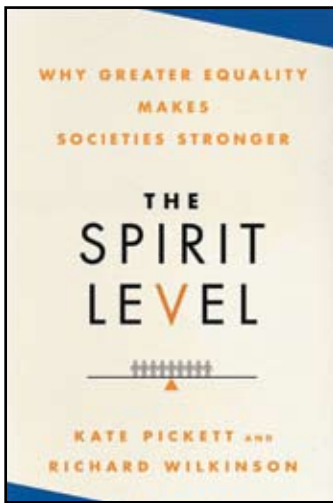




Minding the Gap



Review of *The Spirit Level* by Richard Wilkinson and Kate Pickett. New York: Bloomsbury Press, 2010.

By Steven Pressman

When I began reading *The Spirit Level* in early 2010, large U.S. financial institutions were rewarding their senior executives with multimillion-dollar bonuses. At the same time, the U.S. Bureau of Labor Statistics reported that average real weekly earnings for non-supervisory workers fell 1.6% in 2009. This figure excludes the millions of Americans who lost their jobs and their weekly earnings last year. The country with the most unequal income distribution in the developed world has become even more economically polarized.

To my professional embarrassment, most economists pay scant attention to income inequality. They see each person's income as an appropriate reward for their productive activity. They even view income inequality as healthy because it creates incentives for people to innovate, work hard, and produce more. On the other hand, government programs that seek to reduce inequality, and the progressive

taxes that support them, are viewed as disincentives for citizens to be productive and successful. Such reasoning justifies large Wall Street pay and bonuses, despite the fact that these incentives led to risky behavior that actually reduced our standard of living.

The Spirit Level provides a much-needed antidote to this perspective, presenting compelling evidence that inequality has negative social consequences. The authors of the book, Richard Wilkinson and Kate Pickett, are epidemiologists who work in the UK. Their background in the field of public health gives them a broader view of inequality and its consequences than is possible from the perspective of standard economics.

The book builds on Wilkinson's prior work, especially his brilliant *Unhealthy Societies* (Routledge, 1996), and the work of Ichiro Kawachi (see the interview with him in the Jan/Feb 2008 issue of *Dollars & Sense*). Both authors detail the negative health effects of inequality, showing that greater inequality is associated with lower life expectancy, higher infant mortality rates, and more health problems overall.

The Spirit Level takes things further, demonstrating the relationship between inequality and many social problems (as well as numerous health problems). Greater inequality is associated with mistrust, more crime, less charitable giving, worse school performance by children, more teen pregnancies, a greater incidence of obesity, more mental illness, increased drug addiction, and reduced social mobility.

Support for the connection between inequality and various social and medical problems is built along two lines. First, international comparisons show that developed countries with more equal income distributions have better educational outcomes,

lower teen birth rates, less crime, and greater life expectancy. Second, within the United States, states with greater income equality do better on these key variables.

Besides the many negative effects from inequality, what stands out in this empirical tour de force is that those nations (and states) with higher incomes do not do better than nations (and states) with lower average income but more equality. The United States is a good case in point—it has the highest per capita income but also the greatest income inequality. At the same time it suffers from more crime, more teenage pregnancies, more obesity, and more mental health problems than other developed countries. Life expectancy in the United States is below most every developed nation despite per capita health expenditures that far exceed any other country.

Most disturbing of all, given popular views of the United States as a land of opportunity, the United States has the lowest intergenerational mobility among those nations where such data are available. If you are born to low-income parents in the United States, the chance that your income will be low as an adult is much greater than it would be if you were born elsewhere. Even worse, as inequality has grown since 1980, social and economic mobility in the United States has declined.

As is well known, correlation does not mean causation. To their credit, Wilkinson and Pickett address this important issue. Relying on their public health expertise, they identify several causal mechanisms responsible for the negative consequences associated with inequality.

First, inequality causes stress, which floods our bodies with the hormone cortisol. This hinders memory and problem solving; poor school performance is one consequence of this.

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Cortisol also affects judgment, contributing to greater teen pregnancies and drug use among the poor as well as higher crime rates. When produced continuously, it leads to problems with one's immune system, cardiovascular system, and glucose metabolism. Problems are even greater when continued stress occurs early in life.

In addition, hormones are secreted during times of stress that cause people to crave comfort foods that are fatty and sugary. These foods get stored in the body for energy during short-term crises. With constant stress due to large inequalities, people continually consume a high-calorie diet. The result is an obesity epidemic, along with all the health problems that stem from obesity.

Finally, evolutionary psychology can explain some negative effects of inequality. For hundreds of thousands of years humans lived in egalitarian hunting and gathering societies. Since food spoils, in such societies there is little to be gained from taking more food than one can possibly consume and depriving others of needed nutrients. To the contrary, giving food to others increases the chances that they will be successful hunters, providing additional food in the future. As such, in our ancient past, human survival was enhanced by reciprocity rather than selfishness.

To promote reciprocity, and our survival as a species, we developed chemical reactions supporting such behavior. Cooperation increases oxytocin in the bloodstream and stimulates reward centers in the human brain. This encourages reciprocity and behaviors like charitable giving. In contrast, when others fail to cooperate, chemical reactions make people feel cheated. In the modern world, with both property accumulation and inequality, these chemical reactions work to reduce human trust and cooperation. This, in turn, leads to less charitable giving and more asocial behavior.

At the end of this wonderful and engrossing book, Wilkinson and Pickett go a bit off track. They express skepticism about using government policy to reduce inequality, arguing that what the government gives, it can take away. Instead, they advocate participatory management methods and employee stock ownership plans (ESOPs), failing to note that participatory management can be taken away at the whim of senior management, just as progressive economic policies can be reversed by government. And under most ESOPs, stock gets distributed based on employee earnings, and part-time workers (who get paid the least of all) are usually excluded.

This is not to say that these approaches are a lost cause—only that they have problems and need to be part of a multi-faceted approach to reducing inequality. Similarly, government policy may not be a lost cause. Most developed countries redistribute income successfully. Even the United States does reasonably well for the elderly through Social Security, which has withstood attempts to replace it with private savings accounts. Because of the serious negative effects of poverty and inequality on children and their subsequent life outcomes, the best way to move forward would be to help U.S. families with children through the introduction of family allowances, paid family leave, and birth bonuses. That is, the United States can follow the lead of Europe by adopting and modifying the policies many countries there have in place to aid the poor and middle class. It should be reassuring to know that, in minding the gap, we do not need to reinvent the wheel. **D&S**

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