have consequences for distribution. Where the US has led, the UK has followed, having had ‘the dubious distinction of being the best “emulator” of the American model,’ now second only to the US in terms of inequality.⁴

Thomas Piketty makes the same point. He takes a longer historical perspective. What had happened in continental France and in the US were very different, with Britain intermediate. He details the French case. In the 100 years up to the 1970s,

the top 10 per cent share of national income fell from 45–50 per cent to 30–35 per cent, and the top centile's from over 20 to less than 10 per cent, the fall concentrated in the years 1914–1945 due to the chaos and shocks associated with the world wars, the Depression, and new public policies. But that was entirely due to a decrease in inequality of income from *capital*; since 1970, the new rise in income inequality was due to an increase in the inequality of income from salaries and wages—*labour* income. This new source of high income inequality was created in a 'hypermeritocratic' society. Although inequality of wealth in the US was now lower than in traditional societies or in Europe in the early twentieth century, labour income inequality was, he thought, probably higher there now than it had ever been anywhere at any time. The lesson Piketty drew was that there is 'No generalized structural process of inequality compression ... over the long run In every country the history of inequality is political – and chaotic.' Using his preferred top decile share of total income measure, the *total* income share of the highest-earning 10 per cent could be as low as 25 per cent, as it had been in the 1970s and 1980s in Scandinavia, and as much as 50 per cent, as in the early 1900s in France and Britain, and in the US in the 2000s.⁵

Duplicity by the UK Conservative Party

Those authors who focus on the UK have made the same point. Paul Collier and John Kay, for example, join the many others who understand the growing inequality of the 1980s, 1990s, and 2000s to have been a political choice. They refer to what they see as having been the 'extreme possessive individualistic ideology' of influential Conservatives between 1979 and 2010. Prominent UK Conservative Party figures such as Keith Joseph had been involved in the foundation of the influential right-wing Centre for Policy Studies (CPS) and once Margaret Thatcher was in power, the CPS was closely involved, for example, in the work of the Number 10 Policy Unit and in recruiting some of her closest advisors.⁶ Writing in 2012, even Ferdinand Mount, who once ran Thatcher's Policy Unit and was head of the CPS in the 1980s, noted that 'over the past 30 years the share of national income going to the bottom half of earners in Britain has fallen steeply. Real wages nearly doubled overall during those 30 years, but only eight percent of that growth went to the bottom earners'.⁷

More recent Conservative leaders, Cameron, May, and Johnson—the latter switching from market fundamentalism and emphasis on growth to talk of 'leveling up'—were more pragmatic, but no more interested in inequality and redistribution than their predecessors had been. As Dorling puts it, 'Today even

rightwing politicians sometimes talk of wanting to increase economic equality ... but they do not admit to their own complicity in creating, maintaining and even increasing it They will claim they are against inequality while quietly promoting a rebranded version of it.' Writing from a poverty perspective, Mary O'Hara is clear about, and eloquent in expressing, what she sees as the mission of recent UK Conservative administrations to upend the post-Second World War consensus which had given us the 'unparalleled era of wealth and income redistribution and equality' which I experienced in my childhood and early adulthood in the UK. Margaret Thatcher's infamous statement in 1987 that 'There is no such thing as society' heralded the new political mission, which was 'to champion individualism over social solidarity, advocate slashing taxes for the rich, privatise public assets, choke the supply of affordable council housing, promote unfettered wealth accumulation over equitable distribution and deregulate the financial system'.⁸

Her government had left a legacy, says O'Hara, that would be even more thoroughly supported under the Conservative and Conservative-led governments from 2010 onwards. Conservative Prime Minister David Cameron, for example, liked to portray himself as a champion of 'compassionate conservatism,' but was Prime Minister when the austerity cuts were fiercest. Between 2011 and 2015, under austerity, Britain underwent £81 billion of public sector cuts, Dorling tells us, hitting most the least well-off. Combined with regressive taxation changes, the majority were worse off. Conservative leaders used the kind of blaming and shaming language we looked at in Chap. 7. Examples of statements made by leading UK government figures in that period, cited by O'Hara, are shown in Table 9.1. Having examined poverty in both the UK and the US, Philip Alston, the UN Special Rapporteur on Extreme Poverty and Human Rights, concluded that the persistence of extreme poverty 'is a political choice made by those in power'.⁹

Complicity by the UK Labour Party

During the 2001 UK general election campaign Tony Blair made his infamous statement that he was unconcerned about the gap between the rich and the poor. The quote in Table 9.1 shows him trying to explain what he had meant when he said that. Since what he says implies that there is no connection between the earnings of the rich and the poor, it is clear that he either misunderstood or was oblivious to the individual and collective harms caused by economic inequality. Note, also, how this quite brief quote is littered with telling words like 'earn,' 'opportunity,' and 'successful.' His interest was in socio-economic *mobility*, not socio-economic *equality*.

Table 9.1 Examples of statements made by leading UK politicians in the early 2010s

Conservative Prime Minister David Cameron	'You can pump more cash into chaotic homes, but if the parents are still neglectful, the kids are still playing truant, they're going to stay poor in the most important senses of the word. So this government is challenging the old narrow view that the key to beating poverty is simply more redistribution.' Being poor and on benefits was 'a lifestyle choice'
Conservative Chancellor of the Exchequer George Osborne	Workers, leaving home early in the morning, saw their neighbours 'sleeping off a life on benefits'
Conservative Education Secretary Michael Gove	Blamed those using foodbanks for their failure to 'manage their finances'
Conservative Secretary of State for Work and Pensions Iain Duncan Smith, minister responsible for reforms to the welfare system, founder of the Centre for Social Justice	Referred to the problem of those who were 'parked' on incapacity benefits for decades with no sign of moving off them
Former Labour Prime Minister Tony Blair	'... not that I don't care about the gap, so much as 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. We've got to lift those people but we don't necessarily do that by hammering the people who are successful'
Former Labour cabinet member Peter Mandelson	New Labour was 'intensely relaxed' if some people became 'filthy rich'

O'Hara, 2020, op.cit. 138–41; Tony Blair, in the journal *Progress* 21 March 2005, cited by Sayer, 2016 *Why We Can't Afford the Rich*, Bristol: Policy Press, 164; Collier and Kay 2020, op.cit., 14, 84–7

The Labour Party in office failed to oppose the political choices made by the Conservatives, say Collier and Kay, sharing instead the focus on national economic growth as the goal, assuming that all would benefit. As Labour Prime Minister, Tony Blair, with his mantra of 'education, education, education,' had a strong belief in meritocracy. In the process Labour lost touch with the class they once represented, failing to respond to the loss of working-class jobs due to globalisation and technology, and failing to understand the importance of community identity and solidarity: 'The rising class of the beneficiaries of meritocracy embraced the notions of individual rights and personal identity as they retreated from the language of social solidarity' Inequality was not the focus. Now with less working-class representation, as much as anything due to educational selection and university expansion, Labour MPs had become 'anywheres' to use David Goodhart's expres-

sion in *The Road to Somewhere: The Populist Revolt and the Future of Politics*, not understanding the importance of sense of place, neighbourhood, and community for the ‘somewheres’—as Goodhart pointed out, most people in Britain still lived within 20 miles of where they lived when they were born.^{10,11}

We have already met Will Hutton, author of *The State We’re In*, published in 1997, and in 2010 *Them and Us: Changing Britain – Why We Need a Fair Society*, another noted commentator on economic inequality in Britain who is by no means a left-wing extremist. He is as critical of ‘orthodox socialism’ as of ‘übercapitalists,’ of pre-Thatcher trade union power as of the privileged position of finance and the City of London which she allowed to replace it. He is a firm believer in ‘good capitalism,’ productive entrepreneurship, and above all fairness. Like others, he was clear that the bad form of capitalism he was witnessing was the result of a series of political choices. With others, too, he was critical of the New Labour administrations from 1997 to 2010. They had their achievements in areas such as reducing child poverty and supporting the NHS, but they were ‘never situated in a wider moral narrative of how New Labour wanted to develop Britain’s economy and society’.¹²

Owen Jones, in his *Chavs: The Demonization of the Working Classes*, which I drew on in Chap. 7, also had much to say about how the UK’s main political parties promoted, or at least actively colluded in, growing economic inequality. He was particularly scathing about the Labour Party, which should have known better. Under Blair’s New Labour, the emphasis, he argues, was on aspiration to better one’s lot, to improve one’s class position, not on bettering the conditions of the working class: ‘the Labour Party ... no longer offers an overarching narrative that working-class people can relate to. During the 13 years of New Labour government, inequality did not grow so fast, he acknowledges. But nor was it reduced, Britain remaining ‘one of the most unequal societies in the Western world.’ He cites figures from the government’s Valuation Office Agency which showed the number of sports and social clubs falling by 55 per cent during those 13 years, post offices by 39 per cent, swimming pools by 21 per cent, and libraries by six per cent. These are facilities open to all and therefore contributors to a more equal and fair society. Meanwhile, betting shops, which contribute to greater inequality, were up by 39 per cent. No wonder, he muses, that Margaret Thatcher, when asked what had been her greatest achievement, answered, ‘Tony Blair and New Labour. We forced our opponents to change their minds’.¹³

O’Hara does not let the Labour governments of 1997 to 2010 off the hook either. Instead of seizing the opportunity to reframe poverty and inequality in a fundamentally different way, if anything they seemed to have accepted the new phi-

losophy along with its tendency to demonise the poor and unemployed, openly and publicly using terms such as ‘shirkers’ and ‘strivers,’ ‘sink estates,’ and ‘bog-standard schools.’ Some of the later, harsh Conservative welfare ‘reforms,’ such as benefit sanctions, were first introduced under Labour.¹⁴ Even former Labour Minister Alan Milburn, a firm opponent of elitism in British society, and a staunch advocate of social mobility in his role as Chair of the Social Mobility Commission until he quit in 2017 in protest at lack of Government action, nevertheless accepted what in terms of reducing inequality across the board is a limited objective, stating that ‘the most pressing policy priority facing the country is opening up the top of British society’.¹⁵

Complicity in economic inequality has been the case for US political leaders too. Democrats, it has been said, have shifted their focus from helping those in need to helping all US citizens compete. Republicans, too, emphasise helping all workers, not only those in poverty, to move upwards economically via higher-paid jobs, wage subsidies, and expanded tax credits. The Economic Mobility Caucus was a bipartisan initiative in 2012 aimed at understanding and enhancing economic mobility nationally. As in the UK, the inequality debate was being reframed as one about mobility and opportunity.¹⁶

The Role of the Media in Supporting Political Power

We considered, in Chap. 7, the role the popular media may have played in reinforcing some of the beliefs that help support economic inequality. Even more difficult to deny is the part the media has played in supporting the ideological shift towards neoliberalism and its accompanying inequality-promoting politics. Adams includes ‘media moguls’ among the powerful influencers who have been responsible for promoting the monster metaphor he writes about. Will Hutton joins him in not letting the British media off the hook—much of it owned by tax exiles and foreigners, including a small number of what he calls ‘info-capitalist proprietors,’ purveying a narrative which ‘becomes the national agenda as politicians and citizens are led by the nose’ to adopt their opinions. Mary O’Hara weighs in by referring to prominent newspapers in the UK and US with rich, tax-avoiding owners with a stake in driving forward the new message. She picks out the right-leaning press, notably the tabloids such as the *Daily Mail* and *The Express* in Britain, and Fox News and talk show hosts in the US. Editors and owners contribute to the toxic poverty narrative by regularly expressing disdain for the poor, she says. As an example, she cites *The Sun*, owned by Rupert Murdoch, ‘global billionaire and political string-puller extraordinaire,’ which, as the UK government was embarking on its austerity plans,

launched its campaign 'Beat the Cheats' to address the 'out-of-control hand-outs culture'.¹⁷

The *Spectator* was an example of a reputable news magazine supporting what looks like a more humane angle, albeit one that explicitly rejected seeing things in terms of inequality and the need for redistribution. In 2015 it published a blog post declaring, 'We are ... living through the golden age of poverty reduction ... whatever we're doing now, it's working – so we should keep doing it Those who care more about helping the poor than hurting the rich will celebrate the fact – and urge leaders to make sure that free trade and global capitalism keep spreading.' It criticised the charity Oxfam for 'obsessing about the rich' when it should be confining itself to worrying about the poor.¹⁸

One relevant study was conducted by Michael Toolan, Professor of English Language at my university, the University of Birmingham. It explored the ways in which wealth inequality was referred to in Britain in the national newspaper, *The Times*, and possible changes in that representation, between 1971 and 2011. *The Times* is the longest-established national daily in the UK, reputedly the newspaper of and for 'top people,' with, historically, considerable influence on the thinking among people of property and influence. In 1981, in a surprise move, Australian-born Rupert Murdoch bought both *The Times* and the *Sunday Times*. The newspaper rapidly moved to the right politically, after a change in editorship the following year. There is a widespread view that Murdoch expects his newspapers both to make profits and to propagandise on behalf of the neoliberal politics he espouses—the very politics which allowed him to accumulate the wealth that enabled him to buy *The Times*, *The Sun*, and many other media outlets.

The analytic method used in the study was that termed critical discourse analysis. It systematically notes the particular words, and the phraseologies surrounding them, which reveal a newspaper's stance towards a topic. In this case the topic was wealth disparity, and among keywords looked out for were the words 'fair' and 'unfair.' In assessing policies and government-managed conditions, fairness and the minimising of unfairness was only slightly less prominent in 2011 than it was in 1971, but the content had changed. In 1971, the government is reported, with implicit approval, to be trying to create a fair housing rent system, but by 2011 there is no comparable discussion, for example about government intervention to control housing rents. Completing two years of employment, rather than one, before a claim for unfair dismissal from work can be lodged is now deemed fair, as is a shift to less generous terms for public sector pensions, large salaries for CEOs, and lower top rates of tax.

Also analysed was the content of the first Spring budget speeches delivered 40 years apart by two Conservative Chancellors of the Exchequer, Anthony Barber

in March 1971 and George Osborne in March 2011, and then a selection of all the budgets from that 40-year period. These analyses suggested ‘a gradually revised story about Britain, its economic strengths and weaknesses, and its best way forward fiscally.’ Whereas Barber and other early Chancellors emphasised the curbing of inflation and the stimulating of growth, Osborne and later Chancellors argued in favour of austerity measures, deficit reduction, and economic growth. There was also a sharp decline in mentions of taxation as a burden which the electorate—especially affluent people—should be expected to carry, for the common good and the national interest. It is interesting to note that in those budget speeches from 1971 and 2011, Osborne used the word ‘fair’ 13 times and the word ‘help’ 25 times, Barber scarcely either at all in his longer speech. The impression was given that ‘fairness’ was being used to bolster the image of Osborne doing all that his government could to help and be fair to families, tax-payers, and businesses, even if that meant continued protection of wealth inequalities.

In general, a broad shift was detectable, away from a concern with state responsibility for fairness, towards the assumption that fairness is largely an individual’s responsibility. Citizens would prosper if, and only if, they chose to show enterprise and make an effort. It was the state’s job to make sure the basic conditions existed that would allow individuals to use their talents. Furthermore, by 2011, a few references to fairness, of a kind which were absent in 1971, were now suggesting that claiming ‘it’s not fair’ could be viewed as whining. Some 2011 stories cautioned against ‘nanny-state’ interventions aimed at redressing every conceivable form of disadvantage or misfortune.¹⁹

Even Worse in the US

I have taken my country, the UK, as the principal case example of how governments, of both the main political parties, aided by the media, championed or colluded with the neoliberal agenda from the 1980s onwards. The same was true in the US, not only under President Reagan, but also under Clinton and Obama.²⁰ Joseph Stiglitz, who served as President Clinton’s economic advisor in the 1990s, admits that the results of neoliberalism and attendant financialisation, although bad everywhere, have been worst in the US: ‘The American Dream had become a myth, with the life prospects of a young American more dependent on the income and education of her parents than in other advanced countries The economic costs are large; the costs to our psyches far larger.’ Ninety per cent of those born in the US in 1940 could expect to have earnings higher than their parents; for those born after 1980 that percentage had fallen to around 50 per cent. The importance of

money in the US political system exacerbates the situation: ‘People in whose interest it is to perpetuate the status quo hold disproportionate sway in the political system’.²¹ How does that work? A short dip into the theory of how power operates may help us here.

