

**Crossing Channels**

Interdisciplinary answers to today's challenging questions

A Podcast series hosted by **Rory Cellan-Jones**

Presented by

**Bennett Institute for Public Policy** Cambridge

**Institute for Advanced Study in Toulouse**

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**UNIVERSITÉ TOULOUSE 3 CAPITOLE**

Season 2 - Episode 3

# HOW MUCH DO PEOPLE CARE ABOUT INEQUALITY?

With

**Charlotte Cavallé** (Ford School of Public Policy, University of Michigan and IAST)

**Ailbhe McNabola** (Bennett Institute - Power to Change)

**Jack Shaw** (Bennett Institute)

## How much do people care about inequality?

### SPEAKERS

Charlotte Cavallé (Ford School of Public Policy, University of Michigan and Institute for Advanced Study), Ailbhe McNabola (Bennett Institute for Public Policy - Power to Change) and Jack Shaw (Bennett Institute for Public Policy)

### HOST

Rory Cellan-Jones

### Rory Cellan-Jones 00:00

Hello and welcome to Crossing Channels. How much do people care about inequality? That's the subject of the latest in our podcast collaboration between Cambridge University's Bennett Institute for Public Policy and the Institute for Advanced Study in Toulouse. I'm Rory Cellan-Jones and as ever, we're going to use the interdisciplinary strengths of both institutions to explore a complex challenge. We're looking at trends in inequality, public attitudes towards redistribution, and how so-called 'left behind' regions can be revived through place-based policies. To explore these issues today, we have Charlotte Cavallé from the IAST. Charlotte, remind us of your main research interests.

### Charlotte Cavallé 00:54

Well, actually, there are many, but for the purpose of this podcast, I basically study how citizens think, reason about inequality and redistribution. So I'm happy to be here.

**Rory Cellan-Jones** 01:06

You've got some great insights to share. From the Bennett Institute, we have Ailbhe McNabola and Jack Shaw. Ailbhe, what are your main research interests?

**Ailbhe McNabola** 01:13

I'm working on the concept of social infrastructure. So those spaces and places that enable communities to come together and form bonds. And that's because, as well as working at the Bennett Institute as a researcher, I'm also working for an organisation called Power to Change which works in that space.

**Rory Cellan-Jones** 01:25

Excellent. And Jack, what does your research focus on?

**Jack Shaw** 01:30

Hi, Rory, my work at the Bennett Institute focuses on the concept of civic pride, which seems to cross over inequality and social infrastructure.

**Rory Cellan-Jones** 01:39

Let's start by gathering some evidence. What do we actually know about whether inequality is growing? And what are the trends like in different countries? Charlotte, why don't you kick us off?

**Charlotte Cavallé** 01:50

Yeah, sure. And of course, in order to understand how at least empirically minded folks think about inequality, you need to have in mind the counterfactual, which is an equal world. And so when we're talking about inequality, we're basically interested in how much does the world differ or deviate from an ideal situation where we would all be equal. And so I think the best way to think about this is to think about votes, one person, one vote. So let's say you have a country with 100 people, and they have 100 votes to cast. An unequal situation is when one voter might have two votes, another one might have five votes, other voters have zero votes. So if you replace voters, and votes with citizens, and income, the amount of income produced in a given year, or wealth, the amount of wealth that exists in a given year, the equality is a situation where each person in this polity, each citizen, has a share of this wealth of this income, that is equal to per capita wealth, or per capita income. Inequality is the extent to which the true distribution, how much people have, deviates from that ideal type. And so if you think about it that way, first of all, we're in a very unequal setup. And it's been increasing over time. However, the pattern does vary across countries. So let's talk about market income. So it's whatever economic resources were generated to market activities. And that can be you going to work, but it could be also whatever income your savings that you've put by buying stocks, for instance, have generated in a given year. So over time, in the UK, the inequality in who basically gets a biggest share of that market income has increased over time, it's kind of stopped that increase since the great recession. The US is very different. It's kept growing, even after the great recession.

**Rory Cellan-Jones** 03:39

Ailbhe, you've done a lot of work on regional inequality. What are the trends there?

