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# The Spirit Level: Next Steps

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Presentation by

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I'm going to take you through a lot of slides covering the material in our book, rather the same as the last talk that I did to Australia by video link, though I think the more I talk about it, the better the perspective I get on the relationships we've shown.

I'd like to start off with this slide, simply because it shows what a miserable lot we are. It's a picture taken outside Oxford Street Tube Station in the centre of London. These are people in the prime of life, going to work in the morning. Every one of them looks depressed, angry, fed up, anxious and if you think that we're living in unprecedented comfort and luxury, that's a reminder of how we fail to get as much out of it as we should. The contrast between the material success of our societies and their many social failings is really astonishing and I think that what I've got to say deals a little bit with that, the contrast between the material success and social failings of our society.

But if we can go on to the next slide, really all I'm going to say is what's summed up in this slide. I was very glad to find this one on the internet, which made me think, well somebody else has got the picture. And basically the more inequality you have, the more you have a whole range of health and social problems.

On the next the slide, I use that really because our book has been called a theory of everything, because we deal with so many health and social problems. We deal with not only life expectancy and physical health, but also mental illness, levels of violence, of drug abuse, scale of prison populations, teenage pregnancies, measures of child wellbeing, measures of social cohesion; all that kind of stuff. But, it's not a theory of everything, it's a theory of problems which have social gradients; the problems which tend to be worse at the bottom of society. And really all the things I'm going to show you related to inequality are problems that you tend to find more commonly in the poorest areas.

So, although obviously there's ill health and violence and drug abuse amongst the rich, those problems all become gradually more common as you go further down the social scale. And I think many people look at those social gradients



and they think, well the vulnerable end up at the bottom and the resilient end up at the top and that is the explanation of that pattern. But, I am going to show you that any of these problems are between twice as common and ten times as common in societies with bigger income difference between rich and poor, compared to the ones with the small income differences.

And that means, I think, that these problems are rather largely responses to social status differentiation itself, to social class differentiation, to differences in income and wealth. I mean, no amount of sorting the population makes any problem more or less common, it just sorts people, but I'm going to show you they are substantially more common in more unequal societies and not more common just amongst the poor. They're more common amongst the whole population, because inequality damages the social fabric of the whole society. So, we would all do better in a more equal society.

Can we have the next slide please? On this slide, it looks a long way from inequality. What you're seeing there is life expectancy in both rich and poor countries against national income per person. And you'll see the very rapid rises in life expectancy in the early stages of economic growth, and then it levels out. What's interesting is that you get that same levelling out if you look at measures of wellbeing or at happiness or whatever. It's not levelling out because we've got to the limits of human life expectancy – that curve moves up over time, but our rises in life expectancy are no longer related to economic growth.

If we move to the next slide, you can see there's a quote from economists. The second author of that study, Angus Deaton, was the president of the American Economic Association, so this is not some marginal thing. It's the most reputable economists pointing out that it's not just this cross-sectional evidence that shows amongst rich countries, life expectancy is no longer related to economic growth, but even when you look at change in living standards, in GNP per capita, over 10, 20 or 40-year time periods, you find very little or no relationship with economic growth.



And on the next slide you can see the consequences – the environmental consequences. That graph is basically the same as the first one I showed you, but instead of GNP per capita at the bottom, it's life expectancy. And you see the richer we get, the more carbon emissions we produce. A few weeks ago, the world passed 400 parts per million in the atmosphere of carbon dioxide, which is the highest level of carbon in the atmosphere that humans have ever breathed in our existence, and of course we know the effects on global warming of higher levels of carbon.

So, I suspect that sort of levelling out of life expectancy or happiness in relation to GNP shows us that we've got to the end of the real benefits of economic growth. It is what's transformed the real quality of our lives historically, but it's largely finished its work. It's really important in poorer countries to have higher material standards, but in the rich world, for us to have more and more of everything makes less and less difference. That's important background as we get into the environmental problems.

