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# The scientific case against inequality

Review of *The Spirit Level*

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who horde it. In 2004 the mean income in the US was \$60,528<sup>12</sup>, this is about 40% larger than the median income<sup>13</sup>. A 40% increase in income to most Americans would, according to this study, lead to a very substantial improvement in emotional well-being. This is without even accounting for the fact that there are even greater disparities in wealth than there are in income.

## CONCLUSION

Many of these ideas have been folklore among socialists for over a century. Of course, folklore is not a sufficient basis for a fair and egalitarian society. However, it appears that the intuition behind this folklore stands up to scientific scrutiny, while the widely expressed myths of the usefulness of inequality do not. None of these investigations will ensure that we can construct a society that is at once focused on improving the conditions of humanity and based on a very realist, scientific and rational approach to the problems of humanity. However, they do lend powerful evidence that such a world is possible.

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Title: *The Spirit Level: Why more equal societies almost always do better*

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Available online from

PENGUIN.CO.UK Cost £9.99

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<sup>12</sup> "US Census Bureau news release in regards to median income".

<sup>13</sup> "US Census Bureau, mean household income".

Sam Glucksberg performed a similar experiment testing the ability to solve cognitive tasks on adults with monetary incentives. He found that, again, the extrinsic rewards actually diminish the capacity to solve the problem. Since that time the effect has become very well established<sup>9</sup>. So what serves as intrinsic motivation? As it turns out non-tangible rewards, such as verbal praise, do not appear to undermine intrinsic motivation, but can act to reinforce it<sup>10</sup>.

If monetary incentives do not increase the ability to solve complicated problems then the question must be asked: why is that they we are paying huge amounts of money to CEOs, bankers and others who are supposed to be dealing with the complex problems of organising society?

## HAPPINESS

The connection between material wealth and well being has been the subject of argument for a long time. It has often been claimed that material wealth does not lead to happiness. Daniel Kahneman and Angus Deaton performed a study of 450,000 responses to the Gallup-Health- ways Well-Being Index<sup>11</sup>. Their finding was that, indeed money does improve self reported emotional well being up to an annual income of approximately \$75,000.

Not only is inequality depriving a substantial number of people of emotional well-being, it is also of no benefit to the rich

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<sup>9</sup> Pink, Daniel H., Drive: The Surprising Truth About What Motivates Us. Riverhead (December 29, 2009)

<sup>10</sup> Deci, E., Koestner, R., & Ryan, R.(1999). A meta-analytic review of experiments examining the effects of extrinsic rewards on intrinsic motivation. Psychological Bulletin, 125, 627–688.

<sup>11</sup> Kahneman, Daniel and Deaton, Angus (2010), High income improves evaluation of life but not emotional well-being. Proceedings of the National Academy of Sciences, vol. 107 no. 38.

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little more than a farce when policy is driven by the tyranny of the dollar and the only function of elections is to provide a veneer of respectability. A properly functioning democracy requires a substantially more even distribution of resources.

## MOTIVATION

Those who claim the need for inequality often claim that without the material incentives given by unbounded income possibility, people would cease working harder when they reached the top. In addition those who are at the very bottom wouldn't bother working at all if they weren't in permanent threat of poverty.

This wisdom is indeed widely accepted, but does it stand up to systematic investigation? Dan Pink wrote a popular survey of literature on the subject of motivation entitled *Drive*<sup>7</sup>. He shows that a large body of research over the course of many decades has shown that material incentives often do not result in improvements in performance. Indeed, in a large number of cases they have the opposite effect. The tendency for an outside incentive to reduce the capacity to solve a problem is known as the over justification effect. Perhaps the earliest demonstration of the effect was with children in the 3–5 year old range who were offered a ribbon for drawing with felt-tipped pens. A second group was given an unexpected reward of a ribbon. A third group was a control group and was given no reward. Later, in a free-play setting the children who had been given a reward for the pens were less likely to play with the pens further<sup>8</sup>. The most widely accepted conclusion is that expected rewards undermine intrinsic motivation.

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<sup>7</sup> Pink, Daniel H., *Drive: The Surprising Truth About What Motivates Us*. Riverhead (December 29, 2009)

<sup>8</sup> Lepper, M.R., Greene, D., & Nisbett, R.E. (1973). Undermining children's intrinsic interest with extrinsic reward: A test of the "overjustification" hypothesis. *Journal of Personality and Social Psychology*, 28, 129–137.

## CORROSION OF DEMOCRACY

It has been known since the time of the Athenian city-state that large accumulations of wealth can have corrosive effects on democracy. Indeed this underlies the reasoning behind having a system of lots for many official positions, so as to avoid the influence that would-be oligarchs could have on the society<sup>4</sup>.

The ever increasing inequality in the UK and the US has led to an erosion of what democratic principles existed. Thomas Ferguson undertook to study the impact of money on elections in the US in his book “Golden Rule”<sup>5</sup>. In his investigations he found that in 9 out of 10 US elections, the outcome could be predicted by campaign spending. Of course the impact of campaign contributions would be much less of a problem in a system in which individuals were much closer to material equality. The extraordinary inequality present in the US and UK means that a very few people will have tremendous influence on who gets elected.

