

Challenging Inequalities

HOW WE GOT STUCK AND
WHERE WE GO NEXT

THE IFS DEATON REVIEW

PAUL JOHNSON

COAUTHORED WITH JAMES BANKS,
TIM BESLEY, RICHARD BLUNDELL,
ANGUS DEATON, ROBERT JOYCE,
AND DEBRA SATZ

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Why Inequality?

THERE IS A WIDESPREAD sense in the United Kingdom and elsewhere that progress towards a better society has stalled. Concerns include a resurgence of populist and extreme politics, declining trust in public institutions, persistent economic stagnation, and a seeming inability to respond effectively to increasingly urgent challenges such as climate change, falling birth rates, and stalling life expectancy. At the same time, people are increasingly worried about inequalities. Since 2010, the proportion of the UK public who consider inequality and/or poverty to be “the most important issue facing Britain today” has approximately doubled.¹ While income inequality rose first and fastest in the United States, and then in the UK, recent years have seen many other Western countries “catching up.” There has been a convergence towards higher levels of income inequality.²

High levels of inequality, when combined with the sort of economic stagnation experienced by many countries since around 2008, when the financial crisis hit, make for an uncomfortable combination. They fuel resentments and distrust, which hinder effective collective problem-solving. They can undermine crucial aspects of democracy by creating extreme disparities in opportunities for political influence. One only has to look at the role of money in US politics and the influence of prominent tech titans to see clear examples of this. While less extreme, other countries are not immune. Frequent accusations that the wealthy can buy influence in the UK, or even a seat in the upper chamber of the legislature, are evidence enough of that. If these are the consequences

of some of the inequalities we are currently experiencing, then widespread concern is hardly a surprising result.

The populist rallying cry against a supposed “elite” illustrates all too well the power of the resentment that this can lead to. This populist politics feeds on the reality that many people do not feel they are being treated with dignity and respect and are not able to participate in society as equal citizens. There is an increasing divergence between the life experiences and political attitudes of the highly educated and those of the rest.

This sense of political and social inequality is underpinned by an increasing agglomeration of advantage within families, creating dynasties of privilege. As earnings have stagnated, family wealth has become ever more important in determining lifetime outcomes. Inheritances and gifts from parents play a more important role in the UK than they have for many generations. The same is true across most developed countries that have also experienced very poor earnings growth and an increase in the relative importance of wealth. If returns to wealth holdings exceed growth in earnings, then we are in the world emphasised by Thomas Piketty, one in which the advantages of wealth and its concentration grow ever greater.³ Perhaps the consequences would not have been so stark if the period of stagnation had occurred when income inequality was at its low point, sometime in the mid-1970s in the UK. But it came some twenty or thirty years after the rapid increase in income inequality that occurred during the 1980s. High levels of income inequality—combined with stagnant incomes, a growth in wealth, and a growing gap between the highly educated and the rest—are likely a recipe for discontent.

It is not just that material living standards have diverged and social mobility has declined. Inequalities in health and in life expectancy have also grown in the period since the financial crisis. Anne Case and Angus Deaton have written extensively about the epidemic of “deaths of despair”—those from drugs, alcohol, and suicide—that has swept through the poorest communities in the US.⁴ In the UK, similar, if less dramatic, trends are now evident. Deaths of despair rose by a quarter

among working-age people between 2019 and 2023, concentrated among those living in the poorest areas.

Economic stagnation has made these inequalities more salient: I might be less concerned about how far I am behind my neighbour if I am at least making progress; I will be more concerned if I am stuck. Meanwhile, longer-term expansions in political equality and in equality between sexes and races—expansions that have been such important parts of social progress—may also be coming to a halt, or at least slowing to a crawl. In the UK, the gap between the earnings of men and women is lower than it has ever been, but it is still large and, within education groups, it is no longer falling. While most ethnic minority groups in the UK have been phenomenally successful educationally, much more so than in most comparable countries, earnings gaps have proven harder to shift.

There are more challenges coming down the road. The populations of most rich countries are changing fast. Only mass immigration is countering the effects on population ageing of increasing longevity and fertility rates that are well below replacement levels. These demographic trends are leading to profound social changes and considerable tensions, as well as changes in the distribution of economic and political power. The nature of work is changing too. Economists have traditionally measured inequality in the labour market by looking at the distribution of earnings. But the organisation of work, the ability to progress, the quality of jobs, and security of employment all matter too. All have changed and continue to do so, often in ways that have led to polarisation between good and bad jobs.

Of course, much can be done to iron out income inequalities through taxes and welfare benefits. In the UK, as in most rich economies, these are indeed highly redistributive. But this is not a book about how to design those systems. Much has been written—including by some of the authors of this book—about the options and trade-offs inherent in the design of progressive taxation and of benefits. The fact is, though, that however well designed, such systems can only mop up the consequences of other inequalities. We shouldn't just worry about, and

respond to, the consequences of these pre-tax and transfer trends in inequalities after the fact.

The same is true in planning for the transition to a low-carbon economy and adapting to widespread use of AI. A recurrent theme of this book is that simply allowing change to happen and then dealing with the consequences through higher social spending simply won't do. Not only is that expensive in a world of ever tighter fiscal constraints, it also does not satisfy those who it aims to help. Meaning, respect, and well-being come from earning one's own living, not relying on handouts from others. Concern about inequality needs to be woven into the very fabric of policymaking and into considering the kind of economy that we want to have and how it can be shaped. Hence the importance of "predistribution"—measures that affect the pre-tax and transfer distribution of income rather than simply focusing on the role of the state as a source of redistribution. There will often be trade-offs and effects on inequality won't always, probably won't even usually, matter more than other priorities, but making policy without considering them will lead us into trouble.

Understanding these *inequalities*, and their consequences, is the purpose of this book. Talking about inequalities in the plural is essential. We often focus on inequality in income or earnings. As we have already seen, wealth also matters, as does opportunity, health, education, and much else. And perhaps economic inequality is most important because of its effects on other forms of inequality. People care about dignity, respect, and how they can participate as equals in a democratic process. Inequalities in these dimensions, as we shall discuss in chapter 2, are of central concern. We are also interested in how these different dimensions interact. For example, when citizens lack equal influence in politics, policies might not respond to economic inequality. By affecting social mobility, wealth inequalities affect the life chances of the next generation and their access to a range of economic opportunities. If we don't have a clear sense of what causes these inequalities, why we might—or might not—be concerned about them, what effects they might have, and how we might address them, then we have little hope of understanding the society in which we live. So while we draw on the

huge amount of evidence prepared for the Institute for Fiscal Studies (IFS) Deaton Review, we are not simply trying to summarise and regurgitate all the facts contained therein. Although much of what follows is focused on the UK, we are looking to use all that work to throw light on some of the biggest challenges facing not just the UK but much of the developed world.

What Has Happened to Income Inequality?

While this is not fundamentally a book in which we set out to describe income inequality in fine detail, we nevertheless need to start there. In one sense, there is nothing special about the early 2020s in the UK in terms of either income or earnings inequality. The most commonly used measure of income inequality is a statistic called the Gini coefficient, an index that measures inequality on a scale from 0 to 1, where higher values indicate higher inequality. A value of 0 indicates perfect equality—where everyone has the same income. A value of 1 indicates perfect inequality—where one person receives all the income, and everyone else receives nothing. At 0.34, the Gini coefficient of income in Great Britain was the same in 2022–2023 as in 1990. Nothing to see here.

Look just a little further back and things look rather different. In the mid-1970s, the Gini reached a low of 0.24.⁵ An increase from 0.24 to 0.34 is *huge*. Most of that increase happened over the 1980s, a defining decade in the history of inequality in the UK, as well as the US. So, while income inequality overall may not have changed very much, it has reached and maintained a very high level by the standards of modern history.

Before that huge shock in the 1980s, income inequality had been falling for decades, perhaps for more than a century.⁶ The reversal was abrupt and on an extraordinary scale. It continues to have profound consequences. It is at the root of many other inequalities and many enduring social and economic policy challenges. During the 1980s in the UK, earnings became much more unequal as much heavy industry closed and well-paid jobs in finance and services became more abundant, especially in London and the South East. Collective bargaining, which had maintained the earnings of many lower-paid and

manufacturing workers, broke down, while higher-skilled workers were able to bargain for higher wages. At the same time, direct tax rates were cut and welfare benefits reduced. Educational and geographical disparities grew, and those disparities have largely remained in place to this day. The geographical fault lines that became so apparent in the 1980s correlate closely to where today crime is high and health and family stability are low.

That growth in inequality in the 1980s occurred at every point in the distribution of incomes. The very rich pulled away from the moderately rich, who pulled away from average earners, who in turn pulled away from those with low earnings or on out-of-work benefits. By contrast, since around 1990, the only substantial changes have been at the very top of the income distribution. At least until 2008, those on very high incomes continued to pull away from the rest.

Figure 1.1 illustrates just what a turnaround we have experienced in the last half century or so by looking specifically at the income shares of the very richest: the top 1 percent and the top 0.1 percent. For at least sixty years, until the late 1970s, the income shares of the richest fell continually. Comparable data are not perfect, but between the 1910s and 1970s, the share of the top 1 percent fell from around a fifth of total income to just 6 percent. It then rose again as fast as it had fallen: the top 1 percent, and the top 0.1 percent, kept powering away right up until 2008. Just before the financial crisis, the top 1 percent received around 16 percent of so-called fiscal income—essentially income that is recognised by the tax system (and hence excluding, for example, capital gains and any income hidden from the tax authorities). So they received sixteen times more than they would have had incomes been shared equally. Meanwhile, the top 0.1 percent received about 6 percent of all income (i.e., sixty times their population share).