A Bit of Power Theory

It is obvious that a political party which forms a country’s government is able to exercise power. Indeed, we refer to it being ‘in power.’ Politics is exempt from the usual sensitivity we exercise when talking about social relationships. Mostly we avoid the word ‘power’ in general discourse. Some of the ways in which social psychologists have theorised about power are relevant here.²² Power, they pointed out, is a complex and slippery concept. For one thing, power’s *extensity* and *scope* is variable. Government’s power is extensive; its reach extends to cover the whole population. On the other hand, compared to the comprehensive power that parents have over nearly all aspects of their small children’s lives, the scope of government power over its citizens is more limited. Who has extensive and/or comprehensive power over others—‘where the power lies’—is one central question.

How power is exerted is another. Power can be exercised by using force. Or it can be manipulative or coercive. But it can also be displayed benignly in the form of expertise—‘doctor’s orders,’ for example—when the word ‘power’ with all its connotations is likely to be avoided and the use of terms such as expertise, authority, or leadership preferred. Power may derive from superior weaponry, or from being invested with legitimate authority, from the possession of valuable information, from being in a position to give or withhold reward, or simply from possessing greater ‘charisma.’ Those in less powerful positions may be more likely to resort to indirect forms of power, whilst those in stronger power positions may be more likely to use direct forms of power. One form of power can easily metamorphose into another, and forms of power can accumulate. And whether power, on balance, better serves the interests of the power-holder or of those over whom their power is exercised can of course vary too.

Power, therefore, is depicted by most theorists as being anything other than straightforward. The bases of power are nearly always mixed and its ground can be shifting. Furthermore, there is usually ambivalence about it. A functional or consensus view of power emphasises the benign role of power that supports order and organisation and the ability to get things done for the general benefit. As well as that side of power, there is nearly always a conflictual side, reflecting the struggle for power between individuals or groups, and the domination of some over others. The latter is the divisive face of power as opposed to its integrating face.

The Hidden Face of Power

A more recently popular way of thinking about power has focused on the extent to which it is masked or hidden. Power theorists have written about several different types or ‘faces’ of power. In one particularly influential model, Steven Lukes described three faces of power. Power, he proposed, could be exercised: (1) overtly; (2) by keeping ‘off the agenda’ any questions or issues which would challenge or expose positions of power; or (3) by shaping people’s preferences and attitudes in such a way that the powerless accept things as they are without question. Some theorists distinguish a fourth form of power, yet more covert, which turns the powerless into their own agents of control. This is the power from within, rather than power from above, which Foucault and other post-modern social theorists have written so much about. Even more effective than keeping information secret, or keeping important decisions from being discussed at all, is exercising power by shaping people’s own beliefs and desires so that the way things are, serving the interest of the powerful, is accepted without too much question. The operation of power becomes, not just hidden, but effectively invisible.²³

Hidden or invisible power is difficult to identify and name for what it is. Lukes’ assertion was that ‘power is at its most effective when least observable.’ The powerful can make it appear they are committed to change but at the same time prevent change by not acting on it. Power is reinforced through ‘discursive hegemony,’ the dominance of ways of talking about the subject that help to maintain, rather than challenge, existing power relationships. Certain terms are endlessly repeated in the interests of maintaining things as they are. Such culturally dominant discourses are ‘taken for granted,’ offered up as no more than ‘common sense,’ masquerading as something that is innocent and benign, quite different from what we think of as power. Those with power can present themselves and their positions and policies as morally correct, enabling power relations to be maintained without any appearance of immorality. The system remains in place, protected from serious threat while all parties, including those disadvantaged by the system, ‘follow the script,’ and do not ‘breach the etiquette of power relations’.²⁴

This is a form of mental power in which ideas exert the leverage. If successful, it amounts to nothing less than a form of thought control. Joseph Stiglitz, once Chief Economist at the World Bank, is just one of a number of prominent figures who have recognised the crucial importance of the intellectual framework under which policy is made and practised. He talks of the process as ‘cognitive capture.’ The same point about the power of a system of accepted ideas has been made by Owen Jones who rightly says it is not ‘bad’ individuals with power that are the problem: ‘It is the system – the Establishment – that is the problem, not the individuals who comprise it’.²⁵

Power and Economic Inequality

In our quest to understand the acceptance of economic inequality, the relevance of that brief excursion into power theory should be clear enough. Previous chapters have provided plenty of examples of how power operates to promote and maintain high levels of economic inequality. This came into clearest focus in the previous chapter where the role of a powerful alliance of inequality-supporting interests, as many see it, was spelt out. So well connected and well funded did that alliance become that it came to play a leading role in shaping both academic economics and the very way in which Western governments believed national and international economies should be run. Whether its power was exercised through lobbying, think tanks, funding political parties, or in other ways, it was powerful enough to have captured the worlds of finance and politics. Collectively, it is argued, this alliance of vested interests wielded sufficient power to prevent those supposedly ‘in power’ from calling out and correcting gross inequality.

The word ‘power’ crops up repeatedly in the writings of those who want to recognise economic inequality for what it is and to have it identified as a serious problem. Take philosopher T. M. Scanlon, for example. Economic inequality breeds further inequality, he points out, because it leads to unequal opportunities to influence political decisions or even who gets elected to positions of political power. Economic inequality can lead to a situation in which the well-off own and control the main means of expression, hence having the greater influence over public discussion of political questions. In addition, there is the problem, particularly acute in countries with fewer constraints on political party financing and hugely expensive election campaigns, that richer citizens are the more likely to get elected themselves. These negative effects, Scanlon suggests, are very difficult to reverse once a high level of economic equality has become established. As former UK Treasury minister Liam Byrne has recently said, ‘... wealth is just stored power ...’ And long before him, political philosopher John Rawls declared that the political and economic system he called ‘welfare state capitalism’ is unjust because it fails to prevent ‘a small part of society from controlling the economy, and, indirectly, political life as well’.²⁶

Influential writer on inequality Anthony Atkinson also sees inequality in terms of where in society power lies and how that has changed over time. We need to ask, he says, where the key decisions are made: ‘It is my belief that the rise in inequality can in many cases be traced directly or indirectly to changes in the balance of power.’ He was more specific about where those changes could be identified. The reduced role of trade unions and the scaling back of workers’ rights are part of the

picture, but he mainly points the finger at the dominance of modern corporations which are not operating in a perfectly competitive market. They are, rather, what he terms ‘monopolistically competitive’.²⁷ In general:

The economy has to be seen, not only as a pattern of income flows, but also in terms of the location of control ... in Britain today, the key decisions on jobs are being taken by companies, not by the workers or the consumers or the local governments where the companies are located or even by central government The power of capital is exercised by the fund managers, not by the beneficial owners.²⁸

But those expert commentators were talking about power, the source of which is at least potentially identifiable, even if most of us who are not experts are not so clued up about it. They were talking about who wields power to make sure things go in certain ways, in line with their vested interests. The kinds of power they are exercising correspond to the first two of Lukes’ three faces of power; either using their powerful positions overtly or by controlling the agenda, what is talked about publicly and the language in which it is talked about. It is the third face of power, however, which most power theorists believe is the real killer, because it is masked, even more difficult to identify, more effectively hidden from view. If the powerful can control the way the general public thinks and talks about economic inequality, then we can be relied upon to do their work for them. It is we who have been captured, not just economists and politicians. We may not even be aware that power is being exercised at all.

Much of what I presented in earlier chapters of this book, especially in Chaps. 6 and 7 which focused on personal knowledge and beliefs about income and wealth inequality, can be reinterpreted in power theory terms. Where did our beliefs and knowledge about economic inequality come from? Are they serving certain interests, and if so, whose? Are our own interests being served? Is our country’s common interest being well served? Or are our beliefs promoting factional interests, those of the already relatively wealthy perhaps? Are we being used?

It is not just that economists, politicians, and the media avoid talking about economic inequality, preferring to speak in terms of ‘opportunity,’ ‘success,’ ‘hard work,’ and ‘talent,’ thus implying, if they don’t directly say so, that high economic position is ‘earned,’ ‘merited,’ ‘deserved’.²⁹ More perniciously still, we have accepted what they have been telling us. We too have fallen for this conceit, that high economic inequality is justified, simply the outcome of a fair sorting system which is under our control. In the process, the real sources of power and how our beliefs are being moulded in their interests are hidden from us. George Monbiot and Peter Hutchison have understood this as well as anyone:

“The market” sounds like a friendly, egalitarian, democratic sphere. But, when used in the neoliberal context – “let the market decide” – the term disguises a host of power relations. “The market” becomes a euphemism for the power of money. When “the market” decides, it means that those who have the most power within the economic system – in other words those with the most money – make the decisions. Political power is captured by economic power. Democracy is supplanted by plutocracy Real power shifts to other forums, inaccessible to ordinary citizens; quiet backroom meetings between government ministers and corporate lobbyists; fundraising dinners and holiday retreats; trade treaties and offshore tribunals; private meetings at economic summits This is how power operates and always has When those who already possess power and wealth want more of it, they don’t advertise their agenda – let alone the means of going about it.³⁰

Chapter Summary

The records now available from a range of countries show us that the elevated rates of income and wealth inequality we have been living with in the UK, US, and some other countries are not inevitable. They are the result of political choice. Some other nations have chosen to distribute the fruits of their countries’ wealth more equitably. The deliberate policies pursued by UK governments since the 1980s are illustrative. When in government, each of the two main political parties used rhetorical devices to hide or justify high inequality. For example, Conservatives were ‘compassionate’ about poverty, while Labour leaders—and US Democrats likewise—championed the meritocratic ideal of personal improvement. With the encouragement of sections of the popular media, neither was immune to using blaming and shaming language to demonise the poor and unemployed. The duplicitous use of language to obscure the issue of economic inequality—the use of words such as ‘fair’ and ‘fairness,’ for instance—has been a constant feature.

Many commentators on economic inequality use the word ‘power,’ not just in reference to the government ‘in power,’ but, in a more general and sinister sense, to where in society power resides and how that has changed. Some see the reduction of trade union power and the increased power of large corporations as crucial. Others, as discussed in the previous chapter, focus attention on an alliance of the powerful and well connected which has come to play a leading role in shaping both academic economics and dominant beliefs in Western governments about how their economies should be run. The greatest concern of others is that a relatively small section of the population, the well-off and well connected, now have in-

creased power to influence political policy and who gets elected to political positions. All, in their various ways, are expressing alarm that power over economic and political life has increasingly been captured by a small section of society.

Much of what has been discussed in earlier chapters of this book can be reinterpreted in power theory terms. Of special relevance is the influential idea of power having several ‘faces.’ Power can be exercised openly, undisguised. Or, less obviously, by controlling ‘the agenda,’ controlling how and what is discussed and the language in which it is talked about. That is the second face of power. But it is the third type which most power theorists believe is the most effective. Its face is hidden from view. It instigates acceptance of how things are by influencing people’s own attitudes and beliefs. It is, in effect, a form of thought control, ‘cognitive capture’ as it has been called. It may not even be apparent that power is being exercised at all. Have we been manipulated into thinking that economic inequality is normal, acceptable, or is much less extreme than it is in reality? Have we accepted uncritically the set of beliefs that justify inequality by recourse to ideas about merit, desert, opportunity, individual autonomy? Whose interests are being best served thereby?

To obfuscation, diversion, division, justificatory beliefs, and dominant economic theory, in the search for explanations for the continued maintenance of high economic inequality, we must add the operation of POWERFUL VESTED INTERESTS. Indeed, how power has been exercised to conceal the true extent of economic inequality’s existence and harmfulness is perhaps the single most significant source of our confusion on the subject.

Notes

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4. Stiglitz, J. (2013). *The Price of Inequality*; London: Penguin, xxiii, 10 and chapter 3.
5. Piketty, T. (2017). *Capital in the Twenty-First Century* (trans. by A. Goldhammer, orig. French, 2013). Cambridge, Mass.: The Belknap Press of Harvard University Press, 329–32, 339, 343, 359; see also Piketty, T. (2024). *Nature, Culture, and Inequality* (trans. W. Wood, orig. French, 2023), London: Scribe, where he cites Sweden as a good ex-

- ample: now seen as one of the most economically egalitarian countries, but which in the early twentieth century was quite the reverse, radically changed after universal suffrage and the election of a social democratic government that stayed in power almost throughout the period from the 1930s to 1990s, showing ‘that a country is never unequalitarian or egalitarian by nature. Everything depends on who controls the government and to what end,’ 36–37.
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Towards a Fairer Society: Standing Up to Economic Inequality

10

Abstract

This concluding chapter begins by outlining policies which would promote greater economic equality. Taxation of income and wealth could be fairer, more progressive, and tax avoidance could be better controlled. Universal basic income, universal basic capital, and community wealth building are amongst ideas for sharing wealth more widely. The financial and business sector, the workplace, and education are examples of key sectors that could be reformed. The prediction is that the more such policies were implemented, the healthier and happier we would be on a personal level, and the more cohesive and productive our country would be. A principal conclusion of the present book is that there are six basic reasons to explain the present failure to see economic inequality for what it is—gross in size and highly damaging in its effects. We are confused by a combination of obfuscation, diversion, division, justificatory beliefs, dominant economic theory, and powerful vested interests. Impassioned calls for a fairer, more economically equal society continue to come from writers in the UK and US, in agreement that hope lies in the mobilisation of public opinion, as a basis for persuading governments to focus on economic inequality and to adopt policies to correct it.

Keywords

Economic policy · Taxation · Tax avoidance · Universal basic income · Universal basic capital · Community wealth building · Financial and business reform · Workplace democracy · Education reform · Public opinion

I sit on a man's back, choking him and making him carry me, and yet assure myself and others that I am very sorry for him and wish to ease his lot by all possible means – except by getting off his back If I want to aid the poor, I ought not to make them poor, Leo Tolstoy, *What Then Must We Do?* 1886¹

... because the market is enveloped by an array of institutions – the state, media, schools – that buttress the power of those who control it, efforts to radically alter society must aim to change these as well, Michael Yates, *The Great Inequality* 2016²

The Need for Fairer Income and Wealth Distribution

I hope you are now as persuaded as I have been that the levels of income and wealth inequality we have been experiencing in the UK, the US, and elsewhere are thoroughly bad for us, both individually and for society. I hope I have also convinced you that there are identifiable reasons why we have not been seeing that clearly, and that there are forces at work acting to keep us in a state of confusion. In this final chapter I want to try to suggest what we should be doing about it. The answer comes in two parts. First, there is a whole host of policies which have been put forward and which would serve to turn things around, to begin to reverse the upward turn in economic inequality which began in the 1980s. Those policies will not work, however, without a widespread acceptance that economic inequality is bad and needs to be reduced. That requires a fundamental shift in thinking on the part of political leaders and the public they serve. That is the second part of the answer to the question: What to do? What is needed most of all is a vision of a fairer, more equal society.

Towards the end of their trailblazing 2009 book *The Spirit Level*, Wilkinson and Pickett asked what we should do to reverse the economic inequality which is so dysfunctional for us. For we must do something. If Britain were to become as equal as Japan, Norway, Sweden, and Finland, they said:

... levels of trust might be expected to be two-thirds as high again as they are now, mental illness might be more than halved, everyone would get an additional year of life, teenage birth rates could fall to one-third of what they are now, homicide rates could fall by 75 per cent, everyone could get the equivalent of almost seven weeks extra holiday a year, and the government could be closing prisons all over the country.³

They were clear then, as others have been since, that it was acts of political will that had reduced inequality generally over the long arc of history and had reduced economic inequality in Britain in the years following the Second World War, and in

several Asian and Pacific countries, and which had kept it in check in Scandinavian and other European countries at a time when it was rising most strongly in English-speaking countries.