While this means that those politicians who are most favourable to moneyed interests are much more likely to be elected, it does not necessarily prove that the money turns into policy decisions. Figueroa Edwards’ investigation into this question showed a very strong correlation between money and policy decision. The study evaluates regulation with regards to telecommunications companies<sup>6</sup>. In his research he found a strong correlation between campaign contributions by telecom companies and favourable policy decisions made in proportion to the contributions given. Democracy becomes

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<sup>4</sup> The Democratic Experiment, Paul Cartledge

<sup>5</sup> Thomas Ferguson, Golden Rule: The Investment Theory of Party Competition and the Logic of Money-Driven Politics. University Of Chicago Press; 1 edition (June 15, 1995)

<sup>6</sup> de Figueiredo, Rui J.P. Jr., & Edwards, Geoff. (2005). Does Private Money Buy Public Policy? Campaign Contributions and Regulatory Outcomes in Telecommunications. UC Berkeley: Institute of Governmental Studies.

We all want a better world, but is it possible? The recently published book *The Spirit Level* joins a growing body of evidence for the viability of a better world.

## SCIENCE FOR A FAIRER SOCIETY

Since very early times, humans have wondered about how best to live together. What we now call political philosophy began millenia ago. There have been many schools of political philosophy, many of which have given tacit support and justification to the present social order. This type have always been popular with rulers, the nobility and the rich and so have enjoyed a great deal of financial, and even legal support. However, there are also those who have sought to question whether the status quo is indeed the best manner in which humans might live together.

In 300 CE Bao Jingyan wrote a treatise entitled “*Neither Lord Nor Subject*”<sup>1</sup>. “As soon as the relationship between lord and subject is established, hearts become daily more filled with evil designs, until the manacled criminals sullenly doing forced labour in the mud and the dust are full of mutinous thoughts, the Sovereign trembles with anxious fear in his ancestral temple, and the people simmer with revolt in the midst of their poverty and distress; and to try to stop them revolting by means of rules and regulations, or control them by means of penalties and punishments, is like trying to dam a river in full flood with a handful of earth, or keeping the torrents of water back with one finger.”

This idea that our social structure itself is responsible for many of the conflicts that we experience has enjoyed resurgence periodically throughout history. Indeed, people are still

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<sup>1</sup> Anarchism: a documentary history of libertarian ideas, volume one, From anarchy to anarchism (300–1939) edited by Robert Graham. KSL: Bulletin of the Kate Sharpley Library (Kate Sharpley Library) (46- 47). July 2006.

investigating these questions. Science has provided us with powerful tools which allow us to systematically investigate phenomena in the natural world. Psychology and Sociology have turned these tools towards the investigation of ourselves and how we relate to each other. We are now in a better position to investigate these question than at any time in history.

## QUALITY AND A HEALTHY SOCIETY

Equality has been an important feature of political thought in Europe since the Enlightenment period and gained widespread popularity during and after the French revolution.

The republican revolutions of Europe removed the greater portion of the systems of nobility and privilege that separate people into various distinct legal classes. Feudalism is largely a thing of the past, and has been replaced with legal equality. Over the course of the 20<sup>th</sup> century, legal equality has been extended to include nearly everyone (though citizenship is still restricted on grounds of foreign birth or sometimes even more restrictive rules about origin). However, there are still large material inequalities. In fact, income and wealth inequality in the US and UK has been on the rise for the last three decades.

But why should we care? Is inequality something we should worry about, or is it a good thing? Brian Griffiths, former adviser to Margaret Thatcher and an adviser for Goldman Sachs, opined at a panel discussion in 2009 that, "*We have to tolerate the inequality as a way to achieve greater prosperity and opportunity for all*".<sup>2</sup> This is a bold thesis, and one which does not stand up to scrutiny. Recently, Richard Wilkinson and Kate Pickett

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<sup>2</sup> Caroline Binham, "Goldman Sachs's Griffiths Says Inequality Helps All". Bloomberg, October 21, 2009.

have gained some notoriety for their book, *The Spirit Level*<sup>3</sup> detailing their investigations into the impact of inequality.

Their findings come as a fairly staggering indictment of the above statement; increasing equality actually leads to huge global benefits. These benefits are so widespread that even some of the richest people in society gain from the increase in equality. Based on the strength of the correlations between equality and improvement in social welfare a decrease of inequality by half in the UK would lead to a huge list of improvements:

- Murder rates would halve
- Mental illness would reduce by two thirds
- Obesity would halve
- Imprisonment would reduce by 80%
- Teen births would reduce by 80%
- Levels of trust would increase by 85%

Although the study has been attacked on the basis that it has derived the correlations by looking at different European countries with different social structures, comparing apples and oranges, the results are so robust that extending the study to look at the various US states in terms of the economic inequality by state showed essentially the same features. It is rare that statistical studies on the scale of society are re-targeted to a new data set this way and retain so much predictive power.

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<sup>3</sup> Richard Wilkinson and Kate Pickett, *The Spirit Level: Why More Equal Societies Almost Always Do Better*. London, Allen Lane, 5 March 2009