This top group is small, but it matters—not least because it accounts for so much income and in fact for a huge fraction of tax payments. Moreover, the briefest of glances at the popular press would suggest that it is the incomes of the very richest that are often what people have in mind when they worry about inequality. The scale of the change since the mid-1970s is quite remarkable, returning top shares to where they were before

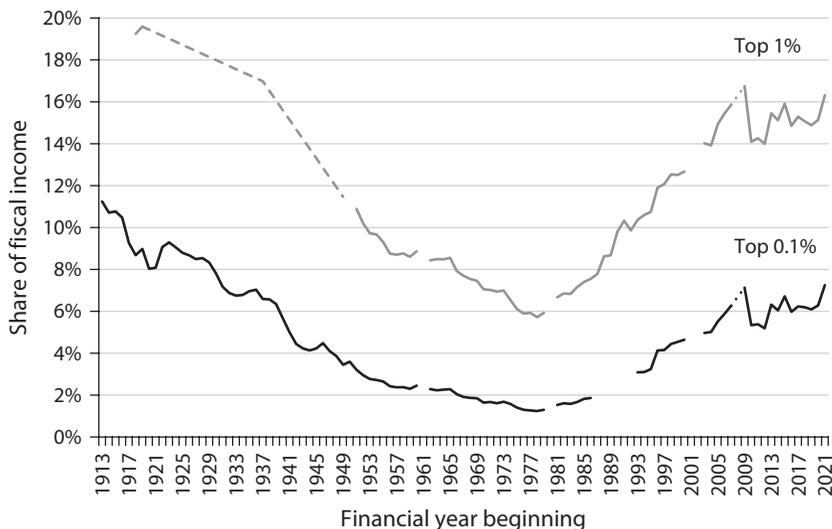


FIGURE 1.1. UK top income shares over time.

Note: The figure shows the share of aggregate fiscal income flowing to the top 1 percent and top 0.1 percent of UK adults between 1913–1914 and 2018–2019. Figures prior to 2003–2004 are taken from table 4.1 in Atkinson (2007) and measure top income shares using administrative records of the “super tax” introduced on high incomes in 1909. The paler-coloured series show our calculations of the same percentile shares using the Survey of Personal Incomes. These differ in two important respects from those of Atkinson. First, the definition of income used by Atkinson is inclusive of pension contributions and taxable state benefits, both of which are excluded from our definition of fiscal income. Second, the Atkinson series uses an external denominator derived from the UK national accounts, while our series uses an internal denominator comprising all fiscal income observed in the Survey of Personal Incomes. See footnote 15 in Delestre et al. (2024) for a discussion of alternative methodologies. *Sources:* Atkinson (2007); adapted from figure 2 of Delestre et al. (2024); Survey of Personal Incomes, various years.

World War II. Other characteristics of the very rich are also indicative of the shape of the nation: two-thirds of the top 0.1 percent live in London and the South East of England, and nearly 90 percent are male.

Those with the very highest incomes are also rather different from the rest in that they gain disproportionate shares of their incomes from business ownership and investments: the top 0.1 percent obtain around

40 percent of their income from these sources, making them almost four times as important for this group as for those in the upper half of the income distribution as a whole. One sees a similar, indeed more dramatic, pattern in the US, where business income grows even more sharply in importance at the top. Even so, earnings are still the biggest source of income for the very rich—deriving especially from financial services—and by far the biggest for everyone else.

The pattern of the change in inequality in the UK has been somewhat different to that seen in many other countries; the UK was rather ahead of the game in the sense that inequality rose earlier than it did elsewhere. Out of twelve European and North American countries for which data are available since the mid-1990s, income inequality (as measured by the Gini coefficient) has risen in ten of them (with stability in France and falls in Ireland standing out). The UK stands out for the speed of the increases in income inequality in the 1980s and the modest changes since then from this high level.⁷ Many other European countries have seen more significant increases in inequality since the 1990s. The experiences of the Nordic countries are notable here, with large rises in income inequality from a very low base, driven at least in part by reductions in the level of redistribution undertaken by the state.⁸

Given the centrality of earnings and how the labour market works, chapters 4 and 5 of this book are focused specifically on those topics. Figure 1.2 is one way of seeing trends in earnings since 1980. It shows what has happened to the real level of weekly earnings for full-time workers. The bottom line shows what has happened to low earners, those 10 percent of the way up the distribution. The middle line plots the growth in median earnings, and the top line shows earnings at the 90th percentile. The lines slope steeply upwards until around 2007. They also diverge. Everyone's earnings were growing, but faster for higher earners, so earnings inequality was rising. Middle earners were pulling away from low earners; high earners were doing better than those in the middle. The pattern is sharply different after 2007, with falls at the top and in the middle and slight growth at the bottom. Overall stagnation, at best, is accompanied by a fall in inequality, especially between the middle and the bottom.

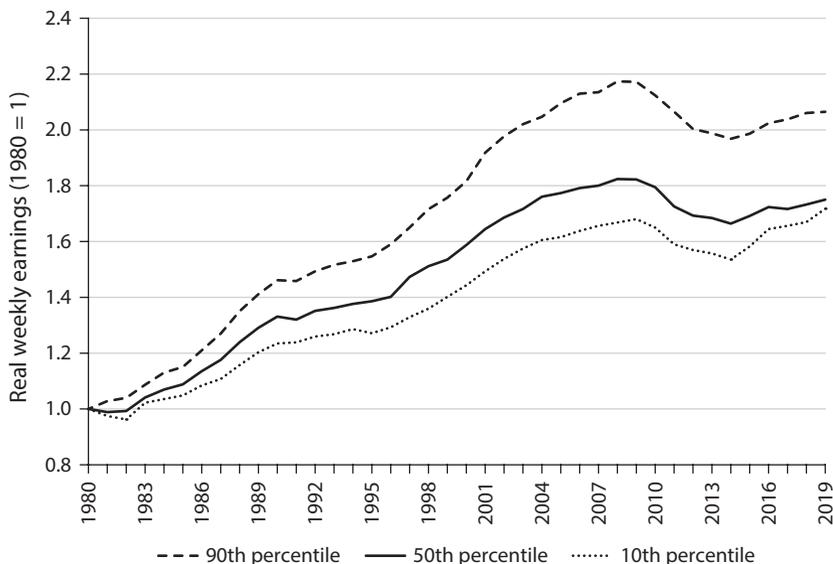


FIGURE 1.2. Real weekly earnings for full-time workers at different percentiles. *Note:* The figure restricts the sample to full-time workers, who are defined as those who work more than 30 paid hours per week or those in teaching professions working 25 paid hours or more per week. *Sources:* Adapted from figure 1 (panel B) of Giupponi and Machin (2024). Based on data from the Annual Survey of Hours and Earnings.

Chapters 4 and 5 provide an in-depth description and explanation for these trends and assess their consequences. What is striking about these trends in *earnings* inequality though is that, at least since the turn of this century, they have not been reflected in similar trends in household *income* inequality. While earnings became more unequal in the first decade of the century, big increases in welfare benefits ensured that, outside the very top of the distribution, household income inequality was quite stable. By contrast, the period since 2010 has seen falling earnings inequality offset by cuts in welfare benefits, again holding inequality steady across much of the distribution. In this period, substantial tax rises for those with the highest incomes have helped prevent any increase in the incomes of the richest relative to those of the rest.

The most remarkable feature of the recent period in the UK, though, has not been any great change in income inequality but rather a

protracted period without earnings or income growth. This stagnation has been of a length unprecedented since at least the start of the twentieth century, and quite probably since sometime early in the nineteenth century. The fact that it followed hard on the heels of the explosion in inequality experienced after 1980 is crucial. Before that, very broadly speaking, income growth and falling inequality had gone hand in hand for many decades. This is an era of paltry economic progress alongside very high economic inequality.

One manifestation of that high level of economic inequality, and a consequence of how the economy and labour market have developed, is the scale of the differences between regions, between North and South, between London and the rest, and between the left behind and the thriving. As de-industrialisation turned the UK into a service-dominated economy in the latter part of the twentieth century, many areas lost out from the disappearance of traditional jobs, while the rapidly expanding graduate service jobs became concentrated heavily in clusters in and around London and in a few major cities. Well over a third of the highest-income 1 percent of individuals in the UK live in London.⁹ These geographical differences are at the core of the story of labour market change and are an important focus of chapters 4 and 5.

There is one important sense, though, in which the period since the 1970s has emphatically not been one of higher income and earnings inequalities, and that is in the progress that has been made by women and ethnic minorities. Egalitarians are often much too quick to harken back to some “golden age” of low inequality prior to the 1980s. That is just wrong. The inequity and discrimination faced by many groups would be appalling to modern eyes. Since then, there have been spectacular improvements in access to—and attainment in—education. In both school achievement and rates of graduation from university, girls have now not just caught up with boys but have overtaken them, a pattern repeated across most high-income countries. A combination of this educational advance, equal pay laws, and changing social attitudes means that gaps in employment rates between men and women are far lower than in the past, and earnings gaps, while still large, are also much lower than before.

More recently, though, the period of overall economic stagnation has marked a turning point in efforts to close the gender pay gap. Since 2008, there has been essentially no further closing of the gap between men and women in either weekly earnings or hourly wages in the UK beyond what would be expected simply due to the continued increases in the relative education levels of women.¹⁰ Given that women are now more educated than men, this raises the question of whether and how financial gaps between the sexes can be closed further. Those gaps remain substantial. In 2019, women on average earned 20 percent less than men per hour of paid work.¹¹

The UK is not atypical internationally in its progress in the reduction in gender gaps in employment. The fraction of women aged 25–60 in work in the UK rose by 14 percentage points between the mid-1980s and early 2020s. This rise is smaller than in both France and Germany and pales into insignificance compared with countries such as Ireland, the Netherlands, and Spain (where female employment has risen by 40 percentage points or more from a very low base). The Nordic countries and the US stand out as countries with little progress in female employment, though in the case of the Nordic countries, they already had high rates even forty years ago. While most high-income countries have seen progress in hourly wages for women relative to men, it has generally been slow. And in many places, that progress has stalled. For example, consistent progress in the gender wage gap in the US has slowed since 2010, and substantial gaps also remain in other big European countries, such as Germany and Spain.¹²

A form of levelling up that is distinctive to the UK is that its ethnic minorities—even the poorest minority groups, such as Bangladeshis—have enjoyed dramatic increases in educational attainment, and while there are big differences between groups, most major ethnic minority groups now perform better in education than the White majority. Employment gaps have also closed substantially, almost entirely for some. While Indian men, for example, now earn more on average than White men, earnings gaps have proven more persistent for other groups. Even where overall gaps have closed, there are still unexplained differences; Indian men earn more because they have higher levels of education, but

once you take account of their education, they earn less than you would expect. It remains the case that Bangladeshi men earn barely half of what White men earn on average. Minority ethnic groups have seen their earnings rise relative to the earnings of the White majority, but those increases have lagged behind the rapid improvements in their educational achievements.¹³

Perhaps the most remarkable change in the distribution of income between demographic groups in recent decades, though, has been that between old and young and, in particular, those over pension age and those of working age. Remarkably, once housing costs and the costs of children are taken into account, the disposable incomes of those over pension age are now, on average, as high as the disposable incomes of the rest of the population. Given that, at least until recently, incomes rise over time, this has a remarkable implication—on average people over pension age today have higher disposable incomes than they did through most of their working age lives. Figure 1.3 shows how median disposable incomes of pensioners have changed over time. Having been stuck around 30 percent below the working-age median for decades, they rose swiftly from about 1990 onwards to reach the median around 2010 and then stabilised at that level. Pensioners are also now much less likely to be in poverty than younger cohorts are. This reflects a gamut of policy decisions that have favoured older people, as well as the consequences of economic stagnation for the rest. It perhaps ranks with the turnaround in the fortunes of the richest in terms of its historic significance. Never before have pensioners had incomes anywhere near those of younger generations. Right through to the 1980s and early 1990s, pensioners were far more likely to be poor than any other group. They are now, in the 2020s, much less likely to be poor than other demographic groups.

