

# The Telegraph

## Viewing all challenges through an inequality lens distorts focus on the big issues

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To a man with a hammer, everything looks like a nail. To a political leader who believes in equality of economic outcomes, differences between groups look like injustices.

Jeremy Corbyn has made reducing disparities a central goal of his political programme. Whether thinking about gender outcomes, income inequality, or regional divides, he sees a world not conforming to his priors as automatically unjust.

For him, there's no room for positive explanations for differences in economic outcomes, such as free choice, hard work, or welfare-enhancing entrepreneurship. No, as the Pope once claimed, inequality is an "evil" that must be stamped out. In fact, economic inequality is the egalitarian Left's explanation for most social and economic ills that afflict us, including our current political turmoil.

Such a world view has never had much truck with the public. Yet usually careful analysts and journalists are increasingly suspending their critical faculties in the allure of this monocausal thinking. Starting with Richard Wilkinson and Kate Pickett's book *The Spirit Level* and pushed on by Thomas Piketty's bestselling tome *Capital In The Twenty-First Century*, it's now common to hear or read that, left unchecked, inequalities threaten slower growth, health crises and the future of capitalism and democracy.

It's in this context that to great fanfare, the Institute for Fiscal Studies launched a major inequality review this week, chaired by economic Nobel Prize winner Angus Deaton. They promise us "a comprehensive understanding of inequalities" covering "living standards, health, political participation and opportunity, not just between the rich and poor but by gender, ethnicity, geography and education too".

Its first paper provides interesting data on all these issues, but is at pains to point out that the trends analysed need not be thought problematic. Indeed, a key aim of the project is disentangling which inequalities we worry about, which we should worry about, and which are benign.

Yet reading the report, something struck me. The most concerning trends are nothing to do with inequality, and should occupy us regardless of which groups they affect. Meanwhile, the issues about economic inequalities are often the least worrying.

In shoehorning together disparate issues under an umbrella "Inequality Review", the IFS therefore risks faulty interpretation of their work's message – with people claiming economic inequality causes the bad outcomes they highlight and over-dramatising what policy should do to correct them.

Some media reporting and political reaction to the paper shows these fears are justified.

Take mortality rates. The IFS noted that among the middle-aged (45 to 54-year-olds), death rates have risen for both men and women since the early 2010s following previous continuous improvement. This recent trend has been driven in part by higher “deaths of despair” – suicides, overdose and alcohol-related liver disease – combined with a plateau in previously falling death rates from cancer and heart disease.

This is obviously deeply concerning. But there is no evidence for the conclusion of the BBC that “Inequality [is] driving ‘deaths of despair’” – not least because most measures of UK economic inequality, other than the top 1pc income share, have plateaued for 25 years. More fundamentally, the loss of human life in middle-age would be a tragedy worth addressing irrespective of whether death rates were unevenly distributed across regions, genders, income or educational attainment levels.

The IFS team also shows the home ownership rate for 25 to 34-year-olds collapsed from 55pc in 1997 to 35pc in 2017. But presenting that as an intergenerational inequality rather than a housing market dysfunction risks the perception that previous generations’ good fortunes are responsible for current difficulties. That might see calls for a “levelling” through, say, laws against multiple-home ownership, rather than the first-best solution of changing land-use laws to make housing supply more responsive to demand for all.

In other words, I’ve a similar fear from all this to that expressed by the former financial secretary to Hong Kong, John Cowperthwaite. He refused to measure the island’s GDP, warning that once you track something, politicians try to manage it. Framing and measuring inequalities rather than assessing the efficacy of individual markets can likewise lead to a focus on reducing gaps rather than dealing with the underlying problem in ways that improves outcomes for all.

We already see this with the way Corbyn talks of income and wealth inequality. He infers both are “bad” per se, with little analysis given to what has caused the shape of a distribution. When talking of the top 1pc of chief executives, he doesn’t distinguish entrepreneurial activity, which might raise inequality, from getting wealth unjustly from rent-seeking. Perhaps if he did, he’d realise that eliminating cronyism is desirable whatever its effects on the income distribution.

Motivated reasoning on economic inequality comes thick and fast in UK debates these days too. Despite the flatlining in most UK measures for a quarter of a century, commentators assert with very weak evidence that income disparities have caused more contemporary phenomena, such as the financial crisis, mental health trends and even Brexit.

This spreading belief in the all-powerful inequality explanation is probably an American import. But even data-driven journalists and commentators with strong statistical groundings genuflect to the conventional wisdom. The original BBC online headline to this report was itself entitled “Inequality threatens democracy”. This was an assertion for which no evidence was presented in the article or the IFS paper.

Therein lies the difficulty. If the Deaton review tackles these issues with the nuance, context and analytical reasoning they deserve, it could be a groundbreaking project. My fear is that its framing will prove catnip to those such as Corbyn with monocausal faith that inequality is the font of all ills, distracting us from important economic and social challenges and the best solutions.

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