A Relational Analysis of Top Incomes and Wealth: economic evaluation, relative (dis)advantage and the service to capital

Working paper 11

Date of publication

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Keywords: top income, evaluation, disadvantage

Link to working paper:
http://eprints.lse.ac.uk/101845/1/Hecht_a_relational_analysis_of_top_incomes_and_wealth_wp11.pdf

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Impressive research in economics has shown that the richest 1 percent in the UK have increased their share of national income since the 1980s. This working paper reports findings of a study which was based on interviews and surveys with 'the 1 percent' in the UK. The author has interviewed 30 participants and talked to them about their views about high incomes in the UK. There were 8 female and 22 male participants. The interview participants were economically advantaged, belonged to the highest occupational social class and many have attained the highest levels of education. Specifically, the vast majority has degree-level education, and many have postgraduate degrees or have been educated at an Oxbridge college or at a London-based Russell Group University. All participants were either employers (n=10), employed (n=15) or self-employed (n=5) in higher managerial and professional occupations in finance or law.

The paper reports three main findings. Firstly, the study found that interviewees talked about high incomes as resulting from market competition and one's individual performance in the market. The market was narrated as a legitimate judge of people's contribution and as distributing rewards meritocratically, based on skill and effort. Money was described as a metric of worth. Here, the evaluative processes of, and within the firms where people work were key. Specifically, participants explained that evaluations of firms, departments, teams and individuals using metrics, rankings and quantitative 'formulas' assess 'contribution'. These evaluations of performance which bring about top incomes, also legitimize them. However, some interviewees also explained that processes of evaluation are influenced by people's gender, class and 'race'. Specifically, these participants argued that white privileged males find it easier than others to demonstrate contribution.

Secondly, the research found that the position from which 'the 1 percent' in the study perceive high incomes, is a peculiar socio-economic position – one of 'relative (dis)advantage'. Participants described being relatively disadvantaged when 'looking up' to others who are richer or have achieved greater economic success than them. This is particularly salient because economic differences at the top are very steep. In many interviews, participants referred to the vast economic inequality within the City of London. They explained that 'high incomes' and 'richness' to them are 'relative'. Specifically, richness was discussed as relative based on comparisons with other rich individuals. While participants were very aware of vast economic inequality around them, they also acknowledged their relative advantage compared to the general population. Importantly, the experience of relative disadvantage when looking up was generally portrayed in a positive light. Participants were keen to stress that they did not begrudge those who are doing better than them (in particular entrepreneurs, who were seen as most deserving). Participants did not bemoan their relative disadvantage compared to those who they saw as more successful. Instead, they considered it as to be a positive driver, a motivator to do better economically. Therefore, economic disadvantage was discussed as something that can be overcome.

Thirdly, the study found that the remuneration of employees and entrepreneurial profit was discussed as legitimate by participants, if it is based on 'performance' and 'making money' for shareholders, clients and investors, i.e. if reward consists of a share of 'value created'. This direct linkage or 'alignment' between the value of labour and increases in the value of capital serves as legitimation of top incomes: those who create value, deserve their rewards. I argue that 'service to capital', i.e. attempting to increase the value of capital for one's clients, investors and shareholders, was described as an inherently moral pursuit by many participants.

However, there were important differences among the sample based on participants' views of the market as an instrument for the evaluation of an individual's worth. A two-thirds majority discussed market outcomes as fair and were generally not concerned about issues of distribution. They explained that they aim to accumulate more to reduce their relative disadvantage. These are 'economic evaluators'. On the other hand, a significant minority of participants questioned evaluative practices based on money as a metric of worth and/or viewed market outcomes as unfair. Participants in this group were concerned about the shares of income and wealth going to the richest 1 percent, explained that these shares should be lower and stressed their relative advantage. They are 'critical evaluators'

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