Wealth and Opportunity

While many studies of economic inequality focus on income (i.e., the flow of resources into households), wealth is at least as important in determining economic welfare, and arguably more so. It provides security, freedom (including freedom not to work), opportunity to invest

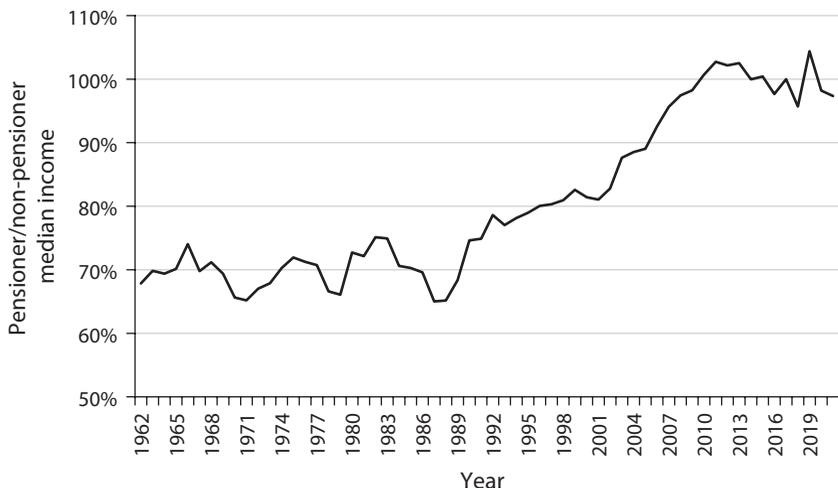


FIGURE 1.3. Median pensioner income as a percentage of median non-pensioner income.

Note: The values are equivalised and are after housing costs.

Sources: Updated and modified version of figure 1 from Cribb et al. (2023a); authors' calculations from the Family Expenditure Survey (Office for National Statistics 2019) and Family Resources Survey (UK Department of Work and Pensions).

(including in one's own education), and the potential to pass something on to one's children. In large enough quantities, it also has the potential to buy political influence.

The distribution of wealth among households results from past actions and economic circumstances. Those who are wealthy today will have earned and saved in the past; they may have benefited from rising asset prices; their wealth might derive from inheritance. This is why we tackle the issue of wealth inequality in chapter 6, where we treat it as an outcome of these previous circumstances and trends. The distribution of wealth in one generation can also, of course, determine distributions in later generations through inheritances.

One of our most important conclusions is that wealth, and its distribution, has become far more important over the last twenty years and more. As incomes at the top grew, more could be saved and more wealth accumulated. Earnings have stagnated while asset prices, and especially

the value of houses, have grown. The combination of post-1980s levels of economic inequality alongside the present dominance of wealth over income is a genuinely new combination in modern history, and it is now being experienced in many high-income countries.

One way of illustrating the growing importance of wealth is simply the observation that there is a lot more of it today, relative to income, than was the case a few decades ago. In 1970, average household wealth was about three times the average annual income in the UK; it is now more than five times as large.¹⁴ This brought to a halt a century-long trend (at least) in the opposite direction. Wealth is also considerably more unequally distributed than is income. On the best evidence, the top 1 percent of wealth holders own 23 percent of total wealth, and the top 10 percent own 55 percent.¹⁵ By contrast, the top 1 percent and top 10 percent of the income distribution account for 15 percent and 42 percent of total income, respectively.¹⁶

In fact, these proportions have not changed enormously in recent decades. So why do we nevertheless think that the distribution of wealth has become so much more important? Part of the reason for this is that while the 99:90 and 90:50 ratios have been stable, concentration within the top 1 percent has grown. The super wealthy have grown wealthier. Perhaps more relevant to the lives of most of us, growing levels of wealth make it harder to earn or save one's way up the wealth distribution; ratios may have stayed the same but, as wealth has grown, absolute gaps have increased. As recently as 2008, the gap between median wealth and the 90th percentile of wealth was ten years' worth of median full-time pre-tax earnings. Just one decade later, that increased to almost sixteen years.¹⁷ This is an important fact. While the distribution of wealth hasn't changed much, the fact that levels of wealth have grown has made wealth inequality much more important and has made equal opportunity and social mobility harder to achieve.

In this way, too, older generations have won out relative to younger generations. It is always the case that older people will hold much of the nation's wealth. The average 25-year-old will have had little chance to save and may well be in debt. By age 65, there will have been plenty of opportunities to save, to buy a house, and so on. This pattern has been

exacerbated more recently by the fact that older generations accumulated their assets before economic stagnation set in, and the values of those assets have been boosted by low interest rates. And as wealth has become more important, so has inheritance. One recent exercise has estimated that people born in the 1980s can, on average, expect to receive inheritances equal to about 16 percent of their own lifetime income (excluding inheritance). For people born just twenty years prior, in the 1960s, this figure was 9 percent.¹⁸

These inheritances are very unequally distributed, and larger inheritances tend to go to those who are themselves higher earners, as there is a significant correlation between how much people earn and the income and wealth of their parents. Indeed, for the most recent generations, lifetime incomes are more closely related to those of their parents than was the case for those born in the 1950s and 1960s. Even before we account for inheritances, social mobility—measured in this way—has declined. Both this decline in social mobility and the increasing importance of inheritances mark yet other reversals of long-term trends. For much of the twentieth century, inheritances were becoming ever less important for determining economic outcomes, and social mobility was rising. Increasingly, those born into families with the advantages of wealth enjoy ever greater advantages themselves in the race of life.

The relative rise of wealth over income is, for the same reasons, a drag on the catch-up of historically disadvantaged groups, such as many ethnic minorities, who do not have familial wealth to fall back on. All ethnic minority groups in the UK have lower average wealth than the White British majority. Mean wealth gaps compared with the White British population range from £100,000 to £400,000, and the gaps remain even after adjusting for the fact that ethnic minorities tend to be younger.¹⁹

As we outline in chapter 3, differences in opportunity are quite definitely not just, or even mostly, about inheritance. Children with better-off parents do better in education and go on to earn more. Inequalities open up extremely early, with children from different backgrounds developing at different rates from birth onwards. Three-year-olds whose parents are in the top fifth of the income distribution are three times as likely to be in the top fifth in terms of cognitive development as their

peers with parental income in the lowest fifth. Similar gaps apply for socio-emotional development. These sorts of differences in early child development appear not to have changed much over the past twenty years. The differences systematically track aspects of the home and family environment, which, naturally, children have no control over. Three-year-olds with those top-quintile parents are almost twice as likely to be read to daily as those with poorer parents and are only an eighth as likely to have a mother who reports high levels of psychological distress.²⁰ Differences, then, grow through childhood as the effects of different environments cumulate.

We know that policy can have effects here, but there are real challenges for government in getting the balance right between intervening in family life to address these inequalities and respecting the rights of parents to bring up their children as they see fit. One particularly fraught example relates to family structure. It would be outrageous to suggest that women should be prevented from having children how and when they wish. But it would also be wrong to deny the extremely close relationship between low income, low education, and living in a poor area, on the one hand, and giving birth when not living with the father of the child, on the other. Children born into these circumstances of poverty and lone parenthood are particularly unlikely to do well in education and beyond. In England, one in five first-born children and one in six of all children are born to such mothers, with the children of low-educated parents being about five times as likely to be born into this family context as the children of highly educated parents. In Knowsley, a poor borough in the North West of England, more than a third of newborns in 2018 did not live with both of their parents; this is five times the rate in the much richer environs of Winchester or Cambridgeshire.²¹ More generally, children from poorer families in poorer areas start at a great disadvantage compared with their richer peers, and the wide geographical differences cascade through the life stages. About 35 percent of children growing up in London go on to get a degree, compared to 19 percent in Grimsby.²² Those who do get degrees are much less likely to be able to find jobs that can fully utilise them if they are not in, or able to move to, London and surrounding areas. Only a minority of

graduates in some poorer areas are in an occupation that actually requires a degree.²³

More Stagnation

A long period of rapid progress in improving health and longevity also appears to have come to a halt. For many decades, massive progress in improving life expectancy on average was accompanied by falling health inequalities. Of course, huge differences remain. As of 2016, women in the least deprived tenth of local areas in England could expect to live nearly eight years longer than women in the most deprived tenth of areas. For men the difference was nearly ten years.²⁴ At age 30, the university-educated are about one-third as likely to report a disability as those without educational qualifications (8 percent versus 24 percent). This gap is equivalent to the impact of at least thirty additional years of ageing. Similarly astounding differences apply to the reporting of pain. We live in a world in which we can talk about socio-economic differences in health as equivalent not merely to years of ageing but to decades.