**Ailbhe McNabola** 03:44

I have been doing work. But also, the UK government's been doing quite a lot of work on this in the Levelling Up White Paper, exploring actually what is happening with inequality in the UK. And the summary is that it is getting worse in that regional sense as well. So Charlotte was speaking about individual inequality between people and how much access they have or how their share of the proportion of income. But also there's a huge disparity in the UK between the richest and poorest places, and between the sort of life chances, levels of health, etc, between places in the UK, and that has been growing over time.

**Rory Cellan-Jones** 04:13

And is that starkly worse than say it was in the 1970s, 1980s. As someone who was reporting on the death of, for instance, the coal industry in the UK and the feeling that manufacturing jobs were disappearing, that seemed to be a pretty stark period, in terms of certainly regional inequality, great swathes of the UK, seeming to be much poorer than, say, the Southeast. Has that trend changed at all over the last 40 odd years?

**Ailbhe McNabola** 04:42

Disappointingly, no, so it has been getting worse. And essentially, we're in a situation where the UK has the highest regional inequality in Europe. And it's often compared to the situation between East and West Germany at the time of German unification, where you had huge disparity within a country, between the richest and poorest areas. So it is quite a stark problem that we are dealing with, yes.

**Rory Cellan-Jones** 05:00

Charlotte, if we look back 40, 50 years, it seems that certainly in the United States, and in Great Britain, there's been a huge change in terms of top and bottom. So chief executives earned a decent multiple of what average workers earn back in the 60s, 70s, 80s. But now they earn an extraordinary, fantastic multiple. Do we know what's driving that?

**Charlotte Cavillé** 05:26

Basically, the nature of capitalism has changed. There was a way to organise production before, that used to make it much harder for a CEO to get away with much bigger wages than the rest of the firm. That has changed. And so there's a long list of possible changes, I'll just mention two that I find interesting. So one of them for instance is, think about the industrial age as the CEO with its workers in the firm. They need each other to be able to produce something, they're in the same company. And so if the workers strike, the CEO is stuck, has got a bunch of machinery that it can't use. And so the bargaining power of labour was

much higher within that kind of industrial structure. If you move to a post-industrial system - where a lot of these industries kind of moved outside and you get a more service-based economy - in this setup, all the white-collar workers at high scale are working the same firm, the labour is no longer so complimentary with the labour of blue-collar workers. They're not in the same firm, they're not even sure how their labours are mixing together to produce an outcome. So the bargaining power of blue-collar workers went down and they were no longer able to extract, to share the profits more equally. And so these white-collar workers up to the CEOs were basically able to set the wages in a way that better served their interests. The other mechanism is the way in which CEOs have become these superstars in these globalised markets where they get courted by different firms across the world. So the marginally better CEO will be courted by a company. And how do you court them? You give them stock options, you give them higher wages.

**Rory Cellan-Jones** 07:02

It's a superstar phenomenon that we see in all sorts of contexts.

**Charlotte Cavallé** 07:07

Exactly the superstar phenomenon. And because these superstars are rewarded through these specific pay packages that reward these short-term profits and short-term increases in the stock prices, which is again, another feature of this kind of new post-1970s form of capitalism, they kind of got the best deal: more bargaining power and a pay that could be easily kind of cashed in and generating these huge salaries.

**Rory Cellan-Jones** 07:31

So here's the trend, we're seeing this big increase in inequality. Why should we - politicians, policymakers, we as voters - why should we care about it? There is a view that it's the sign of a dynamic economy, this sort of superstar phenomenon that we saw, it is just good for everybody. It's what some people call trickle-down economics. Charlotte.

**Charlotte Cavallé** 07:53

There's a whole section within the OECD who are producing research on why inequality is bad, and it's really hard to show. But this is the claim, that actually high inequality feeds back into the economy into the polity in a way that undermines things we care about. So it actually undermines growth in the long run. It undermines political stability, etc. Showing this empirically is really hard. So when I talk to students, for instance, say, from a normative perspective, we are societies that are obsessed with equality. And so the more we deviate from that, the more problematic it is. Why are we obsessed? Because actually capitalism works on its idea that we can all equally stand a chance, have the potential to become CEOs one day. We have to start from some more or less equal baseline in order for this ideal of a capitalist society that's dynamic to work. We care about equality because we're one person one vote polity. We should care just because we are societies who care about equality and deviating from it is problematic. I think of inequality as temperature. When I take your temperature, if your temperature is high, I know something's wrong. Inequality is evidence that something has gone askew in the kind of political economic

system we're in. So at a minimum you need to pay attention to it as evidence that maybe we're not on the right track.