I'm going to be talking just about the rich countries on the top right-hand part of the previous graph and this one. If we can move onto the next slide, you will see just those rich countries that I'm going to be talking about; that same section of the graph, that top right part, blown up. So, you can see the countries like Norway and USA on the right are twice as rich as Israel, Greece and Portugal, and it makes no difference at all to life expectancy. But, within every developed country, we can see these extraordinarily close relationships between income and health within our societies.

So, some Australian data on the next graph. This shows death rates amongst children in Australia by income quintile and you can see the poorest 20% of the population on the right have much higher death rates than the richest group.

In the next graph, the next slide, we see a similar picture. This shows socio-emotional wellbeing amongst Australian children and again the effects of deprivation are very apparent. So, there's this extraordinary contrast between income being very important within our societies, but not between our societies.



If we can move to the next graph, that is basically just the same picture for England and Wales. I want to show it to you simply because there are more gradations in this data, showing that at every step up the social scale health improves and, you know, health inequality is not simply a difference between the poor and the rest of society. It's a difference all the way across the social scale, so even the people just below the richest have less good health than the richest themselves. And if you want to understand this problem of health inequality, it's not enough simply to think about unemployment and homelessness. You've also got to know why the people living very comfortable lives with good jobs and so on do less well than the people above them.

Can I move to the next slide please? I'm going to be talking a lot about equality and inequality. I am talking simply about the scale of income differences in each society between the rich and poor. We used international data from, in this case, the UN Human Development Report, but it was the same as given by the World Bank. The measure we took, because it's one of the two they give and is the simplest to understand, is how much richer are the top 20% than the bottom 20% in each society – how big is that gap?

And you see the countries on the left: Japan, Finland, Norway, Sweden are much more equal than the ones on the right. Their top 20% gets three-and-a-half, four times as much as the poorest 20%. But in the countries on the right – Australia, UK, Portugal, USA, Singapore – the gap is twice as big, so on that measure, we are twice as unequal as the most equal of the rich developed market democracies. We're not looking at bizarre odd societies, we're looking at mainstream developed societies and that's really what allows us to see now what inequality does.

That picture basically confirms what people have always known about inequality. I mean, since before the French Revolution, people have recognised that inequality is divisive and socially corrosive. The effects of inequality is truer than we ever expected.



On the next slide, you can see a list of health and social problems. We collected international data for those rich developed countries. So, we've got: life expectancy from WHO; maths and literacy scores from OECD; infant mortality from WHO as well; homicides; levels of imprisonment – that's what proportion of the population is imprisoned, teenage birth rates; levels of trust (that comes from a World Value Survey); obesity from the International Obesity Task Force, Mental Illness from WHO; and some figures on social mobility.

We don't decide what data is comparable with what. We don't pick and choose whether we like this country's data and not that country's. We just download what WHO or OECD or World Bank has for each of these countries. So, if people don't like the data, they shouldn't complain to us. I now say this, because of course, a few right-wing critics suggest that we've manufactured the picture I'm going to show to you, but basically we just use the data that is available on international sites. Now we've put all those problems together in one index of health and social problems.

On the next slide you can see how that index is related to that measure of inequality I've just shown you – the rainbow striped graph showing inequality in each of those countries. And you see on the right the USA, Portugal, UK, New Zealand, Australia, all doing worse on those problems than the more equal societies on the left – Finland, Norway, Sweden, Japan – and it's an extraordinarily close relationship. I should say that all those problems are weighted equally.

But if you look on the next slide, at that same index of health and social problems, but this time in relation to gross national income per head, you can see there's no relationship at all. When we were writing this initially, in about 2007, before the crash, nobody was talking about inequality. Nobody thought inequality was the problem at that stage, but we decided that in case people thought that this was some fluke finding for these countries, that we'd look as well at the UNICEF index of health and social problems. I mean, we worried that people might think we'd chosen these problems somehow to suit our arguments.



The UNICEF Index of Child Wellbeing is compiled to measure child wellbeing in the rich countries. It has 40 different components; almost everything people can think of to do with child wellbeing goes into it, so what are the immunisation rates for children in each country? What are their maths and literacy scores? Is there bullying in schools? Can kids talk to their parents? All that kind of thing goes into the UNICEF Index of Child Wellbeing and here it is on the next slide in relation to that same measure of inequality: children in more unequal societies doing worse than the ones in the more equal societies. Again, it's not quite such a striking relationship as the earlier one I showed you, but it's highly significant. It can't possibly be chance.