Recent years have also been marked by a virtual end to a long period of improving health and rising longevity. Even before the COVID-19 pandemic cut 1.3 years from life expectancy in 2020 and exposed sharp disparities in vulnerability by ethnicity and local area deprivation, the long-term growth in life expectancy in the UK had slowed to a crawl during the 2010s. This was happening in other European countries too, but more starkly in the UK than elsewhere. (Scotland did even worse than the rest of the UK, and the US did worse still.) The interruption of progress was not equally spread around the country, with the most deprived areas suffering the most. In some areas, life expectancy actually fell.

One can tell a similar sort of story about political participation—an issue that, alongside wealth and health, we also tackle in chapter 6. Through the nineteenth century, the right to vote was gradually extended from a few men to many men and, eventually, in 1928, to all men and women aged 21 and over. We have now had almost a century of

near-universal suffrage. Nevertheless, actual political participation is far from universal. In the 2019 UK general election, adults with a college degree were about 10 percentage points more likely to cast a vote than other adults.²⁵ And, while much has been made of the “realignment” of political orientations—whereby being better off economically, and especially being more highly educated, is now associated with left-leaning rather than right-leaning views—the traditional divides in levels of voting per se have actually been reinforced, with a retreat from political participation among those with less education or income. Until 2000, the difference in turnout probabilities between the lowest- and highest-income fifths of adults in the UK was no more than 10 percentage points. Since 2010, the gap has been at least double that.²⁶

Looking at political voice and representation more broadly, we again see a big move towards inclusivity over the long term but a more nuanced story in recent times. By the late nineteenth century, Parliament still largely consisted of members of the most aristocratic and wealthy classes. Clement Attlee’s post-war cabinet, by contrast, contained seven people (all men, of course) who had started working life as miners. Since then, the diversification of Parliament along educational lines has continued in one sense: the domination of the old public (private) schools has diminished to such an extent that, in 2025, for the first time ever, all members of the cabinet were educated at state (publicly funded) schools. Some had grown up in very poor households. Yet our elected representatives are much more likely than the population as a whole to be university-educated and to come from professional occupations. Labour MPs are now at least as well educated as Conservative MPs. In the US, 95 percent of members of Congress have a BA degree, compared with only a third of the adult population, and chances for political influence are heavily dependent on one’s resources. For much of the twentieth century, unions were another major route to voice and influence, but they are far less so today, especially in the UK and the US. Recent decades have, though, seen big increases in inclusivity among groups that had previously been almost entirely absent. In 1979, the UK Parliament was still 100 percent White and 97 percent male; in 2024, ethnic minorities comprised 14 percent of MPs and women over

40 percent.²⁷ This is a remarkable change and achievement over a relatively short period.

Where Next?

Had we been writing in the 1970s, we would likely have focused on a long-term trend towards greater equality in income and wealth. We might have been rather concerned about the scale of redistributive taxation, which imposed tax rates of up to 98 percent in the UK. We might have been worried about poverty, but probably not about levels of inequality per se. Had we considered the position of women and ethnic minorities, we would have been struck by the sheer scale of disadvantage that they faced in the labour market and the feeble progress made over preceding decades. Health inequalities were large, and longevity seemed stuck. Actuaries were predicting that life expectancy would actually fall over the coming period. The chances that we would have predicted that the subsequent decade would be entirely different seem remote.

Writing in the early 1990s (as some of us did), our entire focus would have been on the historically extraordinary explosion in income and earnings inequality that marked the 1980s. We would have looked to explain the increase in earnings inequality, the rise in unemployment, and the role of tax and welfare cuts. By the late 2000s, up to the global financial crisis, we would have been revelling in a long period of uninterrupted growth and economic stability. We would have noted that, for nearly three decades, incomes had been growing at a good pace, and for two decades, income inequality had been quite stable—though the very richest had continued to pull away. The welfare state had been continually expanding, and a big increase in the generosity of many parts of the working-age welfare system had benefited many, especially those with children and those in low-paid work. Women had been catching up in the labour market. We would also have noted the remarkable and widespread growth in longevity and in the incomes of pensioners, as well as a growing divide in wealth between the generations, most clearly manifested in rising house prices and falling homeownership among the

young. While recognising the scale of inequality and poverty, we might have been relatively sanguine about a future of continued progress.

All of which is to say that the world, and our perspective on it, changes over time—and that predicting the future is somewhat pointless. The period since the financial crisis of 2008–2009 has, across much of the Western world, and especially in the UK, been one of stagnation. The financial crisis casts a long shadow. It brought to an end a long period of growing prosperity. It caused huge fiscal problems across many countries, leading to cuts in public-service provision and rising taxes. As many, reasonably, see it, it was caused by a group of highly remunerated bankers who did not suffer its consequences—those were felt by the rest of us. Politics has shifted. Many have become sceptical of the benefits of globalisation and open borders, which are increasingly viewed as being the project of a detached political elite.

We are stuck in a period of high, but fairly stable, income inequality. Because we have been stuck for so long, it is increasingly apparent that wealth has become more important and social mobility more constrained. Women's progress in terms of earnings has also stalled, even though they have continued to outperform in education. Within the labour market, job quality has become a central issue and is among the recent threats to full inclusion, as too many jobs fail to provide the meaning, self-respect, and feeling of belonging that are so important. Correlated with the general sense of a lack of progress, large parts of the population are feeling alienated from the political processes and institutions that govern them and that they suspect are no longer working for everyone.

As we will see throughout in what follows, and especially in the final chapter, nothing here is inevitable. Technological progress, globalisation, financial crises, and the like will all have important consequences for our living standards and for who might win and lose, but all of the trends just described have resulted—at least in part—from decisions made, or avoided, by governments. In the UK, economic policies pursued in the 1980s may have been good for growth in the aggregate but—both through leading to the swift demise of many old industries and through changes to the tax and benefit system—they clearly played a

big role in the explosion of income inequality that occurred during that decade. Changes to the benefit system kept income inequality in check during the 2000s, introducing and greatly increasing the minimum wage has had a big effect on earnings inequality over the last quarter century, and the direct tax system has more recently been changed to reduce inequality.

Government also affects inequalities in profound ways through how it spends money on public services. Some of that spending, most notably on education and early years provision, might itself affect income inequality and equality of opportunity. The value of spending on health, local services, schooling, and the like, if translated into monetary terms and allocated to recipients, can dramatically change our view of measured inequality.²⁸ Perhaps especially important is the way such spending treats people as equals—one reason perhaps why affection for the National Health Service is so deeply ingrained in the UK. Changes in the level and distribution of public service spending, and the way in which such spending is administered, have fundamental effects on societal inequalities. And the role of government goes way beyond even this. Competition policy, labour market regulations, policy on housing supply and regulation, trade policies, immigration, financial regulation, and much more besides set the rules of the game, which help determine distributions of outcomes.

All of this serves merely as a taster of the breadth of what is to come. This is not a book that simply describes all these inequalities in granular detail. Such detail is available in the approximately 100 papers that have been prepared as part of the wider evidence review that we draw on. Rather, our aim is to use evidence to help understand whether and why we should be concerned about some of these inequalities, what the processes are that create them, the nature of the connections between them, and how they relate to the big societal challenges of our times. We will not provide a definitive set of answers. Many issues here are contestable. But we aim at least to provide a framework, and evidence, to help think about inequality in light of current challenges.

To ground our task, chapter 2 sets out some of the challenges that the topic of inequality poses, synthesising the insights from philosophy and

from social science that we need to have in mind when making judgments about particular inequalities. In chapter 3, we consider the differences in the starting points that people face in life, what they mean for equality of opportunity, and how and why they have been changing. In chapters 4 and 5, we set out the central role of the world of work in shaping many aspects of people's lives and various changes in how opportunities have been distributed—some of which have been equalising and some disequalising. In chapter 6, we focus on some of the most consequential endpoints of the inequalities discussed in the preceding chapters, with a particular emphasis on health, wealth, and politics. We conclude with chapter 7, which aims to highlight some of the most important takeaways from all this, setting out some key findings and principles for action.

7

Conclusions

LET'S BEGIN THIS concluding chapter by recalling that there really is, in the United Kingdom and across much of the world, a great deal to celebrate. Living standards, while they may have been stagnant in recent years, are far higher than at any previous time in history. In most rich countries, exclusions based on race or gender, or the kind of poverty that prevents everything but the struggle for survival, are largely a thing of the past. In democracies, at least, all adults have the vote and the right to stand for election; many formal barriers to justice have broken down and access to healthcare and education is, broadly speaking, universal; and economic differences between men and women and between different ethnic groups are much smaller than in the past, and there are far fewer formal exclusions from educational opportunities and economic life.

There is a distance to go, but we have moved a considerable way towards creating “a community in which people stand in relations of equality to others,” as Elizabeth Anderson puts it.¹ Achieving this goal does, of course, require much more than avoiding deep poverty, slavery, and the like. It is made harder by very wide dispersions of income or wealth, but as a goal, it is distinct from the goal of narrowing those dispersions. Indeed, much of the concern about material inequalities results from the consequences they can have for equality of opportunity or of respect. These are much harder to achieve in the face of large inequalities of income and wealth. If one ethnic group is much poorer than others, then the risk of exclusion and loss of respect is multiplied.

Material poverty that is deep enough to prevent full participation in society is a moral concern.

There has been progress, but there is unquestionably considerable dissatisfaction with social, political, and economic arrangements. Populism—the pitting of an elite against “the people”—has fed on these concerns. There is a sense of an excessive gap in life experience and attitudes, as much as in income and wealth, between what is sometimes referred to as an educated elite and some others left behind. In the UK, at least, this manifests itself especially in concerns about inequalities between places. While London flourishes, much of the rest of Britain does not. Income growth has stagnated, and wealth has become much more important relative to income, changing especially the relationship between different generations. Stagnation has resulted in a decline in social mobility—no new room at the top—and a zero-sum politics in which gains for some look like losses for others. Life expectancy has also stagnated and health inequalities have widened.

As inequalities change, so our understanding of them needs to follow suit, as does our thinking on what is of concern about them, what drives them, and what we might do about them. People are concerned not just about incomes but about where those incomes come from, the importance of a meaningful job, and a community to belong to. Redistribution is important, but it cannot stand in place of an economy in which good jobs provide decent rewards.