Fourteen years later, in December 2023, with economic inequality as high as it was when Wilkinson and Pickett published their book, the UK's Resolution Foundation told the press about their *Economy 2030 Inquiry*. This is a collaboration between the Foundation and the Centre for Economic Performance at the London School of Economics, funded by the Nuffield Foundation. The message was clear. Britain needed a new economic strategy to end its stagnation and close its £8500 living standards gap with its peers: 'Were Britain to close the average income and inequality gap to its peers of Australia, Canada, France, Germany and the Netherlands, the typical household would be 25 per cent (£8,300) better off, with income gains of 37 per cent for the poorest households.' To blame was Britain's 'toxic combination' of low growth combined with high inequality:

For decades, the UK has felt the effects of high inequality, hindered growth and economic stagnation. But this can change – the Economy 2030 Inquiry has been a path-breaking research venture that has produced robust and credible evidence, leading to a policy structure that can improve outcomes. The legacy of the inquiry needs to be a UK economy that delivers growth, and better, less unequal, standards of living in the rest of the decade and beyond.⁴

The finger throughout is pointed at a combination of poor growth *and* inequality in the distribution of the fruits of economic activity, *not* at low growth alone. That is highly significant given the repeated political emphasis on the need for growth, *without* any mention of inequality. Daniel Dorling is someone who has been very clear about the importance of inequality: 'Reducing economic inequality ... is the only way to reduce family poverty in a rich nation. The alternative of suggesting that eventually more and more economic growth will eradicate that poverty is now clearly a mirage, as demonstrated by the current extent of poverty in some of the more unequal rich countries.' In *Vanity Fair*, a magazine aimed at the rich, Joseph Stiglitz, too, wrote, more than 10 years ago, '... there is ample evidence that something has blocked the vaunted "trickle down" from the top one per cent to everyone else,' with predictable effects (e.g. in terms of alienation; voter turnout at only 21 per cent among those in their 20s). Andrew Sayer calculated that in 2015 the collective wealth of the UK's one thousand richest people was enough to have funded the country's state pension bill for nearly four years or the public health system for nearly five, and was almost 10 times the country's annual welfare bill.⁵

In the absence of the kind of economic growth that was experienced after the Second World War, and which no government can guarantee today despite their

Table 10.1 Policy suggestions for delivering greater economic equality

Fairer, more progressive income tax system	A higher rate of tax towards the top end of the earnings scale and a reduction in taxes for lower earners
Heavier taxation of accumulated wealth	A progressive wealth tax; a land-value tax; higher inheritance and lifetime gifts, capital gains, and property purchase and sales taxes; more progressive local and property taxes based on actual property values; a luxury goods tax; tax on second and holiday homes
Stronger control of tax avoidance	Increasing the size and powers of tax inspection authorities and improving the information available to them, and strengthening control of tax advisors and tax havens
Wider distributing of wealth	Universal Basic Income, or a universal job guarantee for working-age citizens; Universal Basic Capital, and/or universal minimum inheritance, universal lifetime savings and more generous state pension schemes, or shares in a sovereign wealth fund; Community Wealth Building to build and retain wealth within local communities
Reform of finance and business	Incentivising innovation and investment; a financial transaction tax; windfall taxes and taxes on harmful products; better control of corporations, e.g. of the creation of monopolies and the scale of executive pay
Reform in the workplace	Democratic employee-ownership; improvement in trade union rights and membership
Reform of education	Phase out, integrate into the state system, or at least tax more fairly fee-paying school education; rebalance support in the higher/further education sector by providing more support for non-university education, training, and apprenticeships; reconsider how university debt is handled

A wide variety of sources, including those noted elsewhere in this chapter

claims, policies which aim for a fairer distribution of economic rewards will be necessary.⁶ There is no shortage of policy suggestions for delivering greater economic equality (see Table 10.1). Let us look at some of them. I shall have the UK principally in mind but they all have relevance, with suitable adaptations, well beyond one country.

Fairer Taxation

Of all the ways to create a fairer, more equal society, using the taxation system is the one that comes most readily to mind. I am constantly surprised at the way in which taxation is now spoken of by politicians and in the mainstream media.

Taxation is very often referred to as a ‘burden,’ and whether it should be reduced or increased is the question most often put, as if it were a single, monolithic, entity. Only as a secondary consideration, for which news bulletins often fail to find time, is there any mention of which groups of citizens would be asked to pay more or less, and what effect a particular tax would have on redistribution and inequality. This is yet another example of how the topic of economic inequality is avoided.

Using the taxation system is an obvious way of affecting the distribution of a nation’s wealth. It is, for one thing, under the control of the government. There is general acceptance that taxation should be ‘progressive,’ that ‘those with the broader shoulders should bear the greater burden.’ Those who can afford more should pay more. But equally important is the understanding that progressive taxation is a form of ‘transfer’ of economic benefit from the relatively well-off to the less well-off. It takes more from the former amongst us and redistributes it in the form of services from which we all benefit. In fact, the less well-off benefit more because they are likely to be more in need of services such as health and social benefits (see, e.g., Chap. 4 regarding health gradients by socio-economic status). As US Supreme Court Justice Oliver Wendell Holmes said nearly 100 years ago, ‘Taxes are what we pay for a civilized society’.⁷ Indeed, thinkers from J S Mill to Thomas Paine have emphasised that wealth is partly social in origin and tax serves to return to society part of the wealth it has collectively created. ‘Tax is not about taking your money, but about paying back society for the social wealth it has bestowed on you ...,’ says Aldred.⁸ Our expectations of a civilised society are increasing all the time, so it is unlikely that overall taxation will fall. As the Resolution Foundation recently pointed out, the total tax take in the UK is on course to reach an 80-year high by 2030.⁹ But it must be used to reduce economic inequality, and certainly not to increase it as was done in the 1980s. One suggestion, therefore, is that income tax should be returned to being much more progressive than it is now, by combining a higher rate of tax towards the top end of the earnings scale—some would like to see a return to the top rates of income tax in the region of 80 or 90 per cent which were in force in the post-war decades—with a reduction in taxes for the less well-off. Across the OECD as a whole, the average top income tax rate fell from 62 per cent in 1981 to 35 per cent in 2015.¹⁰

There would undoubtedly be resistance to calls for higher taxes for higher earners. One standard response is that they are the wealth-creators, so economic growth would be stifled and we would all be poorer as a result. Quite apart from the highly questionable assumptions about who does more to create wealth, and the supposed trickledown effect, there is evidence that such a statement is factually incorrect. A plot of GDP per capita against the ratio of government revenue to GDP in a dozen of the high-income countries in 2019 shows the two to be unrelated. For example,

government revenue and GDP were both comparatively high in the Netherlands, Germany, and France.¹¹ A more general objection talks of the unfairness of government taking more money away from what a relatively high earner has legitimately earned. This is even referred to sometimes as government ‘theft.’ Of course, such arguments fail to address the fairness or unfairness of the differences, now massive, between higher and lower incomes (see Chap. 2). This goes to the heart of the matter from a psychological point of view—the beliefs that underpin high inequality. Countering those beliefs is central to reducing economic inequality and we shall return there later in the chapter.

Taxing Wealth

Among my sources there is even more support for taxes, not just on earnings through one’s own labour, but on other sources of income and wealth. From his historical perspective, Thomas Piketty saw the rise of earnings from capital assets, relative to the growth of the economy as a whole (see Chap. 2), as the biggest danger sign of inequality for Western economies. Systems for taxing income in the richer countries, especially in the US, are unjust, not just because taxation is insufficiently progressive. At the top end of the income scale, income tax actually becomes *regressive*, those with highest incomes paying a lower overall rate, because capital and income from capital are taxed relatively lightly. For example, in the UK in the early 2020s the higher rate of income tax on earnings has been 40 per cent, but dividend income has been taxed at 32.5 per cent and capital gains at 20 per cent. An anomaly that would be easy to remove is the tax break for those in the UK who claim their permanent home is elsewhere—the ‘non-doms’—and who therefore do not have to pay UK tax on what they have earned abroad. Furthermore, some taxes, other than income tax, are by their very nature regressive in their effects because they bear more heavily on the poorer. Consumption taxes, such as value added tax (VAT) on essential items in the UK, are an example because those who are poorer spend a higher proportion of their income on such consumption items. Local property taxes are also in effect regressive, certainly in the UK, since owners of expensive properties currently pay a smaller percentage of the value of their property in tax. A tax as a standard percentage of the property’s value would be much more equitable.¹²

While I was in the later stages of drafting the present book, an important new book appeared, written by Liam Byrne, a former UK Treasury minister, Labour MP for one of the most economically deprived constituencies in England, and honorary professor of Social Science at the University of Birmingham. Although his

focus on economic inequality per se is sometimes lost, he is concerned about both the privilege and power of the super-rich and the disadvantage and lack of opportunity of the poor, and inequality of wealth gets more entries than any other item in his book's index. '... it will prove impossible,' he says, 'to reverse today's sky-high levels of income inequality without some measure of tax on capital gains, capital income or on big pots of giant fortunes ...'.¹³

A one-off wealth tax on the largest fortunes is one of his suggestions, and many others agree.¹⁴ While acknowledging that there would be many issues to face in designing exactly how such a tax would work, he cites a 2022 poll suggesting that a wealth tax was more popular with the public than other forms of taxation. Wolf estimated that a wealth tax could raise as much as two per cent of GDP. The 2022 report from the Equality Trust in the UK also recommends instituting a progressive wealth tax. Nor are the wealthy necessarily opposed. A group calling themselves the Patriotic Millionaires have been campaigning for increased taxes on the rich.¹⁵ I count myself comparatively wealthy, probably in the top decile nationally, and certainly financially rich from a global and historical perspective. I would welcome parting with more in tax in exchange for contributing to a fairer, more cohesive, happier, and healthier society.

One type of asset, the ownership of which is very unequally shared among us, is land. We heard about that and how critical that key component of ownership inequality is for the generation and maintenance of growing income and wealth inequality in Chap. 2.¹⁶ In Britain, this source of inequality rarely makes the news, but the idea of a tax on the value of land might be less unpopular with most people compared to taxes which would more directly affect their own day-to-day lives. A proposal for a land-value tax has received approval on both the left and right of modern politics, was supported by Adam Smith in his day, and even by neoliberalism guru Milton Friedman who thought it was 'the least bad tax.' In Wolf's opinion, land ownership should be particularly heavily taxed.¹⁷

A capital gains tax on the profits made when selling assets which have gained in financial value is another way, favoured by many, of taxing accumulated wealth. Will Hutton specifically favours a tax on profits made from home ownership, stamp duty paid on property sales as well as on purchases being one possible such tax. A luxury goods tax and a tax on second and holiday homes are other suggestions.¹⁸

There is then the controversial subject of taxes on inherited wealth, which Piketty and others believe has re-emerged as a significant element in richer countries' economic inequality in recent decades (see Chap. 3). As wealth inequality grows and as accumulated wealth is passed on from one generation of a family to the next, we are in danger of creating a modern style of 'hereditary plutocracy,' as Wolf puts it. Even US billionaires' so-called 'philanthropy' (Wolf's inverted com-

mas, not mine) is tax deductible, a sure sign, he thinks, of the growing plutocracy he was witnessing. Andrew Sayer, who is also critical of philanthropy, says it ‘de-politicises,’ bypasses democracy, represents a monopoly of giving, and ignores the systemic origins of the suffering it claims to relieve. For individual givers it can be accused of ‘conscience laundering,’ and for the corporate giver it provides support for the claim of having ‘corporate social responsibility.’ There should, in Wolf’s opinion, be ‘penal taxes on estates and large gifts among living people. There is no good reason for estates to survive indefinitely.’ To prevent the wealthy from avoiding inheritance tax by giving away their money to their family while they are alive, a sensible reform in Byrne’s view would be to levy the tax, not on the estate, but on gifts, the tax to be paid by the receivers of gifts. Others, such as Sayer, and Hutton also, favour increasing inheritance tax but recognise how unpopular that might be. Its unpopularity, no doubt, can be explained in terms of beliefs, not just that one has worked hard for merited rewards, but that using those rewards to help one’s own family is doubly justifiable in terms of both fairness and family values. Across the OECD, inheritance taxes, as a proportion of tax revenues, have fallen from 1.1 per cent to 0.4 per cent in the 50 years or so since 1970.¹⁹

Finally, popular with the public is the idea of tackling tax avoidance and tax havens. The failure of taxation systems to be sufficiently progressive is made worse by the fact that arranging one’s financial affairs so as to minimise paying tax (tax avoidance, within the law) and tax evasion (illegal) is much higher among the better-off. In the US, the Internal Revenue Service is less well funded than it was, and the chances of tax dodging being brought to light have diminished.²⁰ Liam Byrne cites extraordinary UK figures. In the 10 years up to 2019 there were over 85,000 criminal prosecutions for benefit crimes, but only 3665 for tax crime. His first step would simply be to hire more tax inspectors. New rules are then needed to prevent tax advisors—he is particularly critical of a small number of the biggest accounting firms and some law firms—from claiming there was nothing unlawful in what they were advising. To be effective, some kind of global register of ownership of assets is required, better exchange of information between banks about what is going on, parliamentary oversight of the system, and the backing of ‘proper sanctions for bad actors’.²¹

Spreading Wealth More Widely

Complementary to taxing wealth more effectively, and equally important for reducing economic inequality, is the spreading of wealth more widely. In Chap. 2 we learnt that wealth is even more unequally shared than income. In fact, in rich coun-

tries like the US and UK, large proportions of households possess no wealth at all. They may qualify for social benefits but compared to their better-off fellow citizens, their lives are precarious. At least the following three ways of spreading out wealth more fairly have been suggested: UBI, UBC, and CWF.