On the next slide, you'll see again that UNICEF Index of Child Wellbeing, but this time in relation to gross national income per head. There's no relationship – countries on the right are twice as rich as the ones on the left and it makes no difference to child wellbeing.

We talk about child poverty as the problem all the time and yet we have to distinguish between relative poverty and absolute poverty and the data shows so clearly that what matters now is not how rich the whole country is overall, but the scale of the differences between people within each society. What matters is how unequal are the societies in which children are growing up, and where do they come in relation to the rest of the population? That's now what matters. That's what determines child wellbeing in our societies.

On the next slide, I'm now going to take you through the separate elements of our index, so you'll get a sort of feel for the data. Basically, the wider the spread on any graph, the more it shows there are other things at work as well as inequality. The more they line up on one graph, where one end is higher than the other, those are the facts of inequality.

So, this is a measure of trust. It's basically the proportion of the population that agree that most people can be trusted, and you see that in the more unequal countries on the right, 15% or 20% of the population feel they can trust others, but on the left, the more equal countries, it rises to 60% or 65%.





There are now quite a lot of studies showing this same pattern, not only with measures of trust, but other measures – social cohesion, the strength of community life – showing that inequality really is corrosive of the social fabric.

We did all this work twice. We did it on these rich, developed countries and then we repeated it on the 50 American states. On the next slide, you can see that same measure of trust from the American Government General Social Survey, again in relation to income inequality, and we see a very similar scatter over a similar range of observations. So, wherever you look inequality is destructive.

The next slide shows mental illness rates. It's not simply about people going into their GP and asking for anti-depressants or anxiety medication, or something to help them sleep, because that would be too influenced by the different ways in which people access medical care in each country – whether they have to pay to see their doctor or whatever. This is based on diagnostic interviews in each country on random samples of the population.

WHO put this data together to allow us to make really good comparisons of levels of mental illness in each country. So, instead of asking, "Have you been diagnosed as clinically depressed?" they asked about people's sleeping patterns, about whether they felt valued by people or worthless, things perhaps about their appetite and so on; all sorts of questions that have been found to be diagnostic of mental illness.

But, look at that graph, showing the per cent of the population with any mental illness ... you've got threefold differences in levels of mental illness in more unequal countries, and a lot of that is closely related to inequality.

On the next slide, we've got infant mortality. The differences are not quite so striking. It shows around a twofold difference in infant mortality rates. You can see that line of best fit, that red line across the middle, the regression line. It doesn't seem to go through the bulk of the countries, but it's been pulled down by Singapore. You can see Singapore on the bottom right.





Singapore reports the lowest infant mortality amongst any of these countries. I never believed that figure, but we have an absolute rule that if our source of data has data for one of the countries we're looking at, it goes into the analysis. I've since given some lectures in Singapore and discovered one of the important reasons why Singapore's mortality appears to be so low.

It's because they're a little city state with very little additional space. They don't want people to get Singaporean nationality, but 25% of their population, the poorest 25%, are migrant workers and the ways you can get nationality are through marriage or being born in Singapore. So the migrant workers get health checks every six months and if they are pregnant or married they get sent home. So, basically you take from the picture, the 25% of the population where you expect infant mortality to be highest and just remove it from the picture. And so, I think that's one of the reasons why Singapore is down there, but I'm just really wanting to emphasise that we do not exclude data. None of this picture comes from picking and choosing data, as some of our far right critics have alleged.

On the next slide, you've got teenage birth rates. You've got nearly tenfold differences in the proportion of women in their teens, 15 to 19-year-olds, having babies. It goes from about five births per 1000 women in their teens up to nearly 50 in the USA.

On the next slide, you've got a measure of violence. You can see here the homicide rates. The red dots are American states and the blue ones are Canadian provinces. This isn't our data, but it shows something like tenfold differences in homicide rates. The Canadian provinces, they're sort of around 15 homicides per million, but some of those American states go up to 150.

