



# Spatial Economics Research Centre

Thursday, 28 January 2010

## An anatomy of economic inequality

The [report of the National Equality Panel](#) received a lot of coverage over the last couple of days. Aside from the message on overall UK inequality (high and persistent; between group differences matter but within group differences are much larger) it also provides evidence on differences based on region and area deprivation.

On regions, I think the most striking finding concerns the reason why inequality in London is wider than in any other region and the implications of that: "London is by far the most unequal region [because] the highest incomes in London are much higher than in all the other regions apart from the South East, but the lowest incomes in London are little different from elsewhere. [T]his implies that allowing for cost of living differences [...] those with the lowest incomes in London would be shown as poorer than those with low incomes in other regions."

Interestingly, this means that regional policy based on average income will not target the poorest people in England - a nice example of the problem of focusing on places rather than people.

On area deprivation the report points to 'startling differences' between average outcomes. This isn't surprising because there are very strong forces that lead to sorting within regions so that the most deprived end up in certain areas (which then get classed as deprived). The crucial issue remains whether area based policies are a more or less effective way of dealing with these spatial concentrations of deprivation.

Posted by [Prof Henry G. Overman](#) on [Thursday, January 28, 2010](#)

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