UBI: Universal Basic Income

In recent years there has been renewed interest in the idea of a universal basic income (UBI). It has been part of the UK Green Party's 2019 and 2024 election manifestos, for example. In fact, it is no new idea. Originating in Enlightenment thought, the idea has come and gone, perhaps most attractive at times of crisis, such as at the end of the Second World War. At various times, British campaigners have referred to UBI as a 'state bonus,' a 'social dividend,' a 'new social contract,' a 'basic income,' and a 'citizen's income'.²² There have been UBI pilot schemes with positive results in the US and other countries including Ireland, and interest has been expressed in Britain, for example by the mayors of several of England's biggest cities. In several schemes, participants would receive income of around £1600 or \$2000 a month. The great advantages of UBI are believed to lie in the universal and unconditional nature of the income. Everyone would receive it without any eligibility criteria or reciprocal obligations. As well as easing administration, that would avoid the 'poverty traps' associated with many benefits that are conditional on remaining on low income from other sources, and the 'precarity trap' whereby those in financially precarious circumstances feel compelled to take work with relatively poor security and opportunities. To champions of UBI, like economist and philosopher and researcher at the Resolution Foundation and Institute for Fiscal Studies think tanks Daniel Chandler, UBI 'meet[s] basic needs in a way that supports rather than undermines the independence and self-respect of the least well-off ... [and] would also transform power relations in society more widely.' It might become an even more necessary way to share a nation's wealth more fairly if, as some are predicting, AI alters radically the kinds and numbers of jobs that are required to generate a country's collective wealth.²³

UBI has not always been seen that way, however. Bertrand Russell referred to UBI as a 'vagabond's wage.' American economists Milton and Rose Friedman, key architects of the neoliberal revolution, advocated a basic income, which they termed a 'negative income tax,' as a means of forestalling government interference with the market and the need for a social safety net.²⁴ Even today, advocates of UBI often imagine the replacement of at least some existing social benefits and the social stigma that can be associated with them as one of its great advantages. As the

title of an article on the subject in the journal *Critical Social Policy* has it, with UBI, ‘The Left will find that it has bought a Trojan Horse’; and in Finland, even the architects of a UBI trial have admitted that UBI might in the long run risk undermining universal welfare and workers’ protections. Other criticisms are that the idea of a UBI may be widely considered to contravene people’s sense of fairness, and that anything other than a very modest basic income would be impossible to fund.²⁵

An alternative is for the state to guarantee full employment, by acting as an employer of last resort, providing a universal job guarantee for people of all working ages. That would enable everyone to work if they chose to, at a minimum wage, at least for a period of time, such as six months if not for longer. Martin Wolf is one who deems it worth considering despite possible difficulties identifying projects and organising people to work on them, the need to allow those employed to be free to seek other jobs, and the danger of undercutting those employed outside the scheme.²⁶

UBC: Universal Basic Capital

Although UBI, if it could be made to work, might have the effect of sharing wealth more equally, it is, as its name suggests, about income rather than wealth. Universal Basic Capital (UBC) is another matter. It is the attractive idea of increasing the chances that individuals will, throughout their lives, accumulate assets rather than debts, financial security rather than precarity. The form of UBC suggested by Liam Byrne would be ‘a system for accumulating human capital and pension capital, together with short-term savings.’ It would include enrolling all UK citizens in a universal, lifetime savings account with suitable tax breaks and bonuses to encourage continued saving, making it easier to acquire further assets, for example by saving for a deposit on home purchase.²⁷

Another option is a ‘universal minimum inheritance,’ a one-off payment to everyone when they reach adulthood or earlier, funded by increased inheritance and wealth taxes. Thomas Paine proposed such a thing in 1796 though it was never implemented, and the UK New Labour government introduced the Child Trust Fund in the early 2000s, though the sums involved were too small and it was later abandoned. A proper UBC would be supported, in Byrne’s scheme, by a Sovereign Wealth Fund (SWF), ‘one giant fund, owned by all citizens, in which all citizens have a share, and from which all citizens enjoy a dividend.’ There are SWFs in more than 70 diverse countries including Singapore, Ireland, Norway, Russia, and the Arab Gulf states, as well as in the US state of Alaska. The idea is supported now

in the UK on both the left and right of the political spectrum. Martin Wolf has declared it ‘an idea whose time has come.’ The universal dividend from an SWF could be seen as a kind of UBI.²⁸

Other policies which contain elements of UBC would be focused on one or other component of wealth accumulation. Since pensions constitute such an important source of security, Martin Wolf has proposed a much more generous plan for the UK, similar to that in the Netherlands, of government support for building the financial assets, individual and collective, needed to ensure sufficient income in retirement for all and to cover the risk that many will require expensive care in older age.²⁹ Another type of partial UBC, focused on the ‘human capital’ element, would be a plan, proposed by the UK Conservative government, to introduce a lifelong entitlement to support for up to four years’ worth of further or higher education.³⁰

A general principle of UBC should be that, unlike several piecemeal present or earlier schemes, it must be well targeted, and not end up channelling opportunities for accumulating capital to the already relatively better-off. A well-thought-out and funded UBC, says Daniel Chandler, would ‘be a vital source of security and stability, providing a cushion in hard times, and a springboard for trying new things like going to college or starting a business’.³¹

CWB: Community Wealth Building

Community Wealth Building is a radical approach to inclusive local economic development that challenges traditional economic systems. Its purpose is to ensure that collective wealth is kept and built within local communities, for the benefit of local people, rather than being extracted by ‘outside’ firms or individuals, often adding further wealth to that of the already wealthy. CWB draws upon developments in cities in the US, such as Portland, Oregon, and Cleveland, Ohio, and on earlier work by the New Economics Foundation. According to my community psychologist colleagues, five core principles have been outlined for its application in the UK. They are: plural ownership of the economy; making financial power work for local places; fair employment and just labour markets; progressive procurement of goods and services; and socially productive use of land and property.³²

In applying these principles, the starting point is the identification of those organisations and institutions which are ‘anchored’ to the local community. They are the opposite of those which are *not* committed to remain there, or which take much of any wealth they create out of the community, or, worse, are ‘extractive,’ leaving the community less well-off—I could cite ‘betting offices’ and ‘amusement ar-

cares' run by any of the big gambling firms as perfect examples. Many anchored institutions are public sector ones, including hospitals, museums, universities, and elected councils. A core strategy is ensuring the maximum local impact of anchor organisations' economic footprints, for example through their spending, investment, and employment practices. Locally based and new forms of democratic businesses are welcomed and supported, including workers' cooperatives, community-owned businesses, and local community or voluntary sector organisations. Community land trusts for local housing, building communities consisting of a mix of rented, owner-occupied, and shared ownership types of tenure, and banks and other financial services, including community-owned regional banks, becoming better oriented to forming relationships with their local customers, including local businesses, would be other examples. CWB is also part of a broader social movement towards progressive 'localisation,' which includes a shift towards citizens growing and supplying food, and other essential goods, locally, and reducing the demand on global supply chains.³³

In England, the northern city of Preston provides one of the best examples of CWB's successful implementation.

The Preston Community Wealth Building Programme Preston has seen the creation of the Preston Co-operative Development Network, to help establish 10 new worker co-ops, each receiving start-up advice and business support, for instance a local food cooperative to supply catering for the local authorities. Other strategies implemented in Preston included maximising the social return on the councils' pension fund, allocating £200 million for investment in Lancashire; the development of a community bank; ensuring new housing developments include jobs and opportunities for local people; and implementing a living wage, benefiting 4000 employees. These interventions resulted in the anchor institutions increasing the money that they spent locally in Preston from 5% to 18% and within the county of Lancashire from 39% to 79%, which equated to £200 million for the local economy. In 2018, due to the combined impacts on employment and well-being, Preston was declared the "Most Improved City in the UK."³⁴

CWB is a particular model of how to ensure that the wealth created in a community stays there for the benefit of all. But the general idea of collective action and collective benefit has very wide support, from Wilkinson and Pickett's vision of a better future in *The Spirit Level*, to Monbiot and Hutchison's 'politics of belonging,' as they call it, nearly two decades later. They would like to see as many decisions as possible taken at a local, community level, reclaiming some of the powers taken from communities. They envision, for example, civic banks funding

land purchases and community-owned enterprises, extending in the process the ancient idea of ‘the commons.’ As part of his less radical vision of a progressive capitalism, Joseph Stiglitz, to give another example, also advocates for a mix of enterprises, public, private for-profit, cooperatives, and private not-for-profits, including local banks giving loans to encourage small businesses and supporting green enterprises.³⁵

Reforming Key Institutions

In earlier chapters we have discussed how deeply embedded economic inequality is in our beliefs and in the socio-economic system of which we are a part. It follows, then, that dealing with income and wealth inequality and moving towards a fairer, more equal society will require reform of some of our key institutions. The financial and business world, the world of work, and that of the education system are three crucial candidates for reform.

Reforming the Financial and Business Sector

Between the late 2000s, when Wilkinson and Pickett wrote of the social ills wrought by policy changes in the US and Britain in the 1980s—the rise in income inequality, less progressive taxes, cuts in benefits, and weakened trade union powers, to name but a few³⁶—and the recent report from the Resolution Foundation, many have reached the same conclusion. Summarised in Chap. 8, the conclusion was that something had gone badly wrong with an economic strategy that had not put people and places at its centre and had served them ill. It was the economy that needed reforming.

The Resolution Foundation wanted to see a ‘clear and coherent vision for a long-term economic strategy, with people and places at its heart ... that doesn’t let people fall even further behind ... a route to shared prosperity for the UK’.³⁷ For his prescription for the way forward, Martin Wolf takes as his starting point Franklin D Roosevelt’s list of objectives for the post-war world which he spelled out in January 1941. Adapted somewhat, Wolf’s new New Deal would be one in which the rewards of growth would be more evenly shared. He wants to see an end to ‘a corporate governance regime that rewards powerful insiders, a competition regime that tolerates powerful monopolies.’ Investment should be incentivised: there should, he suggests, be a 100 per cent deduction from taxable corporate income for all investment. Corporate tax evasion should be better dealt with, requiring interna-

tional cooperation such as the agreement the Biden US administration brokered in 2021 among over 100 countries for a minimum 15 per cent corporation tax. Meanwhile corporation taxes ought to be based on where products are consumed rather than on where they are produced, and companies that continue to make ridiculous claims about where their productive assets are located should be penalised or treated as outcasts.

Corporations should also be taxed heavily when they make super-normal profits or if their products or activities are known to have harmful consequences such as pollution—he might also have mentioned addictive products and windfall taxes on energy companies during an energy crisis or arms companies during a war.³⁸ Transparency about what companies do must be improved, including setting, measuring, and reporting on environmental, social, and governance standards. Auditing of companies should be a public function, paid out of tax on all companies, not left to companies themselves. Executive pay needs to be reconsidered, its scale and the wrong incentives it creates. Top executives need to be held more accountable when things go wrong. Unnecessary mergers, acquisitions, and the creation of monopolies should be drawn attention to and discouraged unless there is a good argument in their favour. The burgeoning information economy should be brought under new regulatory control including finding some way of controlling the use of, perhaps personally compensating individuals for, personal data collected by social media and other companies.³⁹

Will Hutton is another who would like to see the financial system restrained and better regulated. One solution would be a tax on financial transactions since so many of them serve no useful purpose. A transactions tax, often referred to as the Tobin tax after its proposer James Tobin, even as a very small percentage, would raise a considerable amount. Banks should be smaller, the big banks broken up and some of the former mergers reversed. Small businesses, too, needed to be encouraged. Survival as a small enterprise had become increasingly difficult, he noted, and Britain had become disproportionately a country of big business. There had been a *laissez-faire* approach to company takeovers and mergers; Hutton is critical of the Office of Fair Trading.

Commentators like Hutton and Sayer are by no means against growth and wealth generation, but financial activity, they say, should be directed at those ends. Sayer would like to see closer control of interest rates on lending, which should be for truly productive purpose, and on saving, which should only be rewarded if savings are used for productive activity. Hutton looked forward to ‘a second industrial revolution’ based on advances in genetics, life sciences, robotics, virtual reality, and miniaturisation, with applications for revolutionising the fields of energy, health, and transport, based on knowledge-based industries. The Innovation Fund,

established in 2009, needed to be greatly increased in size. Innovation required support for universities, as well as closer product regulation as products such as medications and IT goods become more complex and beyond consumers' ability to evaluate them. Regulation, so often resisted by big business, is not the enemy of innovation he believes, quite the reverse in fact.⁴⁰

Reform in the Workplace

One specific policy suggestion Wilkinson and Pickett made at the time they penned *The Spirit Level* was the encouragement of democratic employee-ownership. This was necessary to deal with the unhealthy 'concentration of power in our economic institutions,' which has resulted in 'productive assets remain[ing] effectively in the hands of a very few, very rich people, and make our claims to real democracy look pretty thin.' They cited examples of democratic employee-ownership, including the London Symphony Orchestra, Carl Zeiss, United Airlines, Gore-Tex, the Polaroid Corporation, the John Lewis Partnership, and the Mondragon Corporation in the Basque region in Spain, as well as Tower Colliery in South Wales bought by its miners in 1995 and kept working for 13 years. I might add Exeter City Football Club, owned by its supporters, and a number of independent British pubs, once threatened with closure and now owned by local inhabitants. The ways in which such enterprises function can vary but the crucial characteristic is where control lies—not with outside investors, motivated to make personal profit, but with the body of employees with commitment to the enterprise, its continuity, and its contribution to the community and beyond. They speculated that, when it comes to financial reward for the chief executive of such an enterprise, the employee-owners might agree the chief executive should earn a salary several times higher than their own—perhaps three or even as much as 10 times as great, they suggest.⁴¹

This line of argument is roundly supported and brought up-to-date by Daniel Chandler, who says: '... in most countries we have chosen to give a small group of owners an extraordinary amount of power over our working lives The result is that the workplace, for many people, is a sphere of subservience and powerlessness quite unlike any other domain of life in a modern democracy.' In his recent book, *Free and Equal: What Would a Fair Society Look Like?* he devoted a whole chapter to workplace democracy, with lengthy sub-sections on co-management between owners and workers, and worker cooperatives.⁴² Meanwhile, one obvious symptom of the powerlessness of workers under neoliberalism has been the reduced power of trade unions. Wilkinson and Pickett, in 2018, were able to show a clear negative relationship, across 16 countries, between income inequality and trade union mem-

bership. They also showed a significant relationship over time in the US, as union membership declined.⁴³

Coming at this from a social psychological perspective, and grounded in an understanding of the harmful role of segregation based on socio-economic status differences (see Chap. 3), Hing and colleagues favoured policies that would broaden people's social worlds by enabling more opportunity for positive inter-group contact between those of higher and lower incomes and wealth. To that end, emphasis should be placed on policies that minimised levels of income inequality in the workplace, for example by increasing the minimum wage, greater profit-sharing, better employee benefits, and a cap on CEO salaries.⁴⁴

Dealing With Inequality in the Education System

The role of the education system in promoting inequality has already figured more than once in this book. In Chap. 3 we saw how educational advantage and disadvantage could aid or hinder social and economic mobility; in Chap. 4 we considered the possible role of status anxiety in educational settings; and in Chap. 7 we discussed how educational policies and institutions can be the engines of economic inequality through their espousal of merit-based beliefs. No wonder, then, that reform of unequal educational systems is high on the agenda for those who want to see a fairer society. Philosopher John Rawls, in *Justice as Fairness*, believed in the importance of equal opportunities of education for all, regardless of family income, and Thomas Piketty believed that would be a key issue for the twenty-first century and that the Nordic countries provided a model. Education, he writes in his most recent book, 'is undoubtedly one of the most important factors in bringing about equality.' Daniel Chandler, who also draws inspiration from John Rawls, writes, 'The most egregious problem in many countries is the role of private "fee-paying" schools. These are typically unaffordable for most parents. In the UK ... most private school students come from the richest 10 per cent of households'.⁴⁵

Martin Wolf, too, believes equality of educational opportunity is essential, but recognised it might be strongly resisted by already privileged and successful families. On one thing he is clear:

... since talent may emerge later in a young person's life, dividing children into intellectual sheep and goats at an early age is wrong and wasteful Furthermore, there is no reason why generous fiscal benefits should continue to go to schools and universities that are accessible mainly (or even entirely) by the children of the wealthy and privileged.

Since university education can be thought of as a restricted privilege, still denied to about half the population in England despite its huge expansion since I went to university in the early 1960s, he believes the present income-contingent loan schemes operating in England and Australia are not unfair. He is critical, however, of the mortgage-type loans as offered in the US, since higher education does not always lead to greater income or other advantage. He tells us, for example, that in 2019 more than 40 million in the US owed over \$1.5 trillion, equivalent to seven per cent of GDP; and black students still owed 95 per cent of their debt 20 years after enrolment compared to only six per cent for white students. Chandler is among the many who have drawn attention to the association of university education and privilege in the UK, and the relative neglect of non-university education, training, and apprenticeships.⁴⁶

At the school level, we have a particular problem in Britain. It has long historical roots and has proved resistant to being dealt with. Unlike Finland, which phased out its private schools in the 1970s, in Britain, and especially in England, private schools have a dominating influence, in spite of the small proportion of pupils, about seven per cent, who use them. As Will Hutton puts it, ‘the middle and upper classes are ... adept at ensuring that their children possess the capabilities and qualifications to populate the upper echelons of the economy and society – what the great sociologist Charles Tilly called “opportunity hoarding.”’ The embedded, elite position of private schools—which for historical reasons we confusingly call ‘public schools’—leaves state schools finding it hard to provide for the full range of educational needs, to recruit the necessary specialised teachers, to cope with increasing special needs, or to balance their constrained budgets at secondary education level.⁴⁷ Since Hutton wrote *Them and Us*, that situation has not improved.

