Inequality and Wellbeing

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There is no shortage of wealth – just a lack of fairness in how it's shared

"If wealth is equitably distributed, there is no poverty." – Confucius

Many politicians advocate traditional economic growth, measured by gross domestic product (GDP), as the best way of reducing inequalities in society. They argue that increasing GDP will benefit everyone, and that decent housing/healthcare/food cannot be provided without economic growth. Liz Truss's mini-budget proposed tax cuts for the rich on the basis that the resulting overall increase in wealth would "trickle down" to those at the lowest end of the income scale.

Others advocate increasing taxes for the rich and reducing them for the poor, on the grounds of fairness. But there are many other good reasons for reducing the gap between the richest and poorest in society.

Inequality is bad for health. People in the United States spend huge amounts on health care, but they have a lower average life expectancy than, for instance, people in Iceland where income is more evenly distributed. In Oxford, men from the most deprived areas live almost 14 fewer years than those from the least deprived areas, and women 11 years fewer.

Inequality is bad for wellbeing. Adding to poor people's wealth increases their happiness. But once people have a certain income – about £65,000 per year - additional wealth does not make them happier. Rather, wealthier people's happiness is associated with how they compare to others. So adding to national wealth by making rich people richer will not make people happier, whilst distributing wealth more fairly will.

Inequality is bad for the environment. The wealthiest are responsible for a disproportionate amount of pollution. The top 1% of UK earners take one-fifth of the overseas flights from the UK, and they emit 25 times as much carbon as low earners.

Inequality is bad for the economy. An unhealthy, unhappy labour force is less productive than a happy, healthy one. Treating the ills caused by inequality also has costs, in terms of hospital stays, mental health support and a greater need for social services. Those on lower incomes also tend to spend locally; the rich are able to save more of their incomes, often offshore. The International Monetary Fund has found that the opposite of trickle-down economics is true: *"increasing the income share of the poor and the middle class actually increases growth while a rising income share of the top 20 percent results in lower growth."*

So what does this mean for the UK, which has been one of the most unequal countries in Europe for more than 30 years?

We need to prioritise wellbeing over GDP. Spending on jails, arms exports, hospital treatment for victims of air pollution– all signs of social ills - add to GDP. Clean air, space for children to play safely, allotments – things that improve our quality of life - don't. We need to distinguish what makes us happy from what we buy.

We need to tax pollution. Professor Peter Newell (University of Sussex) has calculated that a carbon tax on the top 1% of the population would have raised enough money to retrofit nearly 8m homes, keeping people warm, bringing down fuel bills, and making us less dependent on imported gas.

We need to reallocate resources. Many of the UK's ills are not down to not having enough resources, but how resources are allocated. There are already enough homes in the UK for everyone, but more than 500,000 of these are second homes (3,000 in Oxfordshire), much more than the number of homeless households. The housing 'shortage' can be reduced through private sector rent control, stopping the sale of council housing, discouraging second homes, and building new council housing. Nationally, "levelling up" needs to be implemented on the ground, not just as words.

We can press our elected representatives to pursue policies along these lines. Our councils can press government to do likewise, can secure more social rented housing, and can ensure that they don't worsen housing stress by increasing the local imbalance between jobs and housing.