There are fundamental and deep-rooted differences between people in their views about which inequalities matter and what explains them, and hence whether and how they should be tackled. On the one hand, there are those who think of inequalities as being driven primarily by individual actions, effort, and merit. Others emphasise the role of societal context and the varying constraints and barriers that people face as a result of the society they are born into and their place within it.² Perhaps ironically, it seems to be those who have had fewer chances, are from poorer backgrounds, and have lower levels of educational attainment who are more likely to identify differences in individual skills and effort as drivers of inequalities and less likely to “blame” social contexts.

Clearly, both individual choice and social structure matter. Some meeting of minds ought to be possible. The trouble is that positions can quickly become polarised. Disagreements over how the world is—the social scientific facts—and how the world should be—the ethics—tend to coincide.³ On questions of tax policy, those on the right and left of centre tend to differ not only in their assessment of what would, in principle, be fair (moral philosophy) but also in their judgements of the efficiency costs and revenue-raising potential of higher taxes (social scientific questions).⁴ Perceptions of these are shaped by competing world views, including how far effort rather than luck underpins success.

We are not going to be able here to settle centuries of contested philosophy or some of the biggest remaining questions in social science. Nor can we draw up a shopping list of actions or policy prescriptions that will persuade everyone. There are always trade-offs. John Maynard Keynes argued that the political problem of humankind was to reconcile efficiency, social justice, and individual liberty. These are not always compatible. Different people value the three in different ways and hence differ over how much they are willing to trade off one for the other. Politicians and policymakers must recognise not just the trade-offs but also the different beliefs that different people have about the sources of inequalities and how those trade-offs should be made.

The purpose of this concluding chapter, then, is neither to settle all those arguments nor to prescribe a list of specific policies which, if followed, would “solve” the problem of inequality. Rather, what we do here is bring together the most important facts, principles, and challenges, the responses to which should provide a framework for addressing inequalities.

We choose five important principles.

1. Inequality of opportunity—or, more broadly, the processes through which outcomes are generated—and inequality of outcome are inextricably linked. Concern for increasing equality of opportunity does not mean that we can ignore outcomes. The same is true for other process inequalities. However “good” the

process, outcomes still matter. Early years and education are important but cannot—as some imply—solve inequalities either of opportunity or of outcome. These are myths that need exploding.

2. While redistribution through welfare payments has an important role, it is insufficient. People value the capacity to stand on their own two feet; in particular, they care about the status and dignity that come from feeling that they can shape their own destiny. There is a case for managing inequalities in market outcomes, but creating opportunities means also caring about the processes that generate inequality.
3. To the extent that we are concerned about unequal outcomes, we need to design big, macro-economic decision-making with that in mind. We cannot implement policies on trade, immigration, or climate change, for example, without considering their distributional consequences. We cannot rely simply on “mopping them up” after the event.
4. “Fair” market processes can result in extreme inequalities. The Big Tech companies have delivered enormous value, but they have become enormously powerful, both economically and politically. Some spatial inequalities may be the natural consequence of market processes and the fact that firms and individuals can choose where to locate. However, these outcomes can have unpalatable consequences as well as perpetuating inequalities across generations.
5. Growth matters. More pertinently, in the period since around 2007, the historically unprecedented lack of growth in productivity and earnings in the UK, and in many other countries, has not only helped to exacerbate a set of inequalities but has also made existing inequalities harder to bear.

We also choose three major challenges on which policymakers should be focused.

1. Wealth and housing. As we have seen, wealth has become much more important relative to income. Homeownership has

declined, and housing costs are very unequally distributed. Inequality between the generations has grown, and inheritance is becoming ever more important in determining lifetime resources.

2. Geography. Large spatial inequalities pose special challenges. They threaten national cohesion and hamper efforts to increase productivity, which require firms and workers to work together to foster agglomeration benefits. Moreover, such inequalities could increase further without targeted interventions to improve housing and infrastructure in some areas.
3. Health and well-being. Health inequalities are the product of many of the other inequalities in society that we have examined. They have a special status, having direct implications for well-being. These challenges are hard to tackle in themselves but may provide impetus to broader policy action.

We have been selective in describing the five principles above and choosing headings for the three challenges. Other principles, forms of inequality, and challenges are important. But, as we shall see, many of them are subsumed by this broad categorisation. Focusing on these principles and challenges would give policymakers a way to frame policy proposals and to pursue policy platforms that could help meet some of the challenges we face.

We conclude on two different but related notes. First, encompassing all of this is the inescapable fact of trade-offs. Lower taxes, freer markets, and greater globalisation might all be good for growth overall but might increase inequalities. We need to understand as clearly and objectively as possible where those trade-offs lie and the scope for mitigating them with appropriately chosen policies. Second, ignoring the consequences of decisions for inequalities risks undermining the stability of democracy and hence desired progress. Unless broad-based coalitions of citizens have a voice in how we deal with climate change, immigration, trade, and other factors, then the inequalities we have focused on could turn into schisms and threaten our future prosperity in the aggregate.

Five Principles

1. *Inequalities of Opportunity and Outcome Are Inextricably Linked.* Those who profess to be troubled by inequality of opportunity need to care about inequality of outcomes; failure to make this link is simply to avoid some of the most difficult and important issues. It is easy to agree that the lack of equality of opportunity is unfair. Inequalities in outcomes can be much more complex to assess. This is not an excuse for saying only the first matters and that the second is of no importance. Equality of opportunity and equality of outcome do identify genuinely distinct concepts, but they cannot be considered separately.

One cannot judge whether a society is fair, or just, on the basis of the equality of its opportunities without also considering the range of outcomes on offer. We may all have equal opportunities, but if 80 percent of us end up wealthy while 20 percent starve, that would not, in most people's estimation, be acceptable. As Satz and White put it in their article for the IFS Deaton Review: "Whether the prize structure of most current societies—the stakes attached to occupying different social positions—is justified is not something that can be answered by appeal to equality of opportunity."⁵

Furthermore, unequal outcomes and unequal opportunities are connected—more unequal societies tend to have less equality of opportunity. The more unequal a country, the lower the level of social mobility. We have documented the myriad dimensions of this connection, and we will not recapitulate them all here. But, to draw out perhaps the most obvious example: children who are born to successful and wealthy parents will face greater opportunities than those enjoyed by the children of poor parents, regardless of whether their parents began from a position of equal opportunity with each other. Equality of opportunity in one generation leads, via inequality of outcomes, to inequality of opportunity for the next.

This does *not* mean that the strength of the link between family background and opportunities—between unequal outcomes for one generation and unequal opportunities for the next—is immutable. Provision of public services, early years education, the funding of an

effective school system, and much more besides can help. But in the end, there *will* be some link between family background and life chances. It is hard to imagine how it could even be desirable to sever the link entirely. Families are crucial to all of us, and we want parents to promote their children's life chances. History shows us rather starkly that we have yet to invent an alternative sort of system without intolerable infringements on people's liberty and a lot of levelling down rather than up. There is no point denying the links and the trade-offs between the need for some outcome inequalities and the desirability of widespread opportunity.

We may decide not to reduce inequalities in outcomes despite knowing the consequences for the next generation's opportunities, perhaps on incentive grounds or because we believe that to do so would be unfair to those who have worked hard to succeed. But that is quite different, and much more reasonable, than denying or ignoring the connection and hence the likely trade-offs.

There is a natural tendency to focus on education—from the early years through to university—as the key to tackling inequalities of opportunity. There is indeed a strong case for providing more targeted support in the early years, for targeting more resources on poorer children at school, and for reforming and better supporting the further and vocational-education sectors. But these cannot be the only answers. There is a limit to how much can be loaded on to education. Expanding access to higher education can help but can also risk exacerbating inequalities of both opportunity and outcomes. There is evidence that the better off populate the newly created university places, while firms respond by increasing opportunities for graduates and limiting them for others. Schools, in any case, can only do so much to offset inequalities that arise as a result of different home environments. What evidence we have suggests that, given where we are with education provision in most developed countries, additional support within plausible bounds will have only a modest effect on equalising opportunity. Action across a much wider front will be needed by those determined to make a difference.

In any case, even if somehow the education system were able to take in these very unequal children and turn out at the other end young

adults with levels of education that were unrelated to their starting point, that would still not solve everything. Education translates into other outcomes in a way that is constrained by the social context. Graduate wage premia have been sustained in London while the supply of graduates has increased, but not elsewhere, where graduate jobs may simply not exist in the same numbers. In some parts of the country, the majority of graduates are in non-graduate occupations. Ethnic differences in the modern UK labour market are more persistent than we would expect, given the closing of gaps in education; extra education is not translating into jobs and pay to the same extent across ethnic groups. Highly educated women are often the ones whose pay takes the biggest hit when career paths are affected by the arrival of children. Even when two people have exactly the same educational outcomes, on average, the one from the better-off family background still ends up earning more.

Real commitment to more equality of opportunity involves choices that are just as tough as a commitment to greater equality of outcome. There is no easy way out of addressing inequalities more generally.

2. *Income Redistribution Is only a Partial Protector Against Harmful Forms of Inequality.* All modern states engage in substantial and direct redistribution from richer to poorer citizens. Progressive taxes fund benefits for the poor, the sick, and the elderly. There are both empirical and ethical questions about the economic costs of these programmes, the disincentives they can create, and the extent of redistribution that is appropriate. There must, though, be some—substantial—redistribution through the tax and benefits system. The UK is not unusual in having a highly progressive tax system and in spending around 10 percent of its national income in direct payments to a combination of pensioners and the working-age poor, sick, and disabled.

Millions of words have been written about the appropriate structure of such systems, many of them by some of the authors of this book.⁶ Current systems are still far from fair, transparent, and efficient.⁷ Getting those structures right is vital—how could it not be with so much spent? Our point here, though, is a different one. It is that redistribution through providing income top-ups to those who are in greater need is not enough. Income redistribution can only ever be a partial protector

against the actual harms of inequality, because those harms go well beyond the directly financial.

Income matters to people, but it is not the only, or even the most important, contributor to a good life. As discussed at the outset of this chapter and in chapter 2, the quality of social relations—that is, the ability of people to interact with equal status and dignity—is vital. Not only does redistribution not safeguard an individual's status in society, it could even be damaging to it when people are stigmatised for reliance on the state. Redistribution can reinforce feelings of “us and them” and increase relational inequalities. There is a natural human desire to be able to provide for oneself and one's family and not be dependent upon the “charity” of others. It is better to ensure a system that gives people economic opportunities to succeed in the economy and hence avoid the circumstances where they become dependent on state support.