In their book *Engines of Privilege: Britain’s Private School Problem*, Francis Green and David Kynaston, economist and historian respectively, pointed out that ‘... one in every sixteen pupils goes to a private school; one in every seven teachers works at a private school; one pound in every six of all school expenditures in England is for the benefit of private school pupils.’ Pupil–teacher ratios were twice as high in state schools. More private school teachers were graduates of higher-ranking universities, more had postgraduate qualifications, and more were specialists in maths and science. The single largest source of new private school teachers was experienced teachers recruited from the state sector, twice the numbers recruited from Initial Teacher Training and other university degree courses. The differences don’t end there. In Chap. 3 we heard about the cricket facilities enjoyed by private schools. A press report in 2017 revealed that London private schools had 59 theatres between them, often state-of-the-art compared to the London West End’s 42 often dilapidated ones. Along with their lavish music, sporting, and other facili-

ties, many of Britain's private schools enjoy 'extraordinary facilities,' unknown to most in the state sector. Not only do they have superior facilities, private schools have less to do. One report found that the median private school child at age 11 had verbal skills superior to two-thirds of children nationally but fewer psychological problems than two-thirds. Data from the OECD showed '... the socio-economic divide in Britain between the private and state sectors of education is among the highest in the developed world.' To most of my fellow countrymen and women, private schools are a foreign world: in five out of six families neither parent nor any of the children have ever been to a private school.⁴⁸

It is not as if the inequity and unfairness is unrecognised, even by those who might be expected to deny it. Conservative Prime Minister John Major called it 'truly shocking,' and later, Conservative government minister Michael Gove referred to the concentration of Old Etonians in David Cameron's top team as 'preposterous' and 'ridiculous,' and acknowledged that the existence of such an elite private school sector meant '... we are not making the most of all our nation's talents.' And another Conservative Prime Minister, Theresa May, accused the major public schools of having become 'more and more divorced from normal life.' Those who themselves went to a private school or who sent their children to one were much more likely to agree than disagree that the system is unfair according to Green and Kynaston's *Populus* poll.⁴⁹

Yet UK governments, of whichever political party, have failed to do anything about this major source of national inequality. Whether that can be attributed to lack of intellectual will to prioritise the issue; absence of political will to take on long-established institutions; personal embeddedness of the schools in those in power or with influence; continued belief in libertarianism; or simply wishful thinking that private schools will somehow wither away, who knows.⁵⁰ Perhaps some combination of all those is the answer.

There has been no shortage of specific suggestions about what to do. Unsurprisingly, the private school sector itself claims that it is doing something, although what they offer does little to seriously impact the problem. Much is made of the bursaries and scholarships which some schools award but these are on a small scale, are tokenistic, and like all such tokens serve to deflect criticism of a system of privilege, rather than to alter it in any serious way. Meanwhile the Independent Schools Council serves as 'a well-oiled PR machine for the private school industry,' lobbying hard, instantly rebutting criticisms, and supplying carefully chosen statistics, for example about 'large numbers' of bursaries.⁵¹

Surprisingly to many people, not-for-profit private schools in England and Wales still have the option of applying for charitable status, which is financially beneficial and which saves them having to raise their fees still higher. About half of

all private schools take up that option. Public opinion is in favour of abolishing private schools' charitable status, the Newsom committee, as long ago as 1968, recommended abolishing it, and it has from time to time been Labour Party policy to do so. That has come up against legal difficulties in the past and, as I write, the new Labour government has again backed down from abolishing charitable status, opting instead for levying value added tax (VAT) on school fees.⁵²

Just as significant is the tenor of the political debate around that policy. Although it is hardly a radical policy and will do little to alter the dominating position of private schools in British society, Labour, when in opposition, was accused by the Prime Minister of engaging in a 'class war' and the Labour leader, now Prime Minister, had to declare that he was not attacking private schools, with the existence of which he was 'comfortable.' There was a brief moment, in 1980, when Neil Kinnock was shadow education secretary, when the Labour Party conference endorsed plans to eliminate private schools over a 10-year period, but this never resurfaced. It is abundantly clear that no UK political party now in power, or likely to be in power, recognises the role of such a divisive educational system in perpetuating our high and damaging inequality.⁵³

The alternative to the Finnish solution of making it illegal to charge for education is some kind of partial integration of private schools into the state system. One variety would require private schools to admit large numbers of non-fee-paying students, whilst still retaining control over school admissions and exclusions. This was the system I enjoyed as a secondary school pupil in the 1950s, admitted along with half the rest of the school with a scholarship, to a school that was otherwise a private school and which reverted to be fully so when the Direct Grants scheme was abolished in the 1970s. Other varieties, such as the Assisted Places and Open Access schemes, have come and gone or were never enacted. But because control over admissions is retained under any of these schemes, the result is, as it was for me, that 'the state school pupils become private school pupils, and the state, by funding them, is in effect making a subsidy to the private sector None of the schemes would in themselves address the problem of overall inefficient use of the nation's teaching resources.' Fairer would be a scheme in which as much as a half of private school admissions are controlled by local, regional, or national government so that '... in effect these school places will have become attached to, and de facto part of, the state system.' Those admitted under the scheme could be chosen by lottery, in order to preserve the principle of equal opportunity (as is done in India where all private schools are required to take 25 per cent of their intake from the poorest children in their area), or places might be given to those who have been in care or have been eligible for free school meals. Green and Kynaston bemoaned the fact that there were as yet no examples in Britain to draw on. Meanwhile, '...

concentrating reforming energies on improving state schools across the board has, time and again, served as in reality an excuse for leaving the private sector untouched'.⁵⁴

I make no apology for having devoted space to the problem of inequality in Britain's schooling system, of which the continued existence of elite private schools is the principal sign. Not only does it, in and of itself, constitute a major source of economic inequality, but it also provides us with a perfect example of how elitism, inequality, and unfairness are denied, excused, and perpetuated. It is also personal for me. I am one of those who, thanks to the post-war Direct Grants Scheme, has seen a private school from within and who became aware, early in my life, of the unfairness involved.

Towards a Fairer Society: Six Sources of Confused Thinking About Economic Inequality

A whole host of potential policies exist, then, which governments could be persuaded to use with the aim of restoring the much lower level of economic inequality which we were used to in the UK in the decades immediately after the Second World War and which some countries have been more successful in maintaining since then. Taxation of income and accumulated wealth could be fairer, more progressive, requiring the better-off to contribute more than they do currently, and tax avoidance could be more effectively controlled. Wealth could be shared more widely: UBI, UBC, and CWB are amongst ideas for so doing. Key sectors of society, including the financial and business sector, the workplace, and education, could be reformed so that they promote economic equality rather than inequality.

The confident prediction is that the more such policies were implemented, the healthier and happier we and our families would be on a personal level, and the more cohesive and productive our country would be as a whole. Most of us would be better off, not just economically, if our society was fairer. But, and it is a big but, powerful forces are at work resisting such redistributive policies, and major political parties are reluctant to adopt most of them. It therefore requires us to impress upon our politicians the need for income and wealth inequality to be reduced as a central policy objective. And therein lies the rub. We are not pressing for such change because our thinking on the matter is confused.

The core theme, and conclusion, of the present book, is that a clutch of reasons exists to explain why we are not seeing economic inequality for what it is—gross in size and highly damaging in its effects. In every chapter we have met psychological explanations for confusion on the subject. Our lack of clear-sightedness

may be being nurtured by the powerful with vested interests in the status quo. But power is most effective when it is invisible and when we are recruited as collaborators in the spreading of our own confusion.

The reasons for our confusion about economic inequality can, for convenience, be grouped under the following six headings.

We Are Confused About Economic Inequality Because

1. The concept of economic inequality is not easy to grasp, and most have incomplete knowledge of the facts about it, leaving scope for *obfuscation*.
2. We are diverted by the argument that it is poverty or lack of opportunity for upward mobility we should be worried about, not inequality. *Diversion* is compounded by complex issues around the more familiar topics of social class and forms of inequality other than economic.
3. The harm caused by high economic inequality affects some more than others; hence speaking out against it with one voice is inhibited by *division*.
4. There is a bias towards accepting and justifying the status quo, supported by deeply rooted economic *inequality-legitimising beliefs* in meritocracy, individualism, and free choice.
5. Economic inequality-legitimising beliefs and policies are fostered by the dominance of *neoliberal economic theory*, and the financialisation of the economy it has promoted.
6. Beliefs legitimising economic inequality have been encouraged, and political opposition to high levels of inequality has been silenced, by *powerful vested interests*, often supported by the media.

We are confused by a combination of obfuscation, diversion, division, justificatory beliefs, dominant economic theory, and powerful vested interests. This is a heady cocktail of factors standing in the way of clear thinking about, and opposition to, economic inequality. No wonder we are confused!

The principal task ahead, I conclude, is therefore one of bringing clarity where confusion reigns currently. There are already some good signs. On the economic theory front, the excesses of neoliberalism and the diminished and selfish model of human nature that accompanies it have been under concerted attack from varying quarters for some time.

As I conclude the writing of this book, calls for a fairer, more economically equal society are continuing to come from prominent economists, authors, campaigners, and others. They include British contributions: Daniel Chandler's *Free*

and Equal, Liam Byrne's *The Inequality of Wealth*, and George Monbiot and Peter Hutchison's *The Invisible Doctrine: The Secret History of Neoliberalism*. From the other side of the pond have appeared Joseph Stiglitz' *The Road to Freedom: Economics and the Good Society* and Matthew Desmond's *Poverty, by America*. They all have it in for neoliberalism.⁵⁵ Monbiot and Hutchison call it 'the dominant ideology of our times ... [which] has caused or contributed to most of the crises that now confront us: rising inequality; rampant child poverty; epidemic diseases of despair; off-shoring and erosion of the tax base; the slow degradation of ... public services,' an ideology we all came to believe in. Stiglitz also believes it is neoliberalism, and the dismal, selfish, and materialistic view of human nature associated with the neoclassical economics he was taught as a student, 'that has led to massive inequalities and provided fertile ground for populists'.⁵⁶

What continues to impress me, however, is the fact that these and other strong, impassioned critiques come from writers who occupy quite different positions on the political spectrum. Monbiot and Hutchison are inclined to believe the problem is inherent in capitalism, whereas Stiglitz wants to clean it up by promoting what he calls progressive capitalism, 'a twenty-first century version of social democracy or of the Scandinavian welfare state.' But both books applaud the influence of John Maynard Keynes and Franklin D Roosevelt on the improving economic equality of the post-Second World War period and both want to see a return to an economic system that promotes greater equality, fairness, and the common good. Chandler's position seems to lie somewhere between the two. The philosophy of John Rawls, criticised by many, including Amartya Sen, for being too abstract and lacking practical policy realism, is Chandler's great inspiration. He uses it as the basis for proposing many of the inequality-reducing policies outlined earlier. He does, though, draw a distinction between redistribution and what he calls pre-distribution. Better, and more acceptable to the public, he thinks, to pursue policies such as increasing the wages of the poorest paid and introducing greater workplace democracy than to redistribute wealth through taxation and other means. Having said that, he is in no doubt that taxation will need to rise in the UK from the current overall level of 33 per cent of GDP to as much as 45–50 per cent as in France and Denmark (the current OECD level is 34 per cent and in the US just 25 per cent).⁵⁷

The message is often a confused one, however. Knowing how easy it is to be diverted by focusing on poverty or opportunity instead of economic inequality, I can't help noticing how often even the most inspiring of writers on the subject can themselves get diverted. Sometimes this is already apparent from the book's title. Desmond's book is entitled *Poverty, by America* and inequality does not appear in the index, although so much of what he says is relevant to us. Poverty is his focus,

but from his prologue onwards he is clear that this is about all US citizens, not just the poor:

Books about poverty tend to be books about the poor ... bearing witness, these kinds of books help us understand the nature of poverty. They are vital. But they do not – and in fact cannot – answer the most fundamental question, which is: *Why?* Why all this American poverty? I've learned that this question requires a different approach. To understand the causes of poverty, we must look beyond the poor. Those of us living lives of privilege and plenty must examine ourselves.⁵⁸

Yet, he later makes it clear that he favours equality of opportunity over redistribution. So much so, in fact, that he says he hates the word 'redistribution,' which is politically polarising, and is quite comfortable with aiming for equality of opportunity. Occasionally Stiglitz falls into this trap of thinking that it is equality of opportunity that is especially important: 'If we are to develop a system that works for the common good ... we have to have greater equality in all its dimensions, especially equality of opportunity'.⁵⁹ As I tried to explain in Chap. 3, equality of opportunity, although a good thing in itself, runs the risk of perpetuating, even enlarging, economic inequality, since those who benefit more from their opportunities will likely move further ahead of others economically unless reducing inequality of outcomes and keeping it low is made a priority.

In Chap. 3 I also questioned whether viewing economic inequality in class terms was helpful, suggesting that it might be another source of obfuscation. Michael Yates, writing about the situation in the US, is a case in point. His 2016 book is titled *The Great Inequality*. He notes, for example, the increasing mention of 'income inequality' in the *New York Times* in recent years. But his central interest is in class conflict, bemoaning the lack of attention to '... the most fundamental division, one at the center of our economic system, namely the divide of our society into a very large class of working men, women, and children, the working class; and a much smaller class of owners that employs the former, the capitalist class.' Like Monbiot and Hutchison in the UK, his enemy is capitalism. What others are arguing for, myself included, he unfairly dismisses as 'a liberal politics of income redistribution'.⁶⁰

There is little doubt, though, that my discipline, psychology, should pay more attention to class than it has in the past. Indeed, there has been a movement within psychology in the UK to have social class included in the Equality Act alongside other sources of inequality and disadvantage. Others believe that would be difficult due to the complex and contested definitions of class, and that it would be better to enshrine socio-economic rights as a fundamental human right in equalities legislation more generally.⁶¹

As well as some confusion, there is also a mix of optimism and pessimism. Some will say that the first half of my lifetime, or at least the years 1945 to 1975, were an historically anomalous period, sometimes called the ‘great compression,’ when economic inequality drastically reduced, caused by the shocks of two world wars and the loss of overseas colonial possessions. George Monbiot is one: ‘The history of many centuries, including our own [British], shows that the default state of politics is not redistribution and general welfare, but a spiral of accumulation by the very rich. Normal is a society in which might is right The arc of history bends towards injustice’.⁶² That is overly pessimistic to my mind. For one thing it ignores the biggest reduction in economic inequality which occurred in Britain in the first quarter of the twentieth century as well as the different positions taken by governments among the richer countries more recently. Wilkinson and Pickett had an almost opposite interpretation of history: ‘... it is easy to forget that a longer view reveals an almost unstoppable historical trend towards greater equality’.⁶³

This mix of optimism and pessimism is very apparent in Joseph Stiglitz’ latest thoughts on the subject. At one moment he seems cautiously optimistic, believing that ‘Poor economic conditions, especially large economic disparities among different groups within society, give rise to demands for change in policies and systems The current economic system is not environmentally, socially, politically, or economically sustainable.’ The time was ripe for creating ‘a more stable, prosperous, sustainable, and equitable world but also begin the process of moving toward a good (or at least better) society.’ Further on, he strikes a less positive tone: ‘It is remarkable how, in spite of all the failures and inequities in the current system, so many still champion the free-market economy ... Mindsets, once created, are hard to change.’ He is not confident that sense will prevail and that a drift towards greater division and erosion of democracy in the US will be avoided.⁶⁴

There is, nevertheless, general agreement among my expert sources that hope lies in the mobilisation of public opinion. We must replace the beliefs in the economic and political status quo with fresh belief that there is a real alternative to an economic system that has generated so much inequality. Monbiot and Hutchison think we need a ‘radical transformation’ that should appeal to a wide cross-section of people across the political divides, appealing to our dominant social values of altruism, empathy, and community, rather than to selfishness and greed, which they see as *not* our dominant values. Daniel Chandler writes of ‘... an urgent need for a compelling vision But our societies will only change when we, the people, demand it ... it is up to us, both individually and collectively, to build a society in which we are, at last, truly free and equal.’ Richard Wilkinson and Kate Pickett saw, over a decade and a half ago now, that more important than a particular set of

policies was the need for a ‘shift in public values ... creating the political will to make society more equal’.⁶⁵ Jonathan Aldred put it well:

Inequality is unlikely to fall much in the future unless our attitudes turn unequivocally against it Much of the inequality we see today in richer countries is more down to decisions made by governments than to irreversible market forces. These decisions can be changed. However, we have to want to control inequality: we must make inequality reduction a central aim of government policy and wider society.⁶⁶

I hope that by identifying some of the psychological sources of our, the public’s, confusion about economic inequality, the present book may make a small contribution to creating the better, fairer, society which they and others have imagined. We will only achieve the fairer, more economically equal, society that many of us now envision if together we can persuade the powers that be to understand that it is economic inequality that needs to be pinpointed and targeted for change, not just poverty and inequality of opportunity, important though they are. The neoliberal economic conventional wisdom and the beliefs in meritocracy and individualism which support it must be challenged. There will be debate, division, and conflict. But there is a widespread sense that all is not well, that something is broken and needs fixing. According to the British Social Attitudes survey in 2022, 64 per cent agree that ‘ordinary people do not get their fair share of the nation’s wealth,’ up from 57 per cent in 2019.⁶⁷ And, as I conclude, the UK news is dominated by riots in towns across the country.