**Rory Cellan-Jones** 09:09

Ailbhe, what does your research show about why it matters?

**Ailbhe McNabola** 09:13

There's economic reasons as well as but very also strong social cohesion reasons to think that we should care about inequality. I mean, your question was around why politicians and policymakers and voters should particularly care. And I think actually, we know that they already do in that this government, you know, was elected on a platform of tackling regional inequality. In this country, levelling up was a big part of the current government's platform and voters still care about that very much. There's obviously been a lot of debate this year about whether or not that is the right policy to be focusing on. But there was a large-scale survey in October of this year. 20,000 people in the UK conducted by UK in a Changing Europe found that the majority of those people did think that it was important to have some redistribution of income from the less well off to the better off areas. So people do care about the places where they live, they care about the pride and place that they have, they care about feeling that everywhere has got it, wherever you are in the UK, you've got a chance. And I do think that's actually something that's resonated quite strongly with voters, and is for that reason, very important for politicians to keep an eye on.

**Rory Cellan-Jones** 10:09

Jack, why does it matter that some parts of a country do better than others? I mean, that's natural, isn't it? You look at Silicon Valley in the United States, it's going to do better than the rest of the United States. And if you try to hobble it, there could be unintended consequences for everyone.

**Jack Shaw** 10:26

Yeah. So I don't think it's about not supporting those regions that are performing well. I think in the UK context, London, the Southeast performed particularly well, in terms of the economic growth that they promote. It is about supporting those regions that have that disadvantage. And I think that's where we need to place our emphasis. And if I can just go back to your question in relation to why politicians should care about this. I think trust is a really important concept as well in this and we see a kind of vicious circle in some ways where a lack of trust makes it harder for them to implement and put forward bold policies and tackling inequality is one of those. And then the failure to do that contributes to a kind of circle of declining trust. And that's a real challenge for politicians. And I think inequality has exacerbated that.

**Rory Cellan-Jones** 11:21

If we are in general agreement, which we seem to be, that it does matter. And it matters a lot. Let's now look at what actually works. What have we seen so far, in terms of redistributive policies? And what is the evidence of what is effective?

**Jack Shaw** 11:35

I think there's a lot of evidence for redistributive policies, they are approaches that governments take to bake that into their policymaking. So if we look at public services in the UK, when the government sets out financial settlements, it makes specific provision available, for example, funding to send to areas that it knows are of high levels of disadvantage at a kind of larger scale. Going back to the example of Germany, we see that their solidarity tax, for example, has allocated, I think, 2 trillion Euros to East Germany over the last three decades to support their economic growth. So there are lots of practices.

**Rory Cellan-Jones** 12:19

Has that worked though? There are still huge inequalities between Eastern and Western Germany, are there not?

**Jack Shaw** 12:25

There are but I think East Germany is held up as a really good example of where that dial has been shifted. But I think some of the challenges associated with redistributive policies are around targeting and measurement in particular. So for example, more recently, in the UK, the government wanted to set out investment zones, for example, they were essentially tax incentives, with some planning liberalisation thrown in. But there was a huge concern that essentially, we're just moving the chess pieces across the country. That this growth is already being created and we essentially are moving that growth rather than creating new growth. So we need to be particularly mindful of that. And then targeting is just generally quite difficult and we lack, for example, the granular level of data that we need, in some cases to make sure that redistributive policies are going to be successful. So while it definitely does work, and can work and has worked in some places, I think there are examples where it hasn't as well.

**Rory Cellan-Jones** 13:27

Ailbhe, looking back in the UK, there's been decades upon decades of different kinds of regional policies, particularly in the sort of post-industrial time in the early 1980s. They haven't worked particularly well, have they?