This is one of the great attractions of minimum wages rather than welfare top-ups, though they of course bring their own limits and trade-offs. More generally, it is better to have an economy working in a way that provides as many good jobs as possible rather than an economy with the same distribution of net incomes that relies more heavily on ex post redistribution. Redistribution is, by definition, a post hoc response to events in the market that have left some with less, in material terms, than others. Primarily, the market in question is the jobs market. We know from surveys of workers that they value not only the income they get from work (though they do value that) but also other key features of “good jobs,” such as security, autonomy, the feeling of belonging to a meaningful larger enterprise, and prospects for advancement. Because redistribution is a policy only of income maintenance, independent of the wider character of jobs, it is not able to address these job attributes.

Sometimes, the economic changes that redistribution is attempting to “compensate” for have already imposed wider costs that affect people's lives. They can break up communities and institutions, especially when they lead to widespread job loss in particular areas. These are not the sorts of issues that individual, or household-level, redistribution has any hope of adequately addressing. Jobs offer more

than the earnings they bring. For individuals they provide dignity, esteem, meaning, and hope. They can be the basis of community and of other institutions that help further safeguard or enhance quality of life. The widespread availability of jobs with a set of attributes that workers value is likely to safeguard “relational inequality”—the ability of people to interact as social equals—more reliably than the discretionary handing of cash from those relatively favoured by today’s set of market rewards to those who are not. With all this in mind, it should come as no surprise that those with lower levels of education tend to favour “pre-distribution” rather than redistribution policies.⁸ Redistribution is more favoured by the highly educated, who, for the most part, do not have to live at the sharp end of the harms that inequality actually produces.

We say this in full knowledge of the limits and risks of government intervention in markets. This is not a call for a centrally managed economy or a blank cheque to intervene at every turn. It is, however, a call for recognition of the importance of training, skills, sensible planning policies, and industrial strategies and for recognition that “let the market rip and then clear up” is not always the right strategy.

Similar concerns can also underpin the attraction of a system of social insurance rather than pure redistribution through means-tested benefits. Such a system is based on the recognition of past contributions, whether directly financial contributions through income-related taxes or some other behaviour, such as caring, that society may want to recognise. It involves some idea of reciprocity, of something for something, of building a social contract based on principles of mutual insurance rather than redistribution. The UK has increasingly moved away from the reciprocity that was central to Sir William Beveridge’s conception of the welfare state. This drift was arguably not based on a conscious decision, but at any one moment, greater means-testing and lower payments to those who are not in immediate need look like a more efficient use of state resources. Given where we are in the UK, it is most unlikely that we will be able to recreate a social insurance system, but we should look for ways to increase that sense of reciprocity.

The state doesn't just redistribute through cash benefits. Total spending on public services tends to be three or four times greater than spending on cash transfers and is central to how modern states redistribute. Provision of universal healthcare and schooling not only treats all citizens as equals but also equalises outcomes relative to what they would be in the absence of such public provision. Because they are universal and widely accepted, they play a role quite different to that played by the cash benefit system—they build a sense of shared community, equal treatment, and relational equality. Funded through a progressive tax system, the provision of these services should be seen as basic and fundamental, both to any analysis of inequalities and to appropriate policy responses. Changes to the level and targeting of public services have had major distributional impacts in recent decades, some intended, some not. Focusing only on taxes and cash transfers gives a partial and misleading impression of the impacts of policy.⁹

3. *Economic Policy Needs to Be Made with Inequalities in Mind.* For all the reasons just discussed, inequalities cannot be tackled in isolation or as an add-on to another policy. It is a frustration to those of us who have worked on the economics of inequality for decades that it is often claimed that economists are not interested in inequality. Nothing could be further from the truth. A better criticism might be that considerations of inequality are often absent from consideration of some macro-economic policies. Changes in inflation and interest rates, which have been very evident in recent years, are macro-economic phenomena with profound distributional effects. The bout of inflation suffered by many countries in the early 2020s has affected everyone, but lower-income groups much more than others. Higher energy and food prices hit lower-income households hardest. In the UK, the costs of bringing inflation down through interest rate rises are borne largely by the 30 percent or so of households with mortgage debt. The last period of high inflation in the 1970s led to a period of conflictual industrial relations as workers sought to protect their living standards.

In the 1980s, the UK experienced both rapid growth and increasing inequality as traditional industries declined and new service sectors boomed. The highly skilled, those working in finance and professional

services, scooped the pool. Millions of others were left behind, but the economy as a whole grew apace. Some of that growth created a dividend in the form of spending on public services. But the structural change in the economy had long-lasting consequences for some regions and for cohorts who had been employed in parts of the manufacturing sector and mining. Many felt that their communities had been destroyed, and with them, their dignity and sense of worth. The fact that GDP rose was of scant comfort to the losers. We have discussed at length the distributional consequences of the more recent period of stagnation and the accompanying shift in economic power between generations.

Ignoring the distributional effects of macro-economic change can store up big problems. The disruptive sectoral change of the 1980s still casts a long shadow. The opening of trade with China has been shown to have had devastating effects on the welfare of some communities in the Western world, especially in the United States. Increased free trade has made us better off, on average, but has often had big and concentrated negative effects on individuals and communities when it has resulted in swift economic change and dislocation. Too many ignored those effects for too long, either believing they would be transient or that those who lost out could be compensated. The effects were not transient and those affected were not even generally compensated financially, let alone compensated in the sense of being able to return to the sorts of meaningful jobs that were lost. The resulting discontent played its role, notably in the US, in the embrace of damaging protectionist policies.

We can think of immigration in similar terms. Much immigration into the UK has arguably had positive economic effects. In the period since the early 2000s, immigrants have been largely of working age, making a positive net contribution to the public finances. Compared with immigrants into many other European countries, immigrants to the UK are relatively well educated and are spread across the income distribution, though with more at the bottom, and the very top, than in the middle. Overall, there is little compelling evidence that immigration in the UK has reduced income per head among the resident population.

However, in some areas, the pressures on housing and public services have been substantial. Inward migration flows have, since the mid-2000s, been extremely large by recent historic standards, with considerable geographical concentrations. Some communities view immigration as a source of disruption to a traditional way of life, and in some lower-wage sectors and areas, the cumulative impacts on domestic wage levels of sustained periods of high immigration may not have been trivial. These distributional concerns were not properly factored into policy decisions, nor were they understood by policymakers at the time. As with free trade, these failures may have led not only to hardship for some that could have been avoided but also to the undermining of support for a policy that, if more carefully implemented, could have been seen more as a benefit to all.

The same is true of the big responses that we make to crises or challenges. The plethora of lockdown policies that were imposed during the COVID-19 pandemic had very heterogeneous consequences for different groups when it came to job stability, mental health, and—perhaps as important as any for the long term—education. There is little evidence that these effects were much considered when the measures were implemented, particularly when the timing and severity of lockdowns were being considered. Even the measures passed to combat the sharp rise in energy prices following the invasion of Ukraine were made in haste, in the absence of a framework that paid attention to distribution.

In terms of future challenges, failing to put distribution front and centre in tackling climate change, in making a green transition, will have both political and economic consequences. The imperative for immediate action often seems to leave distributional effects as an afterthought. But whether it is feasible to have a mass switch to electric vehicles or heat pumps as a practical matter cannot be decoupled from whether these can be made affordable to many people. There is also a reasonable fear that job losses will fall disproportionately on lower-income groups, making it harder to build a political consensus for the shift. As with our discussion of the impact of globalisation, there is a risk that this will again be seen as an issue of pure financial compensation, forgetting the

effects on communities. The cost of getting this wrong will be a backlash—a so-called greenlash—against the pursuit of net zero.

The lessons from history are clear: letting change happen in a distribution-blind way and then trying to mop up the consequences is a risky, and potentially damaging, strategy with economic and political consequences. Reversing change, once it has happened, can be very hard and very costly.

There is no denying that building distributional considerations into a wider set of policies will also be hard, and could be very costly if poorly implemented. But in a world of increasingly rapid change and, it seems, frequent crises, if we don't figure out how to integrate inequalities more intelligently into policy, we are likely to keep getting more divided. Perhaps a prior step even to that is to integrate them properly into discourse. Statements such as "X would be in the national interest," with reference only to aggregates such as GDP, can be worse than meaningless to those who might actually be finding themselves worse off.

4. Market Outcomes Can Undermine Market Functioning and Threaten Overall Prosperity. A well-functioning market can be hard to sustain when it creates conditions that will later lead to a poorly functioning market. Innovative firms can create beneficial products and then replace less-innovative firms in an initially healthy process of "creative destruction." But big winners can end up with excessive market power, including, perhaps, the power to influence the rules of the game in a way that directly benefits them, which then hurts us later by stifling competition and innovation. We want the making (innovation) and not the taking (exploitation of market power). The nature of many new technologies is that the value created by the data that firms hold, or the networks that underlie their business models, can make them close to natural monopolists. They have unquestionably delivered huge value, but they may now be hindering economic growth and preventing entry by new competitors while enriching their owners and some of their employees. In the US especially, some of these firms spend huge sums on lobbying, which is a clear indication of how important political and regulatory decisions are to their business models. Policy and regulatory systems have not yet learnt how to deal with this form of economic power.¹⁰

These tech firms are concentrated in the US. Europe and the UK have been vastly less successful in incubating high-performing firms and promoting innovation, which has been a loss to growth. Even without such firms, though, some of the same potential red flashing lights have now been documented: rising market concentration, declining business dynamism, rising and more widely varying mark-ups of price over cost, and low productivity growth.¹¹ The challenge of encouraging the “making” in round one but preventing the “taking” in round two is at the heart of some of the most difficult balances that policy has to strike, in areas such as competition and anti-trust policy, regulation, and intellectual property.

In the UK, concerns about the role of banking, investment management, and financial services—and pervasive market failures in these sectors—have led to big and intrusive regulatory infrastructures. But regulators also need to bear in mind global competition. These industries are not merely creators of inequalities, they are also creators of wealth and big contributors to the public finances.