Let me give Thomas Piketty the last word. In his very recent and, compared to his earlier magnum opus, thankfully highly succinct and very short book, he says:

Questions about the economy ... and wealth distribution are too important to be left in the hands of a small group of economists and experts, many of them very conservative ... they often look through the wrong end of the telescope to find narrow solutions. We need other social science researchers ... to sink their teeth into these questions, grapple with their technical aspects, and take a stand.⁶⁸

Notes

1. Leo Tolstoy, *What Then Must We Do?* (1886). trans. Aylmer Maude, Ford House, Hartland, UK: Green Books, 1991, 1, 63.
2. Yates, M. (2016). *The Great Inequality*, New York: Routledge, 169.
3. Wilkinson, R. and Pickett, K. (2010). *The Spirit Level: Why Equality is Better for Everyone*. London: Penguin [2009 Allen Lane], 268–89.

4. Stephen Machin, Professor of Economics at the London School of Economics and director of the Centre for Economic Performance, referring to the UK's Resolution Foundation *Economy 2030 Inquiry*, 4 December 2023.
5. Dorling D. (2017). *The Equality Effect: Improving Life for Everyone*, Oxford: New Internationalist Publications, 113, 224, citing Joseph Stiglitz, *Vanity Fair*, May 2011 ('Of the 1%, by the 1%, for the 1%'); Sayer, A. (2016). *Why We Can't Afford the Rich*, Bristol: Policy Press, 14.
6. For example, Raworth, K. (2017). *Doughnut Economics: Seven Ways to Think Like a Twenty-First-Century Economist*, London: Random House Business Books, 164; Atkinson, A. (2015). *Inequality: What Can be Done?* Cambridge, Mass.: Harvard University Press, 110–11.
7. US Supreme Court Justice Oliver Wendell Holmes 1927 cited by Wolf, M. (2023). *The Crisis of Democratic Capitalism*, Penguin Random House, 238.
8. Aldred J. (2019). *Licence to be Bad: How Economics Corrupted Us*, London: Allen Lane, 242–43.
9. Resolution Foundation *Economy 2030 Inquiry* 4 December 2023.
10. *Fiscal Monitor: Tackling Inequality* Washington DC: International Monetary Fund, 2017, 11, cited by Chandler, D. (2024). *Free and Equal: What Would a Fair Society Look Like?* Penguin Random House, 233.
11. Wolf, 2023, op.cit., figure 47, 303; and Chandler, 2024, op.cit., 231, points out that economic growth in the US was much the same as in Belgium, Denmark, and Finland after the latter countries increased their tax take by 10–15 per cent more than the US did.
12. Raworth, 2017, op.cit., 169, 238–39; Adam, S. and Miller H. (2021). *Taxing Work and Investment across Legal Forms: Pathways to Well-Designed Taxes*, London: Institute for Fiscal Studies, 33, cited by Chandler D. (2024). *Free and Equal: What Would a Fair Society Look Like?* London: Penguin Random House, 235; and see also Bachas, P., Fisher-Post, M., Jensen, A., and Zucman, G., Globalization and factor income taxation, World inequality database, World Inequality Lab; Byrne, L. (2024). *The Inequality of Wealth: Why It Matters and How to Fix It*, London: Head of Zeus, Bloomsbury Publishing, 240; Sayer, 2016, op.cit.; Wolf, 2023, op.cit.
13. Byrne, 2024, op.cit., 236–37.
14. Byrne, 2024, op.cit., 238, 242–43; Billionaire Britain, 2022 report from the UK Equality Trust; Sayer, 2016, op.cit.; Wolf, 2023, op.cit.
15. Abigail Disney, I'm begging world leaders to raise taxes for rich people like me, *The Guardian Weekly* 26 April 2024.
16. Christophers, B. (2018). *The New Enclosure: The Appropriation of Public Land in Neoliberal Britain*, London: Verso; Standing, G. (2019). *Plunder of the Commons: A Manifesto for Sharing Public Wealth*. Penguin Random House.
17. Sayer, 2016, op.cit., 349; Wolf, 2023, op.cit.
18. Byrne, 2024, op.cit., 237–39; Hutton, W. (2010). *Them and Us: Changing Britain – Why We Need a Fair Society*, London: Little, Brown, 314–15; Monbiot, G., Labour can easily end austerity at a stroke – by taxing the rich hard, *The Guardian Weekly*, 19 July 2024, 48–49; Sayer, 2016, op.cit.
19. Wolf, 2023, op.cit., 304–7; Sayer, 2016, op.cit., 285–92; Byrne, 2024, op.cit., 240; Chandler, 2024, op.cit., 238; Hutton, 2010, op.cit.

20. Wolf, 2023, op.cit., 300–05; and Desmond, M. (2023). *Poverty, by America*, New York: Penguin Random House, 125, both citing Saez, E. and Zucman, G. (2019). *The Triumph of Injustice: How the Rich Dodge Taxes and How to Make Them Pay*, New York: Norton, 219.
21. Byrne, 2024, op.cit., 233; see also Chandler, 2024, op.cit., 235; and the 2022 report from the Equality Trust in the UK which recommends putting an end to the UK's role in tax avoidance.
22. Sloman, P. (2018). Universal basic income in British politics, 1918–2018: from a 'vagrabond's wage' to a global debate, *Journal of Social Policy*, 47, 625–42. <https://doi.org/10.17863/CAM.20225>.
23. Chandler, 2024, op.cit., 213–14; Ferguson, D., Money for nothing: Would universal basic income create a kinder, more fulfilled society and is it a solution to the feared AI 'jobs apocalypse'? *The Guardian Weekly*, 19 July 2024, 41–44.
24. Sloman, 2018, op.cit., 629.
25. Chandler, 2024, op.cit., 211–15; Wolf, 2023, op.cit., 278–81; Hogg, D. (2023). The Left will find that it has bought a Trojan Horse: the dialectics of universal basic income. *Critical Social Policy*, 43, 140–56, citing historian Peter Sloman; Ansell, B. (2023). The future of solidarity, Reith Lectures, *Our Democratic Future*, episode 3, BBC Radio 4, 13 December.
26. Wolf, 2023, op.cit., 267; see also Hutton, 307.
27. Byrne, 2024, op.cit., 194–5; 198–205.
28. Byrne, 2024, op.cit., 214–20; Chandler, 2024, op.cit., 226–27.
29. Wolf, 2023, op.cit., 283–88. He points out that employers have found defined-benefit pension plans for their employees to be too expensive and they are being abandoned (in the UK down from 7750 in number in 2006 to 5330 in 2020, with only 11 open to new members), replaced by defined-contribution pension plans, in effect shifting the risks from employers to individuals, dependent on the individual and the amount saved, return on investment, and longevity. He is critical of the UK Government's 2021 plan which 'Instead of placing the burden on people with the largest assets' would have imposed 'the burden on workers in general, while failing to protect those with modest assets.'
30. Byrne, 2024, op.cit., 201.
31. Chandler, 2024, op.cit., 226.
32. Zlotowitz, S. and Burton, M. (2022). Community psychology and political economy, in Kagan, C., Akhurst, J., Alfaro, J., Lawham, R., Richards, M., and Sembrano, A. (eds.), *The Routledge International Handbook of Community Psychology: Facing Global Crises with Hope*, London: Routledge, 46–59; the Equality Trust, in its 2022 report, also advocates the adoption of a community wealth-building approach to address regional inequalities.
33. Zlotowitz and Burton, 2022, op.cit.; Hutton, 2010, op.cit., 257, 314–5; Hing, L., Wilson, A., Gourevich, P., English, J., and Sin, P. (2019). Failure to respond to rising income inequality: processes that legitimize growing disparities, *Daedalus, the Journal of the American Academy of Arts and Sciences*, 148, 105–35.
34. Zlotowitz and Burton, 2022, op.cit.
35. Wilkinson and Pickett, 2010, op.cit.; Monbiot and Hutchison, 2024, op.cit., 143, 148, 154, 219, 267.
36. Wilkinson and Pickett, 2010, op.cit., 242–46.

37. The Resolution Foundation. (2023). Britain needs a new economic strategy to end its stagnation and close its £8300 living standards gap with its peers, 4 December, citing Alex Beer, Head of Portfolio Development at the Nuffield Foundation.
38. See also Maani, N., Collin, J., Friel, S., Gilmore, A., McCambridge, J., Robertson, L., and Petticrew, M. (2020). Bringing the commercial determinants of health out of the shadows: a review of how the commercial determinants are represented in conceptual frameworks, *European Journal of Public Health*, 30, 660–64.
39. Wolf, 2023, op.cit., 292, 295–9, 306–9; among the proposals included in the 2022 report from the Equality Trust is ‘Reform the financial sector to promote longer term and responsible corporate investment and to end speculative and unstable financial activities.’
40. Hutton, 2010, op.cit., 201–4, 236–9, 257–63, 267–75; Sayer, 2016, op.cit.
41. Wilkinson and Pickett, 2010, op.cit., 249–62; in the 2022 report from the Equality Trust, one of the six policy proposals is to ‘democratise corporations by ending shareholder primacy, facilitating employee ownership and rolling out sectoral collective bargaining.’
42. Chandler, 2024, op.cit., 242–67.
43. Wilkinson, R. and Pickett, K. (2018). *The Inner Level: How More Equal Societies Reduce Stress, Restore Sanity and Improve Everyone’s Well-being*, London: Allen Lane, 238–39; Desmond, M., (2023). *Poverty, by America*, New York: Crown Publishing, tells us that only one in ten workers are now in a union in the US, a figure nearer to one in 20 in the private sector, 47–54.
44. Hing, L., Wilson, A., Gourevich, P., English, J., and Sin, P. (2019). Failure to respond to rising income inequality: processes that legitimize growing disparities. *Daedalus, the Journal of the American Academy of Arts and Sciences*, 148 (3), 105–35; see also Desmond, 2023, op.cit., 161–3, who emphasises the importance of residential, educational, and other forms of segregation, in the US.
45. Rawls, J. *Justice as Fairness*, cited by Green and Kynaston, 248; Piketty, T. (2017). *Capital in the Twenty-First Century* (trans. by A. Goldhammer, orig. French, 2013), Cambridge, Mass.: The Belknap Press of Harvard University Press 615–21; Piketty, T. (2024). *Nature, Culture, and Inequality* (trans. W. Wood, orig. French, 2023), London: Scribner, 39; Chandler, 2024, op.cit., 177, citing Francis Green, private Schools and Inequality, London: IFS Deaton Review of Inequalities, 2022, 8.
46. Wolf, 2023, op.cit., 181, 272, 285; David Goodhart has also written, in *Head, Hand, Heart*, of the regrettable ‘graduatisation’ in the UK, funnelling of young people into universities with the associated hierarchy of esteem (see Books, *The Guardian Weekly*, 25 September 2020).
47. Green, F. and Kynaston, D. (2019). *Engines of Privilege: Britain’s Private School Problem*, London: Bloomsbury, 253–4; Hutton, 2010, op.cit., 278; France has one of the most unequal school systems in the OECD, with segregation at age 14 into *lycées* or technical high schools, *The Guardian Weekly*, 7 July 2023.
48. Green and Kynaston, 2019, op.cit., 15, 101–7, 111, 185, 249, citing *Sunday Times*, 10 Sept 2017, and the Millennium Cohort Study report, 185, 249.
49. Green and Kynaston, 2019, op.cit., 234.
50. Green and Kynaston, 2019, op.cit., 63.
51. Green and Kynaston, 2019, op.cit., chapter 8, Options for reform, 127, 238; Täuber, S. and Moughalian, C. (2022). Collective system-supporting inaction: a conceptual framework of privilege maintenance, *European Journal of Social Psychology*, 52, 1128–42.

52. Green and Kynaston, 2019, op.cit., 209, citing a 2014 YouGov poll.
53. Green and Kynaston, 2019, op.cit., 212; BBC News, 2023, Labour drops plan to strip public schools of charitable status, 28 September.
54. Green and Kynaston, 2019, op.cit., 214, 218–19, 223–30; Hutton, 310–13.
55. Chandler, 2024, op.cit.; Byrne, 2024, op.cit.; Monbiot, G. and Hutchison, P. (2024). *The Invisible Doctrine: The Secret History of Neoliberalism (& How It Came to Control Your Life)*, London: Penguin Random House/Allen Lane; Stiglitz, J. (2024). *The Road to Freedom: Economics and the Good Society*, Penguin Random House/Allen Lane; Desmond, 2023, op.cit.
56. Monbiot and Hutchison, 2024, op.cit., 1; Stiglitz, 2024, op.cit., xvii, 19, 30.
57. Monbiot and Hutchison, 2024, op.cit.; Stiglitz, 2024, op.cit., 4; Chandler, 2024, op.cit., 3–9, 84–98, 198–99, 219–21, 230–31, 269–85; see also Wilkinson and Pickett, 2010, op.cit., 242–3, emphasising that reversing such policies need not mean a higher proportion of GDP allocated to government social expenditure, since greater equality would bring down costs on, for example, health and social care—they pointed at the time to relatively low social spending in low-inequality Japan and the US state of New Hampshire. Redistributive social policies might have been the important factor in low-inequality, welfare state Sweden, but could not account for low inequality in Japan where there was market equality of income *before* taxes, 183–84.
58. Desmond, 2023, op.cit., 7.
59. Desmond, 2023, op.cit., 131–2, 179; Stiglitz, 2024, op.cit., 272; focusing, at the other end of the wealth scale, on the one per cent wealthiest, as in the Occupy Wall Street protests with their slogan ‘We are the 99 percent’ could be said to be equally obfuscating, shifting the focus back on to the individual and away from the system: Yates, 2016, op.cit., 22; We are now hearing, not just about billionaires, of whom there are now apparently 2781 world-wide, whose combined wealth is more than the GDP of any country other than the US or China, but about ‘centibillionaires,’ of whom there are 14, ten from the US: Knowles, C., 2024, Opinion, *The Guardian Weekly*, 12 April.
60. Yates, 2016, op.cit., 92, 160.
61. Rhodes, E. (2021). Should social class be a protected characteristic? Report from the 2021 British Psychological Society Conference, 1–2 July, *The Psychologist*, September, 8–9.
62. Monbiot, G. (2024). Opinion, *The Guardian Weekly*, 5 July, 46, citing Scheidel, W. (2017). *The Great Leveler: Violence and the History of Inequality*, Princeton, NJ: Princeton University Press.
63. Wilkinson and Pickett, 2010, op.cit., 267.
64. Stiglitz, 2024, op.cit., 232–36, 278–79, 289–93.
65. Stiglitz, 2024, op.cit., 17; Monbiot and Hutchison, 2024, op.cit., 133–34, 141–42, 157; Chandler, 2024, op.cit., 269, 274; Wilkinson and Pickett, 2010, op.cit., 270–77.
66. Aldred, J., (2019). Edited extract from Aldred, 2019, *Licence to be Bad*, op.cit., *The Guardian Weekly*, 14 June, 42–44.
67. Beckett, A., Strikers are providing the opposition Britain desperately needs, *The Guardian Weekly*, 8 July 2022, 48–49.
68. Pickett, 2024, op.cit., 81–82.

