

Review of “The Spirit Level; why more equal societies almost always do better”, by Richard Wilkinson and Kate Pickett.

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This book makes some points that are critical to a serious debate about a Basic Income. It is disappointing that the authors never mention Basic Income by any of its names, and seem to be unaware of the concept.

Their first point is that poverty is more about social status than about income. The second is that a rough equality among people is critical to having a workable society. The third is that there is no clear reason why some countries are more equal than others. The fourth is that ‘redistribution’ is not the only way to achieve equality.

This fourth point is the most interesting and useful, because of the well known problems with redistribution. It leads to the ‘welfare state’, to demeaning and controlling individuals, and to the creation of a fake public or ‘third sector’ that preempts real democracy. The authors are broadly familiar with these problems. But they also note that many societies have a high level of equality without high taxation and redistribution.

Internationally, Japan is the most relatively equal of the wealthy countries studied. The ratio between a factory workers income and a CEO’s income was sixteen to one there compared with forty-four to one in the United States. Yet it’s level of taxation is as low as the United States.

Within the United States, Vermont and New Hampshire are neighbors. Vermont has the highest taxes in the states, and New Hampshire close to the lowest. Yet they are both very low in the index of inequality the authors used. In other words, the ratio between the highest earning 20% of the population and the lowest 20% is small.

The authors do not merely draw from this, as some other writers have, that there are two ways to produce equality; before the fact or after. It is not simply a matter of social engineering. However, I would say it is obvious that it is better to build equality into the economy than to have to create it by high taxes and big social programs.

There are many ways by which different societies have become more or less equal, all having to do with their particular history. The United States had a high level of equality after world war two. Their occupation and restructuring of Germany and Japan laid the basis for the present high equality of these countries. But since 1980, the United States has gone backward drastically and is now the most unequal of the countries studied.

So, the authors find equality to be a matter of political will. They show very conclusively the benefits of equality, even for the higher status members of a society. The question is, given this, what is the root cause of the will toward inequality? They do not go into this. It is beyond the scope of their work.

They simply show that inequality seems to be unnatural to humans. They cite behavioral experiments in which people flatly refuse to accept unequal ‘take it or leave it’ deals; the “ultimatum game”. Hunter gatherer societies among humans are very egalitarian; everything is fairly shared. There is a strong human tendency, within small groups, to punish anyone who tries to dominate or take advantage of others.

Yet people accept very unjust and unequal societies and Pickett and Wilkinson do not offer a really satisfactory explanation. Differences in material conditions may cause members of one social class or caste to be incapable of empathizing with a less advantaged group, of recognizing them as people. Conditioning in early life can cause people to be more aggressive and opportunistic or more submissive. All this does not explain how these unnatural conditions developed in the first place.

It is certainly dysfunctional to society, including even the dominant classes. Pickett and Wilkinson have plenty of graphs showing the correlations between inequality and many other undesirable outcomes. For example, the health of people in all social classes is worse in less equal than in more equal societies. The health index of the wealthiest people in each country lines up very well along an axis of unequal to equal.

Even the wealthy in more unequal societies have more problems with drug use, suicide, divorce, etc. And of course inequality is very hard on the lowest on the social scale. Inequality does not even produce greater economic productivity; it correlates strongly to reduced productivity.

While equality correlates statistically with many positives, the total wealth of a society does not. When these wealthy countries are plotted on a graph for total wealth and for things like efficient waste disposal or even numbers of people who say they are happy,

they are scattered all over the graph; no correlation.

As countries become wealthier, accumulating further wealth has diminishing returns. The authors think about \$25 000 U.S. dollars per capita income is the cutoff point. Further increase in wealth does not make the society a happier place to live; but greater equality does.

The implications of all this for proponents of Income Guarantees is obvious, because we are all about creating greater equality among people. However, the fact that high taxation and social spending/social transfers is not necessary to produce equality is salient. Where further research is really needed is into exactly how some societies are able to do this.

It really does not make sense to engage in high taxes and social transfers if it can be avoided. There are issues of creating a bureaucratic control over those receiving the transfers. The transfers do not always get to the right people. Also, it is often noted that if you let wealthy people get wealth, they tend to use the wealth to fight back against taxation. You do not want them to accumulate excess wealth in the first place.

This suggests that a guaranteed minimum income will not work in the long run without a maximum income. This means, in effect, a 100% tax rate at some point, unless there is a voluntary moderation of income demands among the wealthy. Perhaps you could get the elites of Japan, Scandinavia, or New Hampshire to go along with this, but it is hard to imagine it happening in Texas or Singapore.

The optimal degree of equality in a developed country is a matter for debate and research among proponents of a Citizen's Basic Income. It is likely that the most equal countries in Pickett and Wilkinson's study are still far from optimal equality. As well, equality depends on the attitude of the elite, who could change their minds at any time. So, equality will generally have to be imposed from below by a genuine popular democracy.

"Redistribution" as understood by social democrats is not a good mechanism for creating equality. It is much better to merely give people an adequate income to start with and leave them alone. And to repeat, there must be a maximum income, to prevent people from getting excessive wealth in the first place. Genuine democracy is incompatible with private fortunes.

The tired argument will be raised, that without incentives to get rich, there will be no economic growth and improvement in living standards. But growth beyond a marginal point does not improve living standards and quality of life. What is needed is a stable economy that provides enough for all without waste and a draw down of the natural environment.

The authors have given two measures of equality in any economy besides the crude method of comparing the top 20% with the lowest 20% in incomes. There is the Gini coefficient; If one person had everything and everyone else had zero, the Gini would be 1. The lower the number, the more equality. There is the Robin Hood index, which tells how much Robin would have to transfer from the rich to the poor to even things out.

Proponents of a Citizen's Basic Income should be familiar with these measures. The issue of the ratio between the minimum and maximum incomes is up for debate, not how much the poor need in order to get by. It is about justly sharing what can realistically, sustainably be had by a modern society.

"The Spirit Level" is a new addition to the library of those interested in Basic Incomes. It does not have the answers, but it frames most of the right questions.

