

THE HUGE SOCIAL COSTS OF ECONOMIC INEQUALITY

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Among the new objects that attracted my attention during my stay in the United States, none struck me with greater force than the equality of conditions. I easily perceived the enormous influence that this primary fact exercises on the workings of the society.

Alexis de Tocqueville, *Democracy in America*

If you want to know why one country does better or worse than another, the first thing to look at is the extent of economic inequality.

--Richard Wilkinson and Kate Pickett

In each election cycle politicians make promises what they will reduce crime and prison populations, decrease teen pregnancy, ameliorate polarization and lack of trust, eliminate drug abuse, address mental and physical health issues, and improve student achievement. The candidates argue endlessly and disagree about the causes of and best solutions to these problems. Just as there is a great need for “evidence-based” health care, so is there an equally great demand for “evidence-based” politics.

A Summary of the Wilkinson/Pickett Book

Richard Wilkinson, professor emeritus at the University of Nottingham Medical School, has been collecting data on the issues above for 30 years. Kate Pickett, an epidemiologist at the York University, has joined Wilkinson in writing *The Spirit Level: Why Greater Equality Makes Societies Stronger*. The authors studied levels of trust, mental illness, life expectancy, infant mortality, educational achievement, teenage births, homicides, and incarceration rates. They found that the US performed the worst on all nine problems, and that the most consistent predictor of these problems is economic inequality.

Calculating how much richer the top 20 percent is to the poorest 20 percent in 23 industrialized countries, Singapore, USA, Portugal, and the UK (England, Scotland, and Wales), and Australia were the most unequal; and Japan, Finland, Norway, Sweden, and Denmark were the most economically equal. What is important to note about these lists is that an Asian nation is in both groups, reducing the likelihood that ethnicity is a major factor.

Drawing insights and conclusions from 396 books and articles, Wilkinson and Pickett demonstrate in graph after graph how the nine problems correlate strongly with income inequality. Aggregating the data for all nine issues, health and social maladies were worse for USA, Portugal, the UK, and New Zealand, but much better in Japan, Sweden, Norway, and the Netherlands. Aggregating data from the 50 American states showed the same strong correlation between good health and social outcomes in more

equal New Hampshire, Minnesota, Vermont, North Dakota and poor conditions in more unequal Mississippi, Louisiana, Alabama, and Texas.

Trust Levels Lower in Unequal Countries

One of the areas in which economic inequality expresses itself is as a general lack of trust. When people were given the statement “Most people can be trusted,” over 60 percent of the Scandinavians and the Dutch agreed while only 10 percent of the Portuguese, 18 percent of the Singaporese, 30 percent of the British, and 38 percent of Americans agreed. Within the 50 states the results track the international results very well. At 67 percent people in egalitarian North Dakota are more trustworthy than the Swedes, but less than 10 percent of unequal Mississippians and 13 percent of Alabamians agreed that most people can be trusted.

These results prove that DeToqueville was right in his inferences from observing 1840s America: people feel more empathy for those whom they perceive to be their equals. He did not observe this in the Southern States or even in his own post-revolutionary France.

Are Ethnic Tensions the Reasons for the Problems?

At this point one might say that racial and ethnic tension is the main reason for the lack of trust in the UK and America’s Southern States. In 1960, however, 60 percent of Americans thought that most people could be trusted. This was a time of higher income equality, but there was of course much more racial tension between blacks and whites.

Portugal, the most unequal European country, also has one of the lowest minority populations of the group studied. Although they had African colonies, the Portuguese have not welcomed African immigrants and have limited them to only a one percent of their population. (By contrast 8.6 percent of the population of the Netherlands is non-European.) Therefore, their poor performance on these health and social indicators cannot be due to racial tension.

Sweden and Denmark, contrary to common perception, have accepted tens of thousands of refugees over the past decades. Since 2003 the Swedes have welcomed over 70,000 Iraqis into their midst. Teachers instruct special classes in over 60 languages as emigrant children learn to read, write, and speak Swedish.