Extreme spatial inequalities are another example, or consequence, of the way that market forces can play out. We focus on these more below. Suffice to say for now that such inequalities can readily be explained by the agglomeration benefits of having economic activity clustered together in physical space, which makes sense from an economic point of view. But there can come a point at which, if spatial inequality is extreme enough, it can limit opportunities and create visible divisions between different areas. It may also limit sustainable economic growth and prosperity. Such an equilibrium can be very difficult to break. Extreme spatial inequalities should be seen through the same sort of prism as family inequalities leading to lack of social mobility or successful innovation leading to excess market concentration: a market working well and efficiently can eventually end up creating disparities and imbalances that come with social costs. The market can produce outcomes that undermine the conditions required for it to continue working well.

In all these cases, troublesome and damaging inequalities can result from “fair” market processes and from processes that may well have enhanced overall prosperity. The trade-offs and complexities are evident.

We don't want to shut off the flexibilities and incentives that drive the prosperity, but we don't want the socially and economically damaging inequalities that result from unregulated markets, not least because these can hamper future growth and prosperity. These distortions can have consequences that go well beyond inequality itself. The regulatory system and the way we deal with market failures have to be at the centre of any programme for addressing inequalities.

5. *Lack of Growth Can Exacerbate Some Forms of Inequality.* Since the industrial revolution, economic growth has gone hand in hand not only with higher wages and greater prosperity but, sometimes after major political battles, with the creation and expansion of a welfare state, which ensured that the benefits of growth could be widely shared. Growth also created space for many people to aspire to and attain higher incomes and a higher social status than their parents.

Growth in the UK has, since 2008, stagnated to a degree unprecedented in perhaps two centuries. Many other countries have suffered similar, if less dramatic, slowdowns. Earnings in the mid-2020s are little different in real terms to their level in 2007. This period of slow growth has been accompanied by relatively small, but definitely downward, changes in income and earnings inequalities, but it has directly increased other inequalities. In particular, it has tended to increase inequalities between those who had already accumulated assets and those hoping to do so. The period of very low interest rates that persisted right through the 2010s played an important role. In large part, of course, the consequence has been to favour older generations over younger ones. Exactly how this plays out in any given country is contingent on specifics such as the structure of pension systems and housing markets. But slow growth tends to disadvantage younger generations most. This change in intergenerational inequality has been one of the defining characteristics of the last twenty years in the UK. Its roots lie directly in twenty years of poor economic growth.

As growth has slowed, the *source* of (economic) inequality has changed. With little income growth and rising asset prices, wealth has become much more important relative to income. As a direct result, the role of inheritance has increased. A breakdown of economic growth can

threaten social mobility. Family background and inheritance have become more important determinants of lifetime resources. Combine that with the simple fact of lack of growth in living standards, and it is not so hard to imagine why concern with inequality has increased, even when standard measures of income inequality, which do not capture these sorts of phenomena, have fallen.

Sustained growth is also needed to underpin the public spending programmes that help contain inequality. The expansions of various arms of the welfare state over much of the post-war period could not have occurred had national income not been growing strongly. More recently, if the UK's economic boom of the 1990s and early 2000s deserved the label of "inclusive growth" that has on occasion been attached to it, then this is largely because much of the fiscal dividend created by a booming economy was spent by government on public services and expansions of the welfare system. The "growth" was enabling the "inclusive."

Pure financial arithmetic means that there is more money to fund things when growth is strong. But there is a broader issue too. People are more inclined towards "zero-sum" thinking in low-growth environments;¹² that is, feeling like others can succeed only at their expense. This makes inequality-reducing measures hard to push through. As we know from the psychology of loss aversion, people are far more willing to give up some fraction of a gain when incomes are growing than they are to become absolutely worse off, which is what is implied by any tax increase when incomes are not growing. While the austerity of the 2010s clearly involved elements of political choice and priorities, it would never have occurred to the same degree without the collapse in growth and in the public finances since the 2008–2009 financial crisis.

An expanding pie means more money for public spending. It also creates opportunities to spread opportunity. It can reduce the direct influence of entrenched parental wealth on the formation of inequalities. An absence of growth can make existing inequalities harder to bear, increase inequalities between certain groups, and reduce the capacity of the state to tackle inequalities. An inequality agenda cannot afford to go soft on the need for growth, just as a growth agenda needs to pay careful attention to particular forms of inequality that can undermine it.

Three Big Challenges

1. *Inequalities in Housing and Wealth Require More Attention.* As income growth has slowed, asset values have risen, wealth has grown as a fraction of national income, inequalities in wealth have become much more important, and there are other consequences, including for inequality of opportunity. We have shown how a combination of growing levels of wealth and stagnant earnings has led to inheritance becoming a greater element of the lifetime resources of more recent generations and that inheritances are extremely unequally distributed. Combined with, if anything, a closer relationship between the earnings of parents and their children than was the case a generation or two ago, this has meant that the economic positions of parents and their children have become more closely correlated. An increase in the value of overall wealth held by households relative to their income automatically reduces social mobility.

One particular manifestation of wealth inequality is that which exists in the housing market. Housing is not only an important determinant of quality of life but is also one of the main ways in which inequalities cascade down through the generations. Homeownership has fallen precipitously among younger generations, but more among those with poorer parents and whose parents themselves are not homeowners. Among the current generation aged 25–39, the children of homeowners in the UK are more than twice as likely as the children of renters to be homeowners themselves, a gap that has grown over time. They are more likely to receive parental help to buy their home.¹³ This not only creates a financial advantage; homeownership also gives people a stake in their local communities that can enhance their sense of belonging. Liberal philosophers such as John Rawls, as well as leading economists such as James Meade, have stressed the merits of a property-owning democracy where access to assets is part of creating the social basis of self-respect.

The cost of housing matters as well as the fact of ownership. The lowest-income quarter of the population on average spent a fifth of their household income on housing costs (rent or mortgage interest) in 2021 compared with only 6 percent for the richest quarter.¹⁴ In the same year

the relative poverty rate (the fraction of the population with incomes below 60 percent of the median) was 5 percentage points higher when measured on an after-housing-costs basis than when measured ignoring those costs: that's a difference of 3.4 million people. It is the after-housing-costs measure of income that has been shown to be more strongly predictive of material deprivation and food insecurity. How one accounts for housing costs also makes a big difference to how one considers the relative positions of different population groups. Not accounting for housing costs, the relative poverty rate for children in 2019 (23 percent) was only a little above that for people aged 65 and over (20 percent). But accounting for housing costs, the relative child poverty rate was 31 percent compared to only 18 percent for people aged 65 and over. Regional differences are important too. Poverty rates in London look much higher, and average living standards much lower, once housing costs are taken into account.

Young people on middle incomes are now unlikely to become homeowners until well into their thirties or older and are increasingly feeling excluded from opportunities that older generations took for granted. As the old aphorism goes, support for capitalism is at risk in a world in which too many people are unable to accumulate capital. At the other end of the spectrum, extreme levels of wealth are growing, and with them greater levels of both economic and political power and influence. Addressing inequalities in opportunity, power, and outcomes will mean addressing inequalities in wealth and, especially, in housing. In the UK, both our planning system and the way in which housing is taxed exacerbate the problems rather than, as they could, ameliorating them.

In the long run, it is likely that real liberalisation of the planning system, allowing many more houses to be built, will be one of the most effective ways of spreading homeownership and a better quality of life. The failure over decades to do this is as clear an example as one could ask of the effective exercise of power by those who stand to lose something—a view, a quiet road, a little value off their own property—to the detriment of a wider group, potential homeowners, who would benefit from more housing. We also know that the British system of taxation of housing is staggeringly damaging. The annual property tax, Council

Tax, is regressive. The increasingly big tax charged on the buyers of property, Stamp Duty, gums up the whole housing market. In either case, the big losers are those wanting to get on to the property ladder and younger families with children wanting to trade up. Addressing problems with housing markets will promote both growth and equity.

2. *Big Spatial Inequalities Pose a Special Challenge.* Extreme spatial differences within countries deserve a special place in the list of problematic inequalities. They have a close connection *both* to the potential for overall growth *and* to the sorts of inequalities, in opportunity and respect, that are of most fundamental concern. The area in which you live shapes your chances in education and work and—through community, services, amenities, and the quality of your environment—affects your wider life experience. Perhaps this is why the public tend to put geographical inequalities high up the list of objects of concern.¹⁵ As we have seen, very large geographical differences may also themselves be symptoms of market dysfunction and can create problems of relational inequality and lack of solidarity across a nation and make it much harder to secure widespread opportunity and prosperity.

Geography is a constraint because so many things need to come together in order for people to realise their potential: a good education, productive employers who can make use of that education, co-workers with skills who will attract the productive firms, transport and other infrastructure, and access to finance, to name but a few. If these things are not co-located in physical space, then it is very hard for them to be reliably brought together. Geography then becomes a kind of bottleneck, a constraint that limits the power of all sorts of other attempts to widen opportunity or increase overall prosperity. Fully reaping the benefits of education, for example, requires being in the sort of job—and working in the sort of environment—that will use, develop, and reward the education that you have accumulated. If, as in the UK's case, there are limited opportunities outside of one corner of the country, then geography is a limiting factor on the impact of increasing education. Given that not everyone is willing or able to move, opportunity is not spread. Social mobility is constrained and is lower outside of London than in London.

In London, thirty years of increases in the number of graduates has been absorbed with ease. The number of graduate jobs has increased in lockstep with the supply of graduates, and the wage returns from higher education have held up, as the agglomeration benefits of having this increasingly dense high-skilled population have taken hold. In much of the rest of the country, by contrast, we see a rising proportion of graduates in non-graduate occupations¹⁶ and falling payoffs to higher education.¹⁷ Across the country, there has been an increase of employment in low-paid personal service occupations, distribution, construction, and solo self-employment.

Those graduates who do move to London to find good jobs well matched to their skills are themselves disproportionately from better-off family backgrounds in the first place.¹⁸ To the extent that housing costs are a barrier preventing those from modest backgrounds moving to thriving areas, the UK probably has a bigger issue than most, given an inflexible housing supply and hence very large spatial differences in housing costs, which closely track differences in job opportunities. As housing supply fails to grow in the most prosperous areas, the distribution of wealth is distorted towards those who are lucky enough to be holders of housing assets in places where supply cannot expand. Extreme spatial disparities are at the core of an aggregate productivity and prosperity problem, and they threaten social mobility and equality of opportunity.