**Ailbhe McNabola** 13:41

There's been a lot of research looked at. Particularly when you think about regeneration initiatives over the last sort of maybe 20 odd years. Huge sums have been invested in trying to regenerate places, you know, looking after the post-industrial areas, etc. And some of the work looking at that research has shown that actually, what's worked best has been sort of more community-led, or has had the local community really involved. You've, you've had investments into places where it really hasn't stuck. One of the

interesting things about all of this is to think about, going back to what Jack was just saying, how centrally controlled a lot of this thinking is in the UK. That we must have enough granular data to work everything out from the centre and solve all the problems and know all the answers. And actually, there's something about how do we devolve power down to more of a neighbourhood in the community level? How do we actually trust places to make better decisions for themselves about what's needed in a particular place? How can that feasibly all be done from Whitehall? And linking that back to the evidence around some of the regeneration initiatives that worked better, it did show that it was a combination of factors but particularly that local and that really local community, not just buy-in but actual involvement agency in what was happening, made a difference.

**Rory Cellan-Jones** 14:39

I know your research looked at something called 'pride in place' with colleagues at the Bennett Institute. What is that? And why should that matter?

**Jack Shaw** 14:46

The Levelling Up White Paper, as Ailbhe mentioned earlier, was a response to inequality and all sorts of issues over the last couple of years that have metastasised. And as part of that, boosting pride in place was one of those missions. Now, I thought that was a particularly good thing because we've spent some of this period talking about income inequality. And actually, in the Levelling Up White Paper, there's a broader conception of growth that talks about wellbeing, that talks about pride and talks about social capital. And those are things that kind of tangibly mean things on the ground. So in the context of pride in place, it's very simply about why do people care about their local areas? And if they don't, what should we do about it? And what we see in the research report that we carry out is that there is a confusion about what constitutes pride and how that comes about. So very localised interventions. That means having good green spaces, nice high streets, that means having heritage and cultural communities that you can access on the one hand, but then there's a kind of emotional connection to place as well, right. So that's celebrating local histories, that's having agency and ownership in the things that matter to you. Which is connected to the points we've just been raising, right, because we need local communities to have some ability to shape their local areas, and I think that's particularly important. So that's how pride is constituted. It's part physical infrastructure, part emotional connection. Now, we think that's important because we think that's a pro-growth agenda. So creating spaces in local communities can help tackle health inequalities, for example, it can build social capital community cohesion, all of which are conducive to local economic growth. And in the last kind of 10 years or so we've moved away from ideas of growth where the government thought it was responsible for promoting growth at a national level and now recognises that local areas and subnational government is actually pretty good at doing it as well and better because it understands those specific situations in places.

**Rory Cellan-Jones** 17:01

And I want to bring our Ailbhe in on this because I want to slightly challenge this idea that areas where people have huge pride in where they live, are going to be effectively better off. If you look in the UK, there's intense pride in certain regions, which are quite deprived. Not an enormous amount of pride, say in London, which is, you know, in some ways, extraordinarily rich.

**Ailbhe McNabola** 17:23

Yeah, absolutely. I will agree with Jack, though, on this, in that I think his research did pull that out, that there's maybe a somewhat lazy assumption in that Levelling Up White Paper and in some of the discourse that, you know, the more disadvantaged places have suffered from less pride and are generally considered more down at heel. And actually, because the organisation that I work for we support communities to run community businesses in these places, and actually we find extremely strong community pride and agency and people coming together in those places. So I don't think pride is linked to the level of wealth in an area. It's linked to other factors, and Jack will know more about all those factors than I do, but it's certainly not true to say that we don't have community pride in the more disadvantaged places. I think what we lack in the more disadvantaged places is the capacity for that community to come together and do things about that and the question is how we can support them.

**Jack Shaw** 18:08

This is what we see from the government, right? It conflates emotional geographies and economic geographies. So essentially assumes that poor places have deficits in pride. And we challenge that picture in our research. You're absolutely right to point at London. And the reason we do that is because we know that in wellbeing policy, for example, often the places that have high levels of wellbeing, are places that aren't particularly affluent. And likewise, in the context of pride, you know, I think you would struggle to tell a Liverpoolian, for example, that they don't have pride in their local area. We do particularly focus on that. And the reason we do is because the government makes that assumption. And if that's the case, then its interventions, I think, will be misplaced. And we won't end up tackling some of those inequalities that we hope to do so.