That isn't a matter of mainly gun control. There are a similar number of guns in Canada, though I suspect they're rural rather than urban guns. If you take account of gun control internationally, you find that the relationships with inequality become marginally closer. But, there are now about 50 studies in the peer-reviewed academic journals showing that violence is more common



in more unequal societies. It's a robust relationship.

On the next slide, you can see the differing proportion of the population in prison in each country. Now, this is imprisonment per 100,000 population. It's a log scale up the side, which means that the top is compressed; otherwise it would go zooming up off the top of the screen in a great curve, but again there are something like tenfold differences. The intervening points, because it's a log scale, are higher than you'd expect, so Japan is around 40 prisoners per 100,000, and it goes up to over 400 per 100,000. So, there are tenfold differences in the proportion of the population locked up in each country.

So, most of that relationship isn't due to more crime. Some of it is more crime, but most of it is due to harsher sentencing in more unequal countries, and I think you have to see that as another indication of something going wrong with the social fabric of the society. I don't know whether it's people trusting each other less, up and down the social hierarchy, or more fear as the income differences widen. Maybe the rich fear the poor, more or less empathy, but something like that means that prisons get harsher and you are more likely to get long prison sentences in more unequal countries.

On the next slide, this is the last actually, I'm going to show you these simple examples where basically everything gets worse in more unequal societies, because well, I can't go on forever, but this one is social mobility. It's important, because increasingly there's a tendency for people to say that, "Maybe the big differences in incomes is fair, if everyone can find their appropriate level in society." What this graph shows is that social mobility is lower. There is less social movement in more unequal societies.

The measure of social mobility – remember, we didn't compile this data – is really a measure of the correlation of fathers' and sons' incomes, so it says, "Do rich fathers have rich sons and poor fathers have poor sons or isn't father's income important?" And in countries like the USA and the UK – the more unequal ones – father's income is much more important in determining what happens to their children. In the more equal societies, father's income makes much less difference. And we like to say – unfortunately we've found even



American audiences are able to laugh at this – that, "If Americans really want to live the American dream rather than just dream it, they should move to Denmark."

Can I skip the next slide, so go on two, back to a slide we looked at earlier, where we put all this stuff together in one index. Remember, we've done all this for both these countries and the American states and the picture is very similar, whichever you look at, and some of these outcomes have been looked at in so many different settings. In the peer-reviewed literature, there are about 200 studies looking at income inequality in relation to population health.

There's even a paper which shows that the provinces of China that have bigger income differences have worse health, but on violence, as I said, there have been about 50 studies. On measures of trust and social cohesion, I should think there are more than a dozen now, and most of the components I've shown you; there are a few studies by other people.

So, this is a fairly fundamental human truth, I think, and you shouldn't start looking at this saying, "Can you explain this in terms of the national characteristics?" You've probably noticed that most of the English-speaking countries do badly, but actually you can remove them from the picture and even on this data set, you've still got a statistically significant relationship left.

There are some arguments going on about whether Japan is really as equal as that. Some new figures make it much less equal. On our website, the [Equality Trust website](#), we show the correlations using either data set and it doesn't make a lot of difference.

One of the important things that I'd like to mention at this point is whatever problem we're looking at, they're worse in the more unequal societies. It's not just one or two things that go wrong in the more unequal societies, it seems to be most things; most of the problems with social gradients. So, we're looking at a general social dysfunction related to inequality. Of course, the human costs of that are very high, but the financial costs are as well. Some American states spent more money on prisons than on higher education over a period –



a really appalling predicament you can get into.

One other point on this graph. There are quite different ways in which countries become more equal. Some countries, like Sweden, have very big differences in earnings and they narrow the gap by high taxation, by general welfare spending, but there are other countries, and some of the American states, that do better because they have smaller income differences before taxation – they don't depend on redistribution. So New Hampshire in America does pretty well compared to other states and yet it does almost no redistribution at all. It starts off with smaller income differences before tax.

So, it looks to us as if it doesn't matter much how you become more equal as long as you get there somehow, so this not simply an argument for higher taxation. I think actually there are more fundamental things that need to be done to reduce the income differences before tax.