Wilkinson and Pickett cite a study of a Chicago ghetto over time, which showed that, even though Poles, blacks, and Hispanics had lived there in succession, the same health and social problems existed there. The common denominator was income disparity in relation to the rest of the city.

Life Expectancy Lower, Infant Mortality Higher, and Child Well-Being

Since the 1950s when income equality was greater, Americans have lost their top international standing in longevity, now ranking a very distant 30th. Excluding non-whites from the current count, white Americans still die earlier than people in most other rich countries. Income inequality not ethnicity is the primary reason for this very worrisome decline.

Wilkinson and Pickett offer a dramatic confirmation of their hypothesis with regard to longevity. During the decades of the two world wars British life expectancy “increased between 6 and 7 years for men and women, whereas in the decades before, between, and after, life expectancy increased by between 1 and 4 years.” These were harsh, but more equal, conditions under which to live: “During the Second World War, working-class incomes rose by 9 percent, while incomes of the middle class fell by 7 percent. . . . The resulting sense of camaraderie and social cohesion not only led to better health [but] crime rates also fell.”

Wilkinson and Pickett compare Greece and the US on infant mortality and life expectancy. The Greeks earn half as much as Americans, but their income is spread more equally. Although the Greeks spend half as much on health care, they live 1.2 years longer than Americans, and an American baby “has a 40 percent higher risk of dying in the first year after birth than a Greek baby.”

Nearly seven American infants in 1,000 die at birth, while just over three per thousand die in Japan and Sweden. High quality health for all citizens is most likely the reason why highly unequal Singapore has the world’s lowest infant mortality rate. Even Cuba’s health care system produces a lower rate than the US.

Using an index combining forty different indicators of child well being, Wilkinson and Pickett graph it against income inequality. The more equal Swedish, Dutch, Finnish, and Norwegian children do far better than the less equal British, New Zealander, Israeli, and American children. American children and teens would do far better if it were not the case that guns kill eight of them a day. Since 1979, firearms have killed 104,419 Americans in this age range. It is significant that the highest homicide rate in Europe is found in the Finland, the country with the largest gun ownership.

Are These Strong Correlations Also Causes?

Two social problems—teen pregnancy and homicide rates—track practically well with income inequality. During the increasingly unequal Regan administration both rates rose in tandem, while during the first Bush and Clinton administration they dropped. Wilkinson and Pickett state: “From the early 1990s there was a particular dramatic decline in relative poverty and unemployment for young people at the bottom of the social hierarchy.” With income disparity at an all-time high during the second Bush presidency, teen pregnancy began to rise again in 2005, even after the substantial investments were made in abstinence only sex education.

Critics will say that correlations, even those that are very strong and even those that change in tandem over time, do not prove causation, but Wilkinson and Pickett answered them with good arguments. Attempts to claim that health and social problems are the causes income inequality fail badly. It would be virtually impossible to fit all nine into a consistent causal hypothesis, and problems would actually enhance income equality.

For example, the two million inmates in America's prisons, the highest number per capita in the world, actually improve employment rates and thereby reduced income inequality. Wilkinson and Pickett demonstrate that high incarceration rates correlate strongly with unequal nations such as the US and Portugal locking up 300-400 people per 100,000, while egalitarian Japan, Norway, Finland, Sweden, and Denmark imprison 40-70 per 100,000.

There are a number of controlled primate and human studies involving social status, a major way in which income disparity expresses itself, that prove causality. People are most familiar with the class experiment in which students were told that blue-eyed people performed better on tests than others, and the result was that the blue-eyed students did indeed perform less well. Another test in India demonstrated that students do equally well on solving puzzles until the caste status of each student is announced.

Equality as the Precondition for Liberty and Community

With their famous motto French Revolutionaries introduced the three enduring values of modern political philosophy: liberty, equality, and community. I substitute "community" (which includes traditional values) for "fraternity" as a corrective to the 1792 French mistake of thinking that they could create everything anew. America's revolutionaries did not make this tragic error.