**Rory Cellan-Jones** 18:56

Charlotte, I know that your focus is not regional policy, local policy, is there a danger in your view that with that focus by politicians on that area, they can forget the bigger picture, they can let overall inequality go on rising, as long as they keep local politicians happy by a few schemes to build a railway or inject a little bit more development money in?

**Charlotte Cavallé** 19:23

When I hear about place-based redistribution, I guess, what I'm slightly concerned is that, I live in a country where local communities actually have a lot of power to do what they want at the local level. And actually, that increases inequality. The thing with the US is they also have the power to tax themselves, so they can raise their own income to try to do their own little housing plan, try to attract industry by cutting



taxes, etc. And it's a bit of a zero-sum game with all different communities and states competing with each other. And some communities get really left behind by this kind of place-based decentralised process. And so, as I saw this debate developing in the UK, I always wondered, how do you again strike that balance between decentralisation - because local communities know more what's good for them and of course what Paris or London is seeing is very specific - and the realities that when you let local communities people sort, and they just hoard resources for themselves. And so actually, they end up hurting even more some of these communities.

**Rory Cellan-Jones** 20:24

So are you saying that devolution, which is a big theme here, devolving power locally, can have unintended consequences?

**Charlotte Cavallé** 20:31

Yes, it can. I mean, it's been documented more in kind of after World War Two so I don't know if the recent data supports that. But there's an egalitarian component to centralisation. So education, for instance, education policies, is very well known for that. To some extent, when the centralised government just decides on what the programmes are and who's going to get how much money and can actually redirect resources to the underprivileged communities it ends up having, at least on some outcomes, a pretty positive outcome in terms of inequality across these communities. When you decentralise, you basically empower people who have the ability to sort across different communities that have different offerings. And usually these are kind of high-asset, high-education folks. And so they benefit from decentralisation. So there's a bit of tension in the public policy research on how do you, again, hit that balance?

**Rory Cellan-Jones** 21:30

Ailbhe and Jack, there's, there's a challenge to you. So the kind of devolved policies that you're talking about, could end up with a lot more, not less inequality. Ailbhe?

**Ailbhe McNabola** 21:41

Yeah, I mean, that's definitely a risk. And I think you've got to want to do this in the context of a fairer economy overall. We look a lot at community ownership and the importance of ownership and power within this. So the organisation I work for at my day job, we support community businesses to actually take ownership of spaces. If you, you know, you can't have that gentrification problem if the local community owns the building and isn't going to sort of be priced out. So there's a question around how you can ensure that the policies and the support that we're building and things like support for community ownership support for community power, as part of what we do when we say where it will devolve funding or devolve decisionmaking and we'll help sort of level places up. But we've got to make sure we put those local people in the driving seat in a way that is actually local people capturing that value instead of institutional investors and remote landlords on high streets capturing that value.

**Rory Cellan-Jones** 22:26

That brings us to another aspect. Jack, I mean, the other great force of the last 20, 30 years has been globalisation with certainly the UK government not really caring, for example, who owned a company, the UK car industry is almost entirely overseas owned, as long as it thrived. And you seem to be saying, a sense of ownership, a sense of devolved power is important.

**Jack Shaw** 22:53

Yeah, I mean, I think, on the global political stage, we are seeing some retrenchment of that globalisation to some degree. I think it's particularly different in different contexts of the countries. So as Charlotte says, you know, there are countries out there such as the Netherlands and others that already have a huge amount of devolution. And so the challenge we have here in the UK is not that we're trying to be necessarily ambitious but that we're trying to find some parity with our European and international counterparts. We are just particularly bad at devolving and have too much centralisation. And I think that's related to Charlotte's tension a moment ago, which I agree with, I think there are some challenges around that. I think if you look at housing policy, for example, people are sometimes and there is evidence that supports this, particularly in the US, invested in not building housing in their area because regeneration involves change. And sometimes people don't like change, right. But that also assumes that the assumptions that underpin the work that the government does, are benign. And what we see, for example, in the attempt of the government to tackle regional inequality here in the UK over the last couple of years is that it itself is baking in inequalities by making assumptions that might not necessarily fit. So for example, it sets out the areas that it thinks are a priority. It funds those areas, but lots of the areas that have been deprioritised would say, actually there are lots of indicators that suggest that we are deserving of investment. So I don't think it's as kind of black and white as that I think it's quite complex in how we navigate that process of decentralisation and centralisation.