Okay, next slide. People often suggest that all we've done is show a few correlations on cross-sectional data, but there is much more sophisticated analysis in some of the journals. People have done multilevel models of this, where you control for individual income or education throughout the population and they've looked at time series data and this is an example of the time series data.

It shows the effects on health of an increase in inequality, and you can see there the effect on health, the damage to health, starts to come through about three years after the rise in inequality and it goes on coming through for the next 10, 12 years; something like that. So, there are quite long lag periods, but there are even meta-analyses of multi-level models in the literature, so don't think that this is just a matter of a few cross-sectional pieces of evidence.

I want to move now to who is affected by income inequality. Now, I've been pointing out the scale of differences between the more or less equal countries – the proportion of people in prison, the homicide rates, the teenage birth rates; most of those things show a tenfold difference. But, in other things, like infant mortality or levels of mental illness, those problems are only two or



three times as bad in the more unequal countries, but still, basically, huge differences.

The differences are so large because it's not just the poor who are affected. Such big differences cannot be driven by the bottom 10% of the population, and if you look at the next slide it shows a comparison. This is quite old data. We're all wanting to know whether health inequalities were the same or different in different countries and so some Swedish researchers reclassified their infant deaths, according to the British Registrar General's Occupational Class Classification. Anachronistically, it's by father's occupation, so single mothers have to be a category on their own, on the left there. Then the categories of father's occupational class, where it says low, those are unskilled manual workers. Next comes semi-skilled manual workers and then close to the middle there, skilled manual workers. And then you move on towards the high end, the junior non-manual, those are clerical workers. Then the intermediate non-manual, people like teachers and nurses. And then those occupations that are the professions, basically: doctors, lawyers, directors of larger companies and that kind of a group. And what you see there is infant mortality for Sweden, the blue bars, are lower right away across all classes than in more unequal England and Wales. Even in social class one, there seems to be a small advantage to being in a more equal country.

We now have, I think, about six lots of data that give basically the same picture, whether you compare these things in American states or compare America with a European, or Britain with Sweden, the picture you get is that inequality has its biggest effects at the bottom of society, but even at the top, there seems to be a small benefit to being in a more equal society.

I may say that we can't talk about the super-rich, the fraction of 1% who are getting millions. We don't have separate data on them, so we don't know their rates of depression or mental illness or drug abuse or whatever, but we can say that 90% or 95% of the population do better in more equal societies.



On the next slide, I think, in a sense, we're talking about whether our societies are very steep social pyramids or much shallower ones; the scale of the social hierarchy is built on the material base of the scale of those income differences and wealth differences. It would be nice to use wealth differences, but there's much of the state of study now, I think, which shows that using wealth data, it looks as if you get similar relationships to these.

On the next graph, I begin to talk about why these relationships exist. In a sense I think it's a matter of whether we feel valued or devalued. These are mostly behavioural outcomes. They are things that go through the mind. They're not something that the walls of your houses or the air pollution does to you directly, whatever you're thinking and feeling. These outcomes suggest that people behave differently in more unequal societies; that inequality is getting to us psychosocially. It's to do with whether we are valued or devalued.

A recent study of the Financial Times Share Index, the 100 biggest companies in the UK, found that within those companies, the CEOs were getting, on average, about 300 times as much as the most junior full-time worker. And you see there's no more powerful way of telling a whole swathe of the population that you are worth almost nothing than to pay them one-third of 1% of what the CEO gets.

And with this inequality goes more feelings of superiority and inferiority and more status competition; more status insecurity. And I think in a society where some people seem so important and brilliant, as we used to think the bankers were before the crash, and where there are other people who we start to think are worth almost nothing, are worthless, we all become more neurotic about where we are, how other people judge us and all the issues to do with how we're seen and judged become more important. And so what all this means is that what psychologists call 'social evaluation anxieties' become more important.

Can I skip the next slide and go onto the one after? When you ask 'How?', most of these things work through the effects of chronic stress and there are now a lot of studies where volunteers are asked to do stressful things and they





measure levels of cortisol, essentially the stress hormone, to see what the cortisol response is when you're doing something stressful.