I would argue that today's libertarians destroy this fragile political trinity by emphasizing liberty too much, while conservatives tend to threaten both liberty and equality by insisting on traditional positions that are no longer valid. Communist totalitarians of course destroyed everything in their obsession for complete equality.

Libertarians will say that at least their focus on liberty and personal responsibility would allow citizens to move up the ladders of the economic hierarchy. In the post-war period a more equal America did see increases in social mobility, but since 1980 social mobility has dropped off.

A 2005 study demonstrated people in the Nordic countries are twice as upwardly mobile as the British and Americans. On a scale of 0 to 1, where 0 stands for complete mobility and 1 indicates total immobility, the US and UK scored .289 and .271 respectively, while the Nordic countries scored an average of .143.

While only 25 percent of Americans born in the lowest economic 20 percent move out of the bottom, a full 40 percent of Danes do. There are fewer and fewer

Andrew Carnegies: only 7 percent of Americans now make it from the bottom to the top 20 percent.

Wilkinson and Pickett's book makes it even more clear the essential role that equality plays in preserving both liberty and community. They propose that "equality [is] the precondition for getting [liberty and community] right. Not only do large inequalities produce all the problems associated with social differences, but it also weakens community life, reduces trust, and increases violence."

Solutions to Inequality do not Destroy Economic Performance

European welfare states have reduced inequality by progressive income tax and encouraging labor unions in all sectors of employment. European union membership averages 70 percent of the workforce, and 90 percent of Danish teachers (public and private) unionized. Comparable figures in the UK and US are 35 percent and 15 percent respectively.

Wilkinson and Pickett reject state ownership of the means of production, but they are very supportive of employee owned companies, which are growing and prospering around the world. Putting basic decisions in the hands of employee-owners eliminates the polarization of unions versus owners, and offers an effective way to reign in skyrocketing executive pay, a problem that now threatens to increase income inequities even in egalitarian countries.

Every year the egalitarian nations rank among the top twenty most competitive economies in the world. Since their book was published, Wilkinson and Pickett have also discovered the more equal countries are better at innovation. *The Economist* magazine recently ranked Denmark as the most business friendly and the least corrupt nation in the world.

A 2006 study of Nordic countries and less equal English speaking countries concluded that "of the 33 economic indicators examined, the Nordic countries lead on 19 indicators and the Anglo-American countries on 14." Supporting Wilkinson and Pickett the study showed that the Nordic countries did much better on 43 of 50 social indicators. Egalitarian countries essentially lose nothing in taxing themselves more to provide the social and health programs that nip many problems in the bud or treat and rehabilitate those who have them.

Japan has achieved its high level of equality mainly through unionization not high taxation, but also, as Wilkinson and Pickett point out, because employers have an innate sense of fairness about what constitutes living wages. Japanese incomes are already relatively equal and do not require redistribution through taxation. Wilkinson and Pickett found this to be true for some US states such as New Hampshire, which has low taxes but ranks just as high on the social and health index as Scandinavia and Japan. But its neighbor Vermont, with high rates of taxation, scores almost as well.

Inequality as a “Pollutant”; Equality works “Enormous Influence”

The Reagan Revolution has proved to be disaster for America. From 1950-80 high progressive taxes were in place and unions had their largest membership. During that same period household incomes rose along with steady economic growth. From 1980 onwards incomes for ordinary Americans have stagnated and economic inequality has increased dramatically. The nine health and social problems also have become worse.

Wilkinson and Pickett quote a 2006 study in the journal *Health and Place*, which concludes that income inequality acts “like a pollutant throughout society” having “comparable effect across all population subgroups, whether people are classified by education, race, or income.” Our authors have shown that improving economic equality can have a powerful counter effect working its “enormous influence,” as DeToqueville observed 190 years ago, “on the workings of [American] society.” With sufficient political will based on overwhelming evidence, Americans could once again impress distinguished foreign visitors with a firm recommitment to equality.