**Rory Cellan-Jones** 24:37

Well, I want to tie all this up and come to some kind of conclusion by sort of looking to the future and asking each of you whether we are in any way likely to reverse this quite long-term trend of increasing inequality both nationally and regionally. And what straws in the wind, you would pluck out to suggest that things could move in the right direction? Charlotte, how do you see the next decade in terms of this debate about inequality?

**Charlotte Cavillé** 25:07

I'm a little pessimistic. I think of redistribution as a luxury good. It's easier to do when there's a lot of resources to go around. And I think, like one of the reasons actually, income inequality overall in the UK has not increased in the past decade, is because growth has been pretty low, there was nothing to capture, right. So on the one hand, it looks better for inequality. But on the other, without growth, again given the kind of economic system we have, it's going to be hard to redistribute because they're going to be losers and you can't buy off the losers through some kind of targeted redistribution to the loser so that they let

some resources shift. So I'm a little pessimistic. The other thing is in times of low growth and scarcity, I do think people are not focusing on issues that have to do with redistribution. A lot of the redistributive policies were done in periods of high growth in the 50s and 60s, and so I'm yeah, not not the most optimistic on that front.

**Rory Cellan-Jones** 26:01

Ailbhe, we're not going to go back to that Golden Age of the 50s and 60s where everybody got consumer durables for the first time and there was both growth and a reasonable amount of equality.

**Ailbhe McNabola** 26:15

I think it's clear that that pit phase in, sort of, human history has come to an end. But I mean, I think it's important to remember that income redistribution is not the only thing. And so we're in another profound period of social change at the moment from the pandemic to the sort of other crises and then you hear the term perma- and poly-crisis is being used a lot at the moment. And I do think, actually, there is a lot about that the pandemic showed us about how local matters and how people's connection to each other matters, and potentially people reassessing what's important. I mean I do still think that income inequality is hugely destructive, and that regional inequality is also an issue that needs to be addressed. I'd be slightly optimistic in that I think current times are showing us actually that there's a reassessment of values and that people are thinking that a fair economy is important as a growing economy.

**Rory Cellan-Jones** 26:54

And Jack Shaw, you are principally focused on the UK. Levelling up has been the, kind of, government's catchphrase in the last few years. Are we going to see realistic levelling up over the next decade?

**Jack Shaw** 27:08

So I'm quite pessimistic, I share Charlotte's view. One of the reasons I'm pessimistic is because we've been trying to tackle inequality for the last century in the UK and the same challenges reappear and reappear and we don't seem to learn and change our approaches. So you know, over-centralisation is one example of that. We see, for example, a constant policy churn in our institutions and our policies, which prevents us adopting long-term approaches that we know are kind of more sustainable and are going to benefit in terms of those rewards and we see that in Germany. There's too much of a kind of one-size-fits-all approach in the UK, which goes back to the points we were talking about around centralisation and decentralisation. So I'm not convinced that the government has learned its lessons on that. And I think it's going too slow if it wants to tackle inequality.

**Rory Cellan-Jones** 28:04

Well, it's quite a downbeat note on which to end this fascinating discussion on inequality and place and pride of place. That is all we have time for on this episode. Thanks to our expert panel, Ailbhe McNabola and Jack Shaw from the Bennett Institute and Charlotte Cavallé from the IAST. Let us know what you think

of this episode of Season 2 of Crossing Channels. You can contact us via Twitter - the Bennett Institute is @bennettinst - the Institute for Advanced Study is @IASToulouse and I am @ruskin147. If you've enjoyed this programme, then do listen to our other Crossing Channels episodes, notably our recent addition on work and wellbeing. And please join us next month for the next edition, where we'll be looking at the importance of storytelling and narrative in policymaking.