Some other people, the people responsible for this study, Dickerson and Kemeny, went through over 200 studies of that kind to see what kind of stressful tasks most reliably push up our cortisol levels, and they found it's tasks which include social evaluative threat, which include threats to self-esteem or social status, they say, in which other people can judge you negatively. So, anything like a bit of public speaking or being videoed while you do something that makes you more self-conscious, those are much worse stressors than others.

It's those social judgements that matter to us, and that is why in the health literature, social status is so important. Whether we look down on people or look up to them, why friendship is so important. You know, if you have friends, you get positive feedback, you feel better about yourself. If you feel people avoid you, you're socially excluded, people choose not to sit next to you, then we all fear that we're unattractive, boring, socially gauche and so on.

And the result of this increased social evaluative threat – our increased worries about how we're seen and judged in more unequal societies – means that more people go under in terms of lack of confidence, low self-esteem, social anxieties, depression and so on, feeling inferior. But, more people also take the opposite line and start almost self-advertisement, talking themselves up, instead of being modest about their achievements and abilities, you start to flaunt them, bringing into conversation all the things which show what a great person you are.

And we've suggested that in our book a few years ago, but recently this next study came out which shows, basically, measures of how people rate themselves in relation to what they would guess is the average in their country. You've probably heard that most people, 90% of the population, think they're better drivers than average.





This comes from an international team of about 15 or 20 people in each country where they asked people, "Do you think you're cleverer than average or are you much cleverer or just a little bit cleverer or are you struggling?" They got them to rate themselves on a lot of different criteria and people in more unequal countries talk themselves up, they're more narcissistic. So, there's evidence of how that social evaluative threat, our worries about how we're seen and judged in more unequal societies, really get to us.

The next slide please. That is just showing the rise in narcissism, in a similar pattern, as the United States got more unequal.

Next slide (nearly finished). This just shows what's been happening to income inequality in Australia. The long period of declining inequality that you see in most of the developed countries during the 20<sup>th</sup> Century, and then from about 1980 onwards, with the coming of the neoliberal economics of Reagan and Thatcher, the weakening of the power of trade unions, lowering of top tax rates, you get the modern rise of inequality, and in most countries, we're now back to the levels of inequality that we saw in the 1920s.

On the next graph is another look at the more recent trends in your Australian inequality.

Okay, on the next slide, what can we do about this? Remember that it's not simply about taxes and benefits. We do have to stop tax avoidance, we do have to deal with tax havens, we have to make income tax more progressive, and we have to have good wealth taxes, because these people who are getting millions, they're not only getting rich themselves, but in effect, they're founding dynasties of their children and grandchildren, who are going to inherit this wealth and live in mansions and not have to do very much.

But, more fundamentally, I think the bonus culture reflects people at the top feeling they could do whatever they liked, they had no constraint on them, and we have to build in the constraints, by laws which in many European countries already exist, insisting on employee representatives on company boards and remuneration committees.



We must also expand the more democratic sector of our economies, made up of employee-owned companies, of cooperatives, of mutuals, instead of those pay differences of 300:1.

If you look at the Mondragon cooperatives in Northern Spain, the most successful sector of the Spanish economy employing – I can't remember, I think it's about 40,000 people – altogether, you find that typically the pay differences within the Mondragon companies are anywhere from 3:1, to 9:1, averaging somewhere about 5:1. So, where management is answerable to employees, you don't get those huge differences and people also say it turns a company from being a piece of property into a community. And of course, if you're working in a cooperative or employee-owned company, you don't vote for your company going to somewhere where labour is cheaper and also, I think, the environmental record of cooperatives is much better; they're less antisocial than the big privately-owned company.

Alright, my last slide, just to remind you, if you haven't had too much already, you can get the data and more on the causal mechanisms for each of these outcomes, whether you're looking at drug abuse or interested in teenage births, you'll find a chapter on each of those in the book. But, if you want to do some campaigning, the Equality Trust has ideas about campaigning and you can use these slides or whatever you want.

So, thank you all very much.