It is not that any spatial inequality is inherently undesirable. On the contrary, a significant amount of spatial clustering of activity is to be expected. It fosters high levels of aggregate productivity in clusters of excellence. This enhances productivity and provides people with greater opportunities to further their careers and to live in thriving places. Improving an area's trajectory requires the sort of agglomeration effects through which good firms, which create good jobs, attract workers of all skill levels to the area; this in turn keeps the good firms coming. Those effects, by definition, occur when things cluster together—they directly imply some geographical concentration of activity. To ignore or resist that fact is a recipe for failure; it rejects the central mechanism by which the fortunes of any area can be turned around. A world

without any agglomeration effects would be a prime example of “leveling down.” In the modern-day UK, the benefits of agglomeration are too focused on one corner of the country. We need to promote such effects around other major cities. Note that is not the same as a prescription suggesting an equal focus on everywhere.

There is a further, governance, challenge posed by regional inequalities. Economic decisions in England are highly centralised. “The governance system of the UK is amongst the most centralized, top-down and space-blind in the industrialized world.”¹⁹ This is almost certainly a contributory factor to the sorts of regional inequalities we observe. Additional devolution to city regions and the mayoral authorities, which are beginning to find their feet, is likely a (long-term) part of the response to geographical inequalities. It needs to be carefully done. If fiscal powers are handed down to the local level in a world of spatial inequality, then this can exacerbate inequality if richer communities have access to more resources. But retaining powers centrally disempowers local decisionmakers. Regional mayors lack real powers and resources. They can face obstruction from lower tiers of government, and Whitehall remains reluctant to let go, fearing lack of capacity and accountability in local government. Devolution will require appropriate incentives for growth and must certainly avoid the danger that current residents of the most economically successful areas block further development to their own advantage but to the detriment of the wider economy, possible inward migrants, and future generations. The evidence that an overly centralised state holds back growth and, in the long run, increases regional inequalities is becoming increasingly compelling.

3. *Health Inequalities Can Be the Canary in the Coal Mine.* Inequalities in health and in life expectancy are not only big and pervasive but, we would argue, qualitatively different from other forms of inequality. They are often the end result of inequalities in upbringing, opportunity, local environment, respect, and economic success. Systematic differences in longevity, in healthy life expectancy, and in mental health are all evidence that social and economic inequalities affect our well-being and even the way in which our bodies function. The pathways between economic inequalities and health inequalities are long and complex, but

perhaps it is in narrowing inequalities in health and longevity that we will know whether we have been successful overall in narrowing those inequalities that really matter.

Early death is concrete evidence of the damage that underlying inequalities have wrought. So-called deaths of despair—early death as a result of drugs, drink, or suicide—are merely extreme examples.²⁰ They can result from the sort of hopelessness brought on by extreme poverty, lack of opportunity, and the collapse of local communities, and they have been on the rise in the UK. But we are talking here about much wider issues. As we have seen, each step up the economic or social ladder is associated with a longer and healthier life. Even at older ages, health is significantly determined by childhood experiences and the sorts of long-term stressors to which the poorer and less economically successful are more likely to have been exposed. It is harder to live a long and healthy life if you are poorer. In the UK, at least, these differences are not, largely, down to differential access to *healthcare*. They reflect far more fundamental inequalities, reflected, for example, in big differences between areas.

As Michael Marmot, among others, has expressed so eloquently, inequalities in health and longevity are the end result of a lifetime of inequalities.²¹ This is why the policy recommendations in much of the health inequality literature often look so all-encompassing in the way they span much of economic and social policy. One does not have to accept all of that to acknowledge the special place of health inequalities, their importance in understanding the overall level and consequences of inequalities more generally, and hence their use as a measure of the overall impact of other inequalities within a society.

Finding a Way Forward

Finding a way forward, and particularly any kind of consensus, is not going to be straightforward. But there is a common core of concern highlighted in this book that should provide a basis for progress. On the one hand, those who favour free-market solutions should be able to see that failing to address at least some market inequalities will result in

support for a market economy being weakened as citizens seek alternatives. We have seen the problematic political consequences when the concentrated negative effects of, for example, free trade and relatively open borders are left unaddressed. More broadly, the process of market competition can result in excessive concentrations of market power or regional inequalities so severe that they themselves can limit overall growth and prosperity. Great concentrations of wealth, which may come about through market processes, can reach levels that undermine democratic institutions and respect for democracy.

Those from either side of politics who look to the welfare system to undo inequalities need to recognise that there are limits to what it can achieve. There are the usual limits created by issues of costs and incentives to work or work more. But the limits are more fundamental than that. Those on the receiving end do not, on the whole, see receipt of cash transfers as adequate compensation for lack of meaningful work, nor as a mark of respect. Often, quite the reverse.

Excessive state intervention in the market, on the other hand, can undermine the growth that is needed to ensure that other forms of inequality do not take hold. Power exercised by the state is not necessarily exercised in a fair or disinterested way. The answer to concerns about markets, free trade, and immigration cannot be to lose the undoubted benefits that they bring. Strong economic growth is required to provide the resources that are needed for an effective welfare state, to ensure a fair distribution of wealth and power between the generations, and to support social mobility. The nearly two decades of feeble economic growth experienced since the financial crisis have entrenched inequalities and stoked political discontent. Far from turning around the fortunes of left-leaning mainstream political parties, the period since the financial crisis has seen a fragmentation around nationalism, the environment, and other identity issues supplanting the traditional left/right divide. This has tended to fragment coalitions that see redistribution as a core concern. In part, this is because it has proven hard to identify a mainstream policy approach built around clearly articulated priorities.

We have stressed throughout that inequalities come in many forms and are pervasive. It is not surprising then that in analysing them we

have strayed far and wide. Health, wealth, education, housing, geography—all these matter at least as much as income. It is not just our labour market or tax and benefit system that determine how resources are distributed but our politics and governance, macro-economic policies, public services, regulation, and much else besides. Asking questions about the distribution of income, in isolation, simply does not go far enough. To discuss inequalities is, or should be, to discuss the whole shape of our society and the big choices we need to make.

Throughout this book we have tried to move the conversation on, to look at why we might be concerned about inequalities, about the role of education and social mobility, and about the centrality of the labour market, how it works, and how it relates to geography. We have shown how prior inequalities create the inequalities in wealth, health, and political power that we currently observe. And in this final chapter, we have tried to provide a framework for action by setting out a series of principles and challenges. We have quite deliberately not created a shopping list of specific policy recommendations. We need to start with the creation of some form of deeper consensus over what matters and how to make the trade-offs. Anyone can come up with suggestions to tax the rich or give greater benefits to the poor. Equally, anyone can construct persuasive arguments against such policies. We are not lacking for policy ideas in these areas. We are lacking a much more fundamental sense of direction and consensus over what matters, what the effects of different policies would be, and what trade-offs we want to make.

In the past, consensus has developed around tackling forms of inequality, which has led to, for example, the extension of the franchise and creation of the National Health Service or, more recently, the introduction of the equal pay act and the legalisation of gay marriage. We have highlighted the need for a relentless focus on economic growth as a prerequisite for effective action. Without it, privilege becomes embedded and inherited, wealth more important, and poverty harder to deal with. Equality of opportunity becomes a more distant dream. Without growth, it becomes harder to respond to the challenges of immigration, population ageing, AI, and climate change. Responding to each of these

also means building into policy a focus on mitigating the impacts on inequalities from the get-go. Not doing so will doom us either to failure or to political strife. One of the great failures of recent decades has been to treat distribution as an afterthought and inequalities as something that can be mopped up *ex post*—they are much more fundamental than that.

This is not all about state action. As Robert Putnam reminds us in his book on making democracy work, strong polities are built on strong communities.²² This means all citizens taking responsibility for the kind of society that we live in rather than delegating everything to elected representatives and public officials. Employers are also important guardians of community because, for many people, the workplace is second only to the household as a source of social interaction and support. In that context, extending the capacity of workers to play a role in the governance of their workplaces may need more attention. Another urgent question is whether our democracy, which asks only for the occasional trip to the ballot box, is also in need of refreshing. Political equality is a value in its own right, but it is also instrumentally important. A national debate about inequalities that is the preserve of an educated and privileged political elite would look like self-parody.

The differences between the attitudes of those with and without higher education have perhaps never been so stark. This attitudinal polarisation is a challenge to cohesion in itself. The fracturing of voters dispersing away from the traditional mainstream and towards newer political parties, on the populist right and left, is both a reflection of the failure of that mainstream to deliver acceptable outcomes, not least economic growth, and of opinions polarising between young and old, those with more or less education, and those from different areas.

Some kinds of inequalities will always matter. They become of greater importance when the drivers of inequality are not seen to be procedurally fair and when opportunities are limited. When they lead to concentration of political power and democratic dysfunction, and when relations of equal respect between people and communities are lost, these inequalities can become of overwhelming importance. Understanding that, getting some agreement on the fundamentals, and reaching some consensus on the response are now urgent priorities.

This book has documented the intricate way in which inequalities develop through birth, family, location, education, community, work, health, and death. From early childhood, through the role of family and community, to the central place of good jobs, identity, and health, through to later life and links across generations, we have unpicked the concerns, causes, and consequences of challenging inequalities. We have shown how inequalities in wealth and housing have become increasingly important, how the advent of large spatial inequalities has become especially salient, and how health inequalities have proven hard to address yet feature so highly in people's well-being.

Designing policy to address these challenges will not be easy and will not be achieved through piecemeal reform. The need for solutions that move beyond simplistic headline remedies is imperative. Five principles stand out from our work. Inequality of opportunity alone is not enough. Redistribution through tax and welfare is likewise insufficient. Big "macro" policies cannot afford to ignore inequality. A "fair" market process left to its own devices can still result in extreme inequalities. Growth does not guarantee reduced inequality, but it is a prerequisite for effective progress. Our hope is that these principles, and the detailed analyses that underpin them, can reset the discussion of inequalities and build a consensus for lasting reform.

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