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The paradox of inequality

Capitalism has trained us to desire ever bigger incomes. But studies shows that relative wealth matters more for well-being than absolute wealth

Holidaying on the island of Arran, off the west coast of Scotland, we came upon a geological site known as Hutton's Unconformity. James Hutton, an 18th-century geologist, became curious about junctions between different types of rock formation, created at different times and by different processes, as if manifestations of a collision between mighty opposing forces.

At the time, people thought that rocks were either created by volcanic activity or they were laid down by oceans. Hutton realised that both processes had shaped what he was seeing — neither of the simple explanations could resolve what was going on. His 'unconformity' struck me as a good metaphor for collisions, contradictions, and disconnections which I have been thinking about.

The first collision is between people's expressed values and the actions they take. According to statistics presented in a recent paper, racial inequality cost the United States economy $16 trillion in lost gross domestic product over the last two decades. Meanwhile, the gender pay gap holds back the global economy by about $160 trillion. Yet people in positions of privilege continue to tolerate inequality and fail to support policies which would lead to greater equality — despite generally claiming to have egalitarian values.

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The authors of the paper, American social psychologists, argue that this contradiction arises because the privileged and those in positions of power believe that policies which increase equality will necessarily harm them and undermine their status. In a series of experiments, they showed that members of advantaged groups consistently believed that policies which would actually benefit everyone would harm them, while policies that increased

inequalities between groups would always be good for them. The researchers conclude that 'these misperceptions may explain why inequality prevails even as it incurs societal costs that harm everyone'.

But the participants in the experiments may not have been misperceiving anything at all. The equality-enhancing scenarios they were presented with all focused on increasing material assets. For example, they were asked to consider increases in the amount of mortgage loans to disadvantaged groups with no changes for the advantaged group, or increases in pay for women with no changes in pay for men. Clearly the respondents did not like these proposals, even though the scenarios they were presented with would not decrease their own material assets and would reduce absolute differences between groups.

Perhaps they were instinctively — or should I say unconsciously — recognising another, second, collision, between material and relative status, and understanding the importance of relative status. What one has matters less than how much one has relative to others.

The importance of relative status

Karl Marx understood this, pointing out: 'A house may be large or small; as long as the neighbouring houses are likewise small, it satisfies all social requirement for a residence. But let there arise next to the little house a palace, and the little house shrinks to a hut … the occupant of the relatively little house will always find himself more uncomfortable, more dissatisfied, more cramped within his four walls.'

And indeed this is backed by modern research. A study found that people were satisfied with the size of their house only until someone came along and built a bigger house on the same block.

So it is not really a misperception to think that others obtaining more material assets does not hurt as long as one's own assets remain unchanged; if they now have relatively more, one's relative status has actually declined. And relative status matters enormously: research suggests it is more important for health and wellbeing than absolute income or wealth.

Capitalism — its neoliberal variant in particular — has trained us to desire ever bigger incomes and ever more stuff, despite this being a zero-sum game. If we all receive the same increments in absolute terms, none of us gains relatively, one against another. And having more things does

not buy happiness, or at least it does so only transiently.

Advertising plays on everyone's desire to have more, implying that having more will fulfil us. But that is another collision, this time with the truth: we are being offered false promises. True wellbeing emanates from things which do not have a price tag — a sense of purpose, agency, social connection.

Of course the pursuit of more income and possessions would not matter that much if it 'only' gave rise to broken dreams and lack of fulfilment. But consumerism and over-consumption are not just pointless — they are harmful.

Equality as the economically transformative power

We live on a finite planet with finite resources and here lies the final and most important disconnect. There is a fundamental collision between what we need to do to address climate change and other environmental problems and the neoliberal ideology of economic growth. We cannot have both, and our politics and policies have not yet grappled with that contradiction.

But just as Hutton was forced to come up with new ideas about geological processes by pondering his 'unconformity', taking a clear look at the clashes between neoliberalism's pursuit of economic growth and sustainable wellbeing can lead us to focus on solutions.

Greater equality is an essential and powerful enabler of a transformation to a sustainable economy.

Tackling inequality, happily, offers a pathway out of all of these conflicts, collisions and clashes of social forces. Greater equality helps resolve the paradox between people saying they prefer equality yet acting in favour of maintaining inequality, because in more equal societies people trust one another more and act more collectively, for the common good.

Equality also helps reduce the conflict between wanting more and that not bringing us happiness. In a more equal society the hierarchy is flatter, our relative status is more similar and greater 'social capital' enhances our flourishing and wellbeing.

Finally, greater equality is an essential and powerful enabler of a transformation to a sustainable economy. It can help create the shared

spirit of collectivism needed if we are to tackle this great challenge, simultaneously reducing our competitive desires to consume ever more while enhancing public health and happiness.

Greater equality is thus a triple win: good policies, greater wellbeing and a society flourishing within planetary boundaries.

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