Insights on Inequality: Danny Dorling's Lecture on 'Inequality and the 1%: What Goes Wrong When the Rich Become Too Rich?'

By Tara Lai Quinlan

Danny Dorling gave a thought-provoking and insightful lecture, *Inequality and the 1%: What Goes Wrong When the Rich Become Too Rich*, to a packed house at LSE's Old Theatre on 7 October 2014. Drawing on findings from his important and thoroughly researched new book, *Inequality and the 1%*, Dorling examined the effects of increasing UK inequality, argued that an 'awful lot' goes wrong when the rich become too rich and heavily concentrated in cities like London. Dorling posited that since 2008's Great Recession, the 1% have only grown richer with a larger gap between the superrich and the other 99%. Dorling observed that in the UK the top 1% comprise the top 15% of nation's total income, which is highly problematic.

Much of Dorling's talk focused on the unprecedented state of inequality and concentration of wealth in London that has hit 'historical peaks'. Dorling's lecture brought to mind the warnings of Saskia Sassen (2001), Doreen Massey (2007) and others in 1990s and 2000s that cities like London were hurtling toward severe and worsening inequality. Dorling provided overwhelming evidence that these fears were warranted.

Dorling pointed out that the concentration of UK wealth in London has had significant implications

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not only for the regulation of financial markets, but also for politics, housing and schools. Dorling warned that the unchecked influence of the 1% is bad for society: 'Society does not operate very well when it treats the top 1% like they can do whatever they want'.

But Dorling was not wholly unsympathetic to the situation of the 1%. Dorling pointed out that the 1% is not a monolith, and noted that there is more inequality within the top 1% than there is in the remaining 99%. Dorling offered sobering statistics that while nearly 500 of the top 1,000 wealthiest UK families live in London, staggeringly just 10 of those families own roughly 25% of all UK wealth. Dorling argued that many within the 1% feel very insecure about their circumstances, noting that 'even the super rich can feel poor'. Dorling asserted that he has yet to meet someone in the bottom of the 1% that says they are doing well, pointing out that many are finding life 'hard' in London. Thus Dorling reminded us that membership in the 1% is not a guarantee of happiness. Dorling optimistically observed that discontent within the 1% could lead to positive changes for the rest of us in the 99%.

Dorling observed that gaining entry into the 1% has changed significantly over time. Dorling noted that entry into the 1% varies by country, with the US and UK among the most difficult to enter. In the UK, gaining access to the 1% requires that a couple earn a combined £160,000 pounds annually.

Household-Income

Thus while traditional occupations like doctors, lawyers and even professors may have once been society's top earners, the top 1% is now heavily comprised of those in the financial sector including bankers and hedge fund managers, as well as chief executive officers, corporate managers and even property owners. A wealth of compelling evidence supports this finding, including the results of the recent Great British Class Survey (Savage et al., 2013).

The wealthy remain attracted to London because the city's inequality has grown significantly over time, meaning their money is increasingly safe here thanks the extremely low rates of taxation even compared to other severely unequal cities like New York. Dorling asserted that the concentration of wealth in London has changed the feel of the city and what constitutes 'normal' wealth. Dorling firmly rejected the notion promulgated by some of 1% and their political allies that the concentration of wealth in London positive because the benefits trickle down for the remaining 99%. In his rebuttal Dorling pointed to data showing that it costs more to get into the UK's top 1% compared to other European countries:

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Of the numerous negative effects of the increased concentration of wealth in London, Dorling pointed to London's stark housing inequality as a particularly troubling example. Dorling observed that much of London's wealth is housing-based, with a staggering 60% of all London wealth generated from housing. Dorling attributed this phenomenon to housing policies that began in the Margaret Thatcher-era, and helped not just the wealth but also Members of Parliament purchase London housing at ridiculously low costs. Dorling estimated that 25% of UK MPs are landlords, and this has led to that the creation of housing policies favouring the interests of landlords over renters.

And UK landlords have increasingly amassed wealth in Britain. Citing 2014 data from Savills and *Financial Times*, Dorling pointed out that since the 2008 Great Recession, landlords have been charging higher rents, which they have channelled into purchasing more property:

Fig2-2_Secondary-School-Spending

Dorling noted that this data shows that the total wealth of landlords in Britain rose by an incredible £245 billion in the last five years. Dorling observed that the extremely high housing costs have particularly negative effects on children. With over 25% of UK households with children now being renters, Dorling argued that parents' perpetual renting creates instability for children, who require solid homes, familiar neighbourhoods and friends to facilitate healthy development.

Despite painting a gloomy picture about the state of inequality in the UK, Dorling is ultimately an optimist who believes changes can occur through both grassroots activism and key policy change. For example, Dorling argued that the UK must implement rent regulations drawn from successful models in the countries including the US and Netherlands. Dorling observed that the UK must abandon the culturally ingrained notion that rent regulation is evil.

Dorling also argued that the UK must stop giving enormous tax breaks to the rich. As inequality has risen the UK has continued to give tax cuts to the rich, which Dorling argued is clearly wrong. Dorling pointed to countries including Switzerland and Germany where the tax rates on the 1% have remained high over the last 40 years. Dorling observed that societies where the 1% are taxed more heavily have much less inequality than the UK. Dorling observed that if increased taxation causes some of the 1% to leave London, this is not at all disastrous, adding that many do not currently live in London full time.

In the end, Dorling argued that major shifts in inequality require catalytic events to get them started. Dorling observed that a second major financial crisis in Europe could be such a precipitating event. Dorling was optimistic that change to the UK's dramatic inequality would eventually come, and it is 'purely a question of time'.

References

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