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Index¹

A

Adams, Peter, 8, 47, 169–170, 176, 178, 180, 191
Adult literacy, 68
 See also Education, teenage maths and literary scores
Agency and communion, 98
Alaska, 87n11, 212
Alston, Philip, 38, 64, 142, 188
American Dream, 119, 148, 154, 165n31, 193
American Enterprise Institute, 178, 179
Anglo-Saxon countries, 141, 154
Anomie and alienation, 103
Aotearoa New Zealand, 26, 47, 74, 88n20, 88n21, 99, 119, 120, 169
Arab Gulf states, 212
Asian and Pacific countries, 205
Asset management, 172, 181
Atkinson, Anthony, 8, 26, 39, 88n21, 132, 196
Attribution theory, 141
Austerly, 38, 64, 76, 171, 179, 188, 191, 193
 policies, 2, 142
 programme, 37

Australia, vi, 15, 26, 70, 73, 74, 88n20, 99, 127, 131, 144, 156, 160, 161, 178, 205, 219
Authoritarianism, 100
 right-wing, 146

B

Banks, 37, 73, 171–174, 210, 214, 216
 civic, 214
 local, 215
Barber, Anthony, 192, 193
Beck, Ulrich, 52, 81
Behaviourist model, 6, 176, 181
Belgium, 68, 99, 186, 228n11
Belief
 in dominance hierarchies, 144
 in a just world theory, 124
Betting shops, 190
Billionaires, 20, 21, 27, 55, 179, 191, 209, 231n59
Black, Douglas, 62
Blair, Tony, 172, 188–190
Blame/blaming, 6, 7, 100, 126, 128, 130, 140–163, 168–182, 188, 198, 205

¹ Note: Page numbers followed by ‘n’ refer to notes.

- Blame/blaming (*cont.*)
 See also Dehumanisation; Empathy;
 Negativity bias towards the poor;
 Perceptions of the poor
- Blaming the victim, 145, 178
- Brexit vote, 100
- British Social Attitudes surveys, 227
- Businesses, 7, 41, 99, 157, 158, 170, 172,
 174, 176, 178, 179, 186, 193,
 213–217, 222
 cooperatives and private
 not-for-profits, 215
 corporation taxes, 216
 employee-ownership, 112n14, 217,
 230n41
 incentivising investment, 215
 monopolies, 210, 215, 216
 owners and workers
 co-management, 217
 taxes on harmful products or activities,
 216 (*see also* Taxation)
 windfall taxes, 216 (*see also* Taxation)
 See also Workplace
- Byrne, Liam, 8, 107, 208, 210, 212, 224
- C**
- Cameron, David, 180, 187, 188, 220
- Canada, 15, 16, 26, 88n20, 99, 100, 130,
 186, 205
- Capital income inequality, 16–17
- Capitalism
 capitalist ideology, 154, 155
 capitalists, 19, 146, 154, 177, 225
 progressive capitalism, 215, 224
- Causal effect, *see* Research methods, cause
 and effect
- Centre for Policy Studies (CPS), 178, 187
- Centre for Social Justice, 179
- Challenge, 5, 158, 195, 213
 opportunity, 82
- Chandler, Daniel, 8, 168, 211, 213,
 217–219, 223, 224, 226
- Chavs, 143, 144
- Chicago School of economics, 170
- Chief Executive Officers (CEOs), incomes,
 14, 117
- Chile, 49, 71, 121, 122, 144
- China, 21, 22, 47, 63, 74, 75, 102, 111n6,
 122, 155, 172, 231n59
- Christophers, Brett, 8, 19
- Classism, 144, 155
 See also Social class
- Cognitive capture, 7, 195, 199
 See also Confusion about economic
 inequality; Power, hidden
- Cognitive dissonance theory, 124
- Collective action, 103, 124, 154, 161, 214
- Collier, Paul, 8, 129, 168, 175, 176, 179,
 187, 189
- Community
 civic, 214
 participation, 5, 102
 psychology, vi, 107
- Competing/competitiveness, 5, 38, 79–82,
 86, 94, 95, 140, 180
- Conflict between children, 67
- Confusion about economic inequality, 3–7,
 22, 30, 50, 56, 86, 133, 134, 162,
 181–182, 199, 223, 225–227
 diversion, 3, 5, 6, 86, 133
 division, 3, 5, 6, 86, 133
 dominant economic theory, 3
 justificatory beliefs, 3, 6
 obfuscation, 3, 5, 6, 86, 133
 powerful vested interests, 3
- Conservative government UK, 12, 213, 220
- Conservative Party UK, 180, 187–191
- Conspiracy beliefs, 102–103
- Consumerism, 105, 177, 178
- Cooperation/cooperating, 95, 96, 128, 216
- Corporations
 monopolistically competitive, 197
 See also Businesses
- Corruption, 51, 102, 172
- Covid, 13, 21, 33n40, 53
- Credentialism, 159
- Cricket in England and Wales report of
 Independent Commission, 44
- Crime
 property crime, 95
 See also Homicide rates; Police,
 heavy-handed responding; Prison
 population
- Cultural capital, 43, 72
- Czech Republic, 72

D

- Daily Mail*, 143, 191, 200n19
- Debt, 6, 19, 73, 78, 117, 173, 174, 181, 212, 219
- Deficit reduction, 193
- Dehumanisation, 6, 143–145, 162
 See also Blame, blaming; Empathy;
 Negativity bias towards the poor;
 Perceptions of the poor
- Democracy, 5, 49, 51, 71, 86, 100, 109, 176, 179, 180, 198, 210, 217, 224, 226
- Demonisation, 143
- Denmark, 26, 72, 88n20, 99, 224, 228n11
- Deprivation, 63, 65, 76, 124
 individual-based relative, 74, 105
- Desert, due desert, 5, 106, 107, 127–134, 171, 199
- Desmond, Matthew, 224
- Discourses, dominant, 195
- Distribution of wealth
 preferred, 101, 121
 See also Redistribution
- Distributive fairness, 101
- Distributive justice principles, 127
- Diversion, *see* Confusion about economic inequality
- Division, *see* Confusion about economic inequality
- Dominant economic theory, *see* Confusion about economic inequality
- Duncan Smith, Iain, 179

E

- East Asian Miracle, 172
- Ecological fallacy, 82
- Economic growth, 20, 47, 171, 172, 181, 189, 193, 205, 207, 228n11
 stimulating of, 193
- Economic inequality
 administrative records, 27
 data, 21, 27, 28, 102
 global, 21–22
 household surveys, 27
 neglect of, 56
 over the lifetime, 47
 percentile point measure, 25, 30
 subjective, 28, 30, 50, 83
 total sum measure, 25, 30
- Economic Man, 6, 175–177, 181
- Economics
 academic, 179, 181, 196, 198
 heterodox, 180
 vulnerability, 82, 83, 86
- Education
 abolishing charitable status, 221
 educational advantage, 46, 159, 218
 educational failure, 38
 educational inequalities, 49, 65 (*see also* Inequalities, educational institutions)
 educational settings, 72–73, 84, 159, 161, 218
 eligible for free school meals, 65, 72, 221
 exclusion from school, 65
 funding of and inequality (*see also* Mobility, role of educational funding)
 higher, 160, 213, 219
 income-contingent/mortgage-type loan schemes, 219
 neglect of training and apprenticeships, 219
 private ‘fee-paying’ schools, 218
 private schools, 44–46, 97, 218–222
 private schools in Britain, 219, 220
 school dropout, 67
 selective education, 45, 73
 teenage maths and literary scores, 67 (*see also* Adult literacy; Teenage pregnancy and birth rates)
 university level, 73
 value added tax (VAT) on fees, 221
- Educational mobility, 160
- Educational selection practices, 161
- Egalitarianism, 133, 149
- Election funding, 179
- Elites, 27, 40–44, 46, 48, 54, 56, 73, 97, 100, 103, 105, 129, 171, 178, 219, 220, 222

Emotions, *see* Feelings

Empathy

compassion toward the poor, 150

See also Blame/blaming;

Dehumanisation; Negativity bias

towards the poor; Perceptions of the poor

Environment, care of, 38

CO₂ emissions, 99

meat eating, 99

motor fuel use, 99

public provision, 99

public transport, 99

throw away culture, 99

walking or cycling, 99

waste collection, 99

wastefulness, 99

water consumption, 99

Equality Trust, 20, 37, 209, 229n21, 229n32, 230n39, 230n41

Equity principle, 127

Ethiopia, 151

Ethnic differences, US, 70

European Social Survey, 101, 155

EU-US Transatlantic Trade and Investment Partnership, 179

Express, The, 191

F

Fairness, v, 5, 7, 46–48, 98, 102, 106–108, 130, 132, 156, 159, 175, 190, 192, 193, 198, 208, 210, 212, 224

inter-generational, 47

False consciousness, 50, 124, 148

See also Social class

Feelings, vi, 5, 12, 43, 49, 77, 79, 82, 96, 100, 103–107, 109, 125, 126, 140, 142, 149

anger, 83

humiliation, 142

inferiority, 5, 72, 84

shame and resentment, 40 (*see also* Shame/shaming)

Finance liberalisation, 172

Financial assets

parental influence, 17–19, 46, 213

See also Asset management

Financial intermediaries, 181

hedge funds, 173

Financialisation, 6, 169, 180, 193

Finland, 68, 87n11, 102, 204, 212, 219, 228n11

Fox News, 157, 191

France, 15–18, 26, 88n16, 99, 103, 104, 107, 159, 172, 186, 187, 205, 208, 224, 230n47

Free choice

emancipation, 176

liberation, 176

Freedom, 2, 6, 107, 130, 170, 176, 181

Friedman, Milton, 170, 176, 178, 209

Future prospects, 83

See also Mobility; Opportunity

G

Gambling, 70, 78, 88n20, 158, 173, 214

GDP-government revenue ratio, 207, 208

Germany, vi, 26, 79, 99, 106, 151, 154, 160, 171, 205, 208

Giddens, Anthony, 52

Gini coefficient, 4, 12, 13, 20, 23–26, 30, 36, 60n62, 79, 101, 147, 149

Graeber, David, 8, 176, 177

Bullshit Jobs, 8, 176

Greed, 62, 175, 181, 226

Gross Domestic Product(GDP), 4, 15, 22, 27, 107, 171, 175, 182n10, 207, 209, 219, 224, 231n59

wage share of, 15

Group interest, 126, 127, 134

Guard labour, 95

H

Haidt, Jonathan, 108

Hayek, Friedrich, 116, 130, 178

Health

depression, 71

illicit drug use, 67

- inequalities, 63, 64, 69
- mental illness, 67, 204
- obesity in adults, 67
- overweight in children, 67
- tobacco smoking, 70
- Heritage Foundation, 178, 179
- Hickel, Jason, 8, 21–23
- High Pay Centre thinktank, 14
- Homelessness, 37, 38
- Homicide rates, 87n11, 94, 204
 - See also* Crime, property crime; Police, heavy-handed responding; Prison population
- Household income
 - disposable, 26
 - extended, 14, 26, 27
- Household Longitudinal Study, UK, 49
- Housing rent system, 192
- Human capital, 212, 213
- Humanity gap, 144, 145, 164n12
- Human nature, model of, 6, 175–177, 181, 223
- Hungary, 102, 186
- Hutchison, Peter, 9, 168, 197, 214, 224–226
 - The Invisible Doctrine*, 9, 168, 224
 - The Secret History of Neoliberalism*, 9, 168, 224
- Hutton, Will, 8, 106, 123, 170–172, 174, 180, 190, 191, 210, 216, 219
- I**
- Iceland, 102
- Identity threat, 5, 72, 73, 84, 97
- Income inequality, 4, 12–17, 25, 29, 30, 38, 40, 48, 52, 54, 66–68, 70, 71, 74, 78–83, 88n21, 88n23, 95, 98–100, 102, 106, 116, 121, 122, 131–133, 141, 147, 149, 150, 155, 156, 187, 209, 215, 217, 218, 225
 - (under-)estimation of, 119
- Income
 - relative income effect, 74
 - unearned, usury, 173
- Individualism, 6, 72, 96, 129, 134, 140, 146, 155, 162, 181, 188, 223, 227
 - vs.* collectivism, 80, 96, 155
- Individualistic *versus*. collectivistic cultures, 156
- Inequalities
 - dissatisfaction with/intolerance of, 121, 131, 133, 135n17
 - educational, 65 (*see also* Education, educational inequalities)
 - gender, 80
 - of land ownership, 101 (*see also* Land, ‘the commons’; Taxation, land-value tax)
 - print media reporting on, 122 (*see also* Media, the popular; Tabloid Newspaper)
 - racial, 120
 - victims of, 105, 130
 - in the workplace, 96, 97, 218, 222
- Inequalities and discrimination
 - misdirecting dissatisfaction towards other groups, 55
 - other forms of, 53, 54
- Infant mortality, 65, 67, 68
- Inflation, curbing of, 193
- Information asymmetry, 173
- In-group thinking, 105, 153
 - See also* Out-group derogation, distrust
- Inheritance, 18, 30, 147, 210, 212
- Innovation Fund, 216
- Institute for Fiscal Studies (IFS), 37, 175, 211
- Institute of Economic Affairs, 178, 179
- Intellectual property, 173
- Interdependence, 73, 76, 146, 153
- Inter-group competition and hostility, 104
- International Confederation of Associations for Pluralism in Economics (ICAPE), 180
- Intersectionality, 4, 52–56
- Ireland, 211, 212
- Italy, vi, 82, 83, 87n10, 88n20, 99, 103, 158, 186

J

- Japan, 15, 20, 29, 30, 66, 68, 70, 71, 79,
87n10, 99, 106, 122, 154, 172,
186, 204, 231n57
Johnson, Boris, 62, 180, 187
Jones, Owen, 8, 143, 190, 195
Joseph Rowntree Foundation
(JRF), 37
Joseph, Keith, 187
Justificatory beliefs, *see* Confusion about
economic inequality

K

- Kay, John, 8, 129, 168, 175, 176, 179,
187, 189
Keynes, John Maynard, 224
Kinnock, Neil, 221
Knight, Frank, 178
Kuznets Curve, 171, 172, 180

L

- Labour government UK, 2, 12, 47, 190,
212, 221
Labour Party UK, 188–191, 221
Land, ‘the commons,’ 215
See also Inequalities, of land
ownership; Taxation,
land-value tax
Language, use of, 6, 162, 169, 198
Latvia, 102
Leadership, 98, 194
Levelling up policy, 187
Lewis, John Spedan, 106, 217
Life expectancy, 62–64, 66, 67, 70, 71
avoidable mortality, 64
disability-free, 64
Lithuania, 102
Lobbying, 179, 180, 196, 220
Lorenz curve, 23
Lottery, the UK national lottery, 158
Luck
bad luck, misfortune, 132, 134,
140, 147, 151, 153, 154,
158, 160, 193
circumstances vs. effort, 132

M

- Macedonia, 72
Macro-structural *versus* micro, individual
level, 152
Malta, 72
Market, the, 12, 49, 54, 76, 130, 154, 158,
168–170, 172–173, 175, 176,
179, 187, 197, 198, 204, 211,
213, 227, 231n57
free-flowing, 130, 170, 176, 180
Marmot, Michael, 8, 63–68, 82
Mattering, 107, 114n47
May, Theresa, 187, 220
Media, the popular, 6, 7, 156–159, 162,
191, 198
See also Inequalities, print media
reporting on; Tabloid newspapers
Merit gap, 141
Merit/meritocracy, 3, 5, 6, 51, 52, 116–134,
135n12, 140, 141, 144, 147, 148,
154–156, 158–162, 166n48, 181,
189, 199, 223, 227
Mexico, vi, 101, 144
Milburn, Alan, 191
Mindsets, 145, 226
‘growth’ vs. ‘fixed,’ 145
Minimum wage, 37, 157, 212, 218
Mobility, 3, 4, 6, 36–56, 67, 73, 83, 87n10,
97, 118, 119, 123, 130–133, 140,
150, 151, 155, 157, 158, 191,
218, 223
inter-generational income, 39, 40, 47
(*see also* Future prospects;
Opportunity)
political fetish for, 48
role of educational funding, 40 (*see also*
Education, funding of and
inequality)
socio-economic, 6, 39, 56, 118–119,
123, 134, 140, 155, 188 (*see also*
Socio-economic mobility, (over-)
estimation of)
Monbiot, George, 9, 168, 197, 214,
224–226
The Invisible Doctrine, 9, 168, 224
The Secret History of Neoliberalism, 9,
168, 224

