

# Does Inequality Matter?

## David Bromell: Some Concluding Reflections\*

### Introduction

Does inequality matter? Intuitively, I think it does.

What concerns me most is the potential for marked and persistent economic inequality to damage democracy. A society divided between rich and poor, who live markedly different kinds of lives, creates two publics, not one; whereas effective democracy depends on a common public in which we're all in the same boat, not in different boats or in no boat at all. So intuitively, I'm attracted to Wilkinson and Pickett's proposal.

But public policy has to be built on more than intuitions. Public policy making in a democracy requires us to engage with evidence, and to engage in argument, in a public exchange of reasons. Public policy making involves the interplay of facts, values and theories (Bromell 2010b).

In replying to their critics, Wilkinson and Pickett have claimed that their work rests on evidence, not moral argument (2010b, p 1). They explain in the preface to the Penguin edition of *The Spirit Level* (2010a, p ix) that they considered giving their book the title, *Evidence-based Politics*. This is disingenuous. They don't merely report evidence; they construct a normative argument on the basis of that evidence and propose a theory about what developed nations ought to do.

In any case, evidence only takes us so far in public policy making. Social science provides methods of explanation, and means of justifying a position, but science itself cannot explain why that position is worth holding in the first place (cf. Weber 1919). Evidence can *inform* argument about how we ought to organise our life together, and what to value, but evidence does not, or should not, *trump* political argument.

I will make some brief summary comments, first on the evidence, then on Wilkinson and Pickett's argument about what we ought to do.

### The evidence

Wilkinson and Pickett have assembled an impressive body of evidence to demonstrate statistically significant associations between income inequality and a range of health and social problems in developed nations.

Correlation, as they acknowledge, does not, of course, demonstrate causation. What *causes* poor outcomes? Is it differences of income? Is it differences of wealth and assets? Is it differences in opportunity to make that income and accumulate wealth? Is it psycho-social factors and differences of status attached to income? Is it differences in genetics, physical and mental health, parenting, personality and drive, education, culture and custom, national and regional histories?

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To what extent are unequal outcomes the product of institutional settings, or of choices made by individuals and families, or of sheer luck, for good or ill? And how do inequalities, social status and social mobility interact over time, in a dynamic way, in any given society?

We don't know enough about "what are the facts?" We certainly don't know enough about "what works" to remedy inequalities. Wilkinson and Pickett have confronted us with some very important questions, but they haven't stitched it all up for us.

So if our intuitions tell us that inequality matters, we need to keep investing time and resources in cross-disciplinary research to inform engaged public deliberation on the kind of society we want to make and shape here.

## **The argument**

So what of the argument? Wilkinson and Pickett argue that once countries reach a certain level of wealth, what affects the wellbeing of citizens is not further growth of GDP but the level of relative inequality *within* a society. They assert that developed nations are "close to the end of what economic growth can do for us" (2010a, p 5). They go on to invite "a historic shift in the sources of human satisfaction from economic growth to a more sociable society" (2010a, p 231).

Wilkinson and Pickett's prescription suggests that New Zealand should give up on the goal of economic growth, stop comparing ourselves to Australia, redistribute wealth through taxes and benefits and/or narrow the gap in gross market incomes, and settle down as happy hobbits to a much more modest but equitable way of life that is socially cohesive and sustainable – and hope that the rest of the world will let us be.

That's all easier said than done, in a small island nation with an open economy, operating within a competitive international labour market and with a highly diverse and mobile population. One in five New Zealanders is already living overseas (cf. Bromell 2010a).

Wilkinson and Pickett are social epidemiologists, not economists or political philosophers. They do seem to problematise ideals of plenty, growth and aspiration. Have they themselves been captured, I wonder, by the glum economics of the neoclassical paradigm – what Wolfgang Kasper characterises as a "dismal, drab and depressing tale about rationing scarcity and coercing people" (Kasper, p 28)?

As Professor Wilkinson acknowledged this morning, there is no agreement among economists that income inequality matters either way for economic growth. Nancy Birdsall (2006) notes that inequality does appear to have significant negative impacts on national and global development. But it may not be inequality itself that is the problem. It may be the interaction of inequality with weak markets, weak governments and weak institutions. And it may not be income inequality that matters so much as inequality of financial wealth and other assets that interacts with weak capital markets to reduce growth.

So there is a risk of jumping on the Wilkinson and Pickett band-wagon and introducing policies that both inhibit growth and make inequalities worse. For example, a high minimum wage may make it harder for the low-skilled unemployed to find work. Tax hikes to fund redistribution of income and wealth, or a cap on higher salaries, may mean that an even larger number of those with the drive to get ahead will emigrate and take their capital, skills and entrepreneurial attitudes with them. This won't exactly brighten the prospects of those of us left behind.

## Conclusions

So what are my provisional conclusions?

First, sound argument is informed by evidence, but evidence does not, or should not, trump political argument.

We do need to improve our evidence base, to inform public policy making. Two key areas for inquiry are:

- the dynamic relationships over time between economic inequality, social mobility and social outcomes
- the relationships between inequalities, institutions, markets and economic growth.

Secondly, as well as improving the evidence base for policy, we need to improve the rigour of our argument and the quality of our deliberation on the vision and values that New Zealanders want to shape public life in this country. But again, I offer a note of caution. Dropping the words 'fair' or 'just' into a sentence doesn't clinch an argument any more than evidence trumps it. After all, people have been arguing since at least the fourth century BC, when Plato wrote *The Republic*, about what justice is and what fairness means in practice. That's why we have politics, and multi-party parliamentary democracy.

I am optimistic, however, that a combination of rigorous research, deep thinking, engaged public deliberation and democratic decision-making can make life better than it is now for those who benefit least from our current social and economic arrangements. And I remain hopeful that we can find our way to this as one nation, together, and not as a divided society.

Our turnout today, and the interest more generally in Wilkinson and Pickett's book, tells me that optimism is not a fool's game and that these matters are worth pursuing, for the common good.

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