Mont Pelerin Society (MPS), 6, 178,
181, 189

Moral foundations, 108

Moral standards, 101, 142

Murdoch, Rupert, 191, 192

N

Narcissism, 5, 79–84, 94

Negativity bias towards the poor, 141

See also Blame/blaming;

Dehumanisation; Empathy;

Perceptions of the poor

Neoliberal economics, 3, 6, 47, 170, 171,
175, 180, 181, 223, 227

Neoliberalism

neoliberal philosophy, 107

See also Think tanks, neoliberal

Netherlands, 15, 16, 39, 87n10, 99, 102,
159, 177, 186, 205, 208, 213

New Economics Foundation, 171, 213

New Hampshire, 231n57

New Labour, 190, 212, 221

New Zealand, *see* Aotearoa New Zealand

Norway, 34n62, 40, 88n20, 99, 204, 212

Nussbaum, Martha, 175

O

O'Hara, Mary, 9, 37, 64, 141, 142, 178,
188, 190, 191

Obama, Barack (President), 48, 193

Obfuscation, *see* Confusion about
economic inequality

Occupations

entry into elite, 41

progression in elite, 42, 97

Office for National Statistics UK, 13

Opportunity, 3, 4, 45, 48–50, 53–56, 73,
82, 97, 117–119, 128,
130–134, 140, 150, 151,
153, 159, 169, 188, 190,
191, 196, 197, 199, 200n16,
209, 211, 213, 214, 218, 221,
223–225, 227

See also Mobility

Organisation for Economic Co-operation
and Development (OECD), 15,
37, 51, 63, 160, 207, 210, 220,
224, 230n47

Osborne, George, 193, 200n19

Out-group derogation

distrust, 153

See also In-group thinking

Oxfam, 21, 100, 192, 200n18

P

Pareto principle, 181

Peace, peace index, 105

Pension funds, 174, 214

Pensions, 18, 26, 46, 53, 192, 205, 212,
213, 229n29

public sector, 192

Perception of 'shirkers' vs. 'strivers', 191

Perceptions of the poor, 141

See also Blame/blaming;

Dehumanisation; Empathy;

Negativity bias towards the poor

Personal responsibility, 5, 130, 134,
142, 159

Philanthropy, 209, 210

Pickett, Kate, 2, 9, 12, 24, 25, 39, 50, 51,
53, 66–68, 70, 71, 79, 82, 84,
87n13, 95, 99, 105, 140, 154,
204, 205, 214, 215, 217, 226,
230n41

Piketty, Thomas, 9, 12, 16–19, 22, 23, 40,
68, 133, 186, 187, 208, 209, 218,
227

Poland, 72, 102

Police

heavy-handed responding, 105

See also Crime, property crime;

Homicide rates; Prison

population

Policy change, 215

resistance to, 6, 127, 162

Political influence, 179

See also Power, political

Political participation, 5, 100–106

Political party financing, 196

- Political trust, 100–106
 Political views, 146
 right-wing and left-wing, 156
 Political violence, 5, 103–106, 113n41, 122
 Portugal, 70, 72, 95, 102
 Poverty, 2–4, 21–23, 36–56, 64, 73, 77,
 88n23, 103, 122, 123, 133,
 136n21, 141–143, 146, 150, 151,
 172, 178, 188, 190–192, 198,
 200n18, 205, 223–225, 227
 absolute, 4, 36, 55
 child, 36, 37, 55, 190, 224
 definition of, 22
 global, 21
 in-work, 37
 relative, 4, 36, 37, 55
 toxic, narrative, 142, 191
 Power, 3, 7, 43, 76, 102, 106, 136n26, 153,
 175, 178–180, 186–199, 200n5,
 204, 209, 211, 213–215, 217,
 220, 221, 223, 227
 extensity of, 194
 faces of, 195, 197
 hidden, 195
 political, 76, 163, 172, 186–187,
 191–194, 196, 198 (*see also*
 Political influence)
 relationships, 49, 195
 scope of, 194
 theory, 7, 194–199
 Powerful vested interests, *see* Confusion
 about economic inequality
 Powerlessness, 217
 Precarity, 38, 55, 77, 103, 212
 Prison population, 95
 See also Crime, property crime;
 Homicide rates; Police,
 heavy-handed responding
 Privileged liberals, 149, 164n22
 Property ownership, 30, 173
 Psychological shift model of decision-
 making, 57n20, 77, 89n40,
 163n9
 Psychosocial vs. material debate, 76
 Public goods, 159
 investment in, 101
- R**
 Rawls constraint, 120
 Rawls, John, 107, 120, 128, 129, 196,
 218, 224
 Raworth, Kate, 9, 168, 171, 172, 175,
 178, 179
 Redistribution, 6, 71, 101, 116, 120, 121,
 124, 140, 147, 150, 151, 155,
 162, 171, 172, 187, 188, 192,
 207, 225, 226
 demands on government for, 122
 opposition to, 154, 155, 165n32
 re-distribution/pre-distribution
 distinction, 224
 support for, 5, 109, 120–123, 131,
 133, 150
 See also Distribution of wealth,
 preferred
 Relative deprivation
 group-based (GRD), 105
 individual-based (IRD), 74, 105, 124
 Rent extraction/rentiers, 19, 169, 173, 174,
 177, 179
 Research methods, 5, 75, 84
 Bimboola paradigm, 80, 96, 103
 cause and effect, 75, 121, 156
 experiments, 5, 75, 146, 151
 longitudinal, 80, 95, 122, 155
 mixed methods, 42
 naturalistic studies, 78
 survey experiment, 5, 117
 use of online search terms, 78, 84
 Resolution Foundation, 20, 37, 205, 207,
 211, 215
 Revolving door between finance and
 officialdom, 180
 Rhetoric, 7, 104, 142
 Rich list, *Sunday Times*, 20, 27
 Riots, 103, 104, 227
 Riots, summer 2011 in England, 104
 Risk-taking, 5, 72, 76–80
 hedonic risk hypothesis, 79
 Robin Hood index, 24
 Romania, 72
 Roosevelt, Franklin D, President, 215, 224
 Russia, 71, 212

S

- Samuelson, Paul, 178
Economics, 178
- Sandel, Michael, 128, 159, 175
- Scanlon, T. M., 9, 128, 129, 196
- Self-categorisation theory, 103
- Self-enhancement, 5, 79–84, 94
- Self-enhancement bias, 80, 155
- Self-esteem/self-respect, 48, 74, 79, 159, 211
- Self-interest, free pursuit of, 175
- Selfishness, 99, 226
- Self-reliance, 142
- Self-serving bias, 151
- Sen, Amartya, 76, 107, 175, 224
- Shame/shaming, 6, 7, 40, 72, 84, 130, 140–163, 188, 198
See also Feelings, shame and resentment
- Shareholding/shareholders, 174, 181, 230n41
- Shelter, 27, 37, 38, 158
- Simplistic thinking, 142
- Singapore, 88n20, 95, 99, 212
- Slovakia, 111n6
- Slovenia, 72
- Smith, Adam, 125, 126, 170, 179, 209
- Soap operas and reality shows, 143
- Social capital, 94
- Social class, 4, 36–56, 62, 68, 71–73, 84, 89n32, 95–97, 103, 111n10, 111n13, 126, 127, 130, 133, 136n21, 144, 146, 148–150, 152–155, 161, 163n11, 164n16, 164n18, 164n21, 165n30, 165n32, 166n43, 223
 class-based social segregation (*see also* Social segregation)
 class consciousness, 49, 50, 71
 differences by area and region, 50
 economic inequality intensifies differences, 4, 51
 false consciousness, 148 (*see also* False consciousness)
 middle-class, 52, 150
 perception of inequality amplifies stereotypes, 51
 subjective measure of, 50
 working-class, 41, 42, 52, 56, 73, 133, 149, 189, 190, 225
See also Socio-economic status (SES)
- Social cohesion, 89n39, 95, 104
- Social comparison, 71–76, 86, 105
 culture of, 78
 downward, 78
 upward, 4, 73–76, 78, 79, 84, 86
- Social dominance orientation (SDO), 6, 145, 146, 149, 162
- Social evaluative threat theory, 71–72, 84
See also Status anxiety; Social evaluative threat theory; Status threat; Threat perception
- Social identity theory (SIT), 126, 127, 134
- Social justice, 101, 107
- Social Mobility Commission, 44, 191
- Social segregation, 218
See also Social class, class-based social segregation
- Social vigilance, 77, 97, 111n12
- Socio-economic homogeneity
 homophily, 119
 opinion ‘bubbles,’ 119
See also Social class, class-based social segregation; Social segregation
- Socio-economic mobility
 (over-)estimation of, 118–119
See also Mobility, socio-economic
- Socio-economic status (SES), 32n20, 47, 49, 55, 56, 62–66, 70, 77, 83, 95, 101, 127, 136n27, 140, 144, 149, 162, 163n12, 207, 218
- National Statistics classification (NS-SEC), 41, 49
- Registrar General’s classification of occupations, 49
See also Social class
- South Africa, 79, 131
- South Asian countries, 111n6
- South Korea, 96, 99, 172
- Sovereign Wealth Fund (SWF), 212, 213

Spain, vi, 57n19, 74, 87n10, 88n23, 124, 131, 144, 148, 153, 156, 165n29, 217
Spectator, 192, 200n18
 Status anxiety, 72–73, 83, 90n56, 161, 218
 See also Social evaluative threat theory;
 Status threat; Threat perception
 Status competition, 72, 73
 Status threat, 84
 See also Social evaluative threat theory;
 Status anxiety; Threat perception
 Status signalling, 78, 80
 Stereotypes, 46, 51, 141, 144, 155, 163n11
 of the poor, 51
 See also Blame/blaming; Empathy;
 Dehumanisation; Negativity bias
 towards the poor; Perceptions of
 the poor
 of the wealthy, 51, 141
 Stiglitz, Joseph, 9, 20, 36, 176, 186, 193, 195, 205, 215, 224–226, 231n59
 Stigmatisation/stigma, 124, 145, 211
 Suicide rates, 87n13
Sun, The, 191, 192
Sunday Times, 20, 27, 192
 Sweden, 15, 20, 68, 69, 87n10, 88n20, 99, 102, 120, 199n5, 204, 231n57
 Switzerland, 15, 16, 26, 99, 159, 178
 System justification theory (SJT), 5, 123–127, 133, 136n21
 longevity bias, 125, 134
 System justification, economic (ESJ), 6, 116–134, 146

T

Tabloid newspapers, 143, 191, 200n19
 See also Media, the popular;
 Inequalities, print media
 reporting on
 Takeovers, 6, 172–174, 181, 216
 fees and commissions, 172, 173, 181
 Taxation, 4, 6, 7, 15, 26–28, 58n32, 103, 112n29, 131, 145–147, 151, 157, 170–174, 181, 188, 191–193, 206–210, 212, 215, 216, 222, 224, 228n11, 229n21
 capital gains tax, 208, 209

consumption taxes, value added tax (VAT), 208, 221
 estate (inheritance) tax, 146, 147, 151, 157, 210, 212 (*see also* Taxation, tax on gifts during the giver's lifetime)
 income tax, 27, 58n32, 147, 207, 208
 land-value tax, 209
 local property taxes, 208
 progressive income, 7, 146, 207, 208, 215, 222
 regressive taxes, 188, 208
 tax breaks for 'non-doms,' 208
 tax on gifts during the giver's lifetime, 210 (*see also* Taxation, estate (inheritance) tax)
 taxing earnings from capital assets, 208
 transactions tax/Tobin tax, 216
 Tax avoidance and evasion, 6, 7, 27, 172, 174, 181, 210, 215, 222, 229n21
 Tax havens, 174, 181, 210
 Tax Justice Network, 174
 Teenage pregnancy and birth rates, 67, 94, 204
 See also Education, teenage maths and literary scores
 Thatcher, Margaret, 116, 130, 143, 158, 186–188, 190
 Think tanks
 neoliberal, 178
 See also Neoliberalism, neoliberal philosophy
 Threat perception, 76–79
 See also Social evaluative threat theory;
 Status anxiety; Social evaluative threat theory; Status threat
Times, The, 158, 192
 Townsend, Peter, 63
 Toynbee, Polly, 44
 Trade unions, 190, 196, 198, 215, 217
 reduced role of, 196, 198, 217
 Trickle down economics, 170, 205, 207
 Trust, generalised, 5, 95, 96

U

Ukraine, 111n6
 UNICEF, 67, 68, 70

- United Nations, 22, 87n11, 99, 112n19
 report on poverty in the UK, 22, 38, 64
 report on poverty in the US, 22, 142
- United States, v, 2, 3, 7, 8, 12–17, 19, 20,
 22, 24, 26, 28–30, 39, 40, 43, 48,
 57n19, 62, 63, 66–68, 70, 74, 75,
 78–80, 84, 87n10, 87n11, 88n20,
 89n45, 95–100, 102, 106, 108,
 116–120, 122, 124–126, 130,
 131, 142, 144–150, 154–160,
 163n6, 171, 173, 174, 178–180,
 182n10, 186–188, 191, 193–194,
 198, 204, 208–213, 215, 216,
 218, 219, 224–226, 228n11,
 230n43, 230n44, 231n57,
 231n59
- Universal basic capital (UBC), 7,
 211–213, 222
- Universal basic income (UBI), 7,
 211–213, 222
- Universal job guarantee, 212
- Universal minimum inheritance, 212
- V**
- Value skimming, 173
- Violence, 5, 80, 102–106, 122
- W**
- War, 106, 216, 226
- Wealth extraction, 169, 173
- Wealth inequality, v, 3, 4, 16–20, 23, 27,
 30, 31, 51, 53, 55, 56, 109, 117,
 123, 125, 126, 133, 152, 181,
 186, 192, 193, 197, 198, 200n19,
 204, 209, 215, 222
 (under-)estimation of, 5, 20, 30, 117
- Wealth share, 56
- Whitehall study, of British civil servants, 50
- Wilkinson, Richard, 2, 9, 12, 23, 25, 39, 50,
 51, 53, 66–68, 70, 71, 79, 82, 84,
 88n16, 88n20, 88n21, 88n25, 95,
 99, 105, 140, 154, 186, 204, 205,
 214, 215, 217, 226, 230n41
- Wolf, Martin, 9, 14, 16, 20, 21, 51, 100,
 168, 169, 172, 175, 179, 209,
 210, 212, 213, 215, 218
- Work, 2, 3, 5, 6, 16, 19, 37, 41–43, 46, 49,
 51, 53, 54, 62, 63, 66, 73, 77, 84,
 95, 97–101, 107, 109, 119,
 124–126, 128, 132, 134, 141,
 142, 144, 147, 148, 151, 154,
 158, 159, 161, 162, 170, 171,
 177, 179, 187, 192, 194, 197,
 204, 209, 211–215, 222
 dismissal from, 192
- Workers' rights, scaling back of, 196
- Workforce pay disparity, 98
- Workplace, 7, 49, 96–98, 109, 217–218,
 222, 224
 inequality, see Inequalities, in the
 workplace
 relationships, 96
- World Health Organization, 67
- World Values Survey, 95
- Y**
- Yates, Michael, 9, 38, 204, 225, 231n59
- Yellow Vest disturbances in France,
 103, 104
- Young people, 38, 63, 72, 97, 159
 economic and social inequalities, 38,
 87n10, 97
- Young, Michael, 127, 128