

“Inequality” and the data trap

by Jane R. Goodall



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On 12th October 2015, the day Malcolm Turnbull took his seat at the despatch box as newly elected leader of his party and Australia's richest ever prime minister, the Nobel Prize in Economic Sciences was awarded to Angus Deaton "for his analysis of consumption, poverty and welfare."

It was national Anti-Poverty week. To compound the irony, as the Bankwest Curtin Economics Centre issued new figures showing that over 2.3 million Australian households were living in poverty, Parliament was embroiled in a row about the offshore processing of Turnbull's millions. Then Treasurer Scott Morrison tried to reclaim the moral high-ground by delivering homilies about right and wrong ways of balancing the budget. He and Turnbull were united in preaching the gospel of growth as the answer to all the nation's economic challenges.

There was nothing in Deaton's Nobel Prize lecture to support this credo. Studies conducted in India, he said, showed an inverse correlation between national economic growth figures and per capita calorie consumption. Was this an indicator that macro-economic growth was having no effect on the mass-malnutrition of children, or even showing a negative impact? Claims by governments about the panacea of economic growth involve turning a blind eye to the discrepancies between data obtained from household surveys, and aggregate measurements based on GDP. "It is impossible to think coherently about national wellbeing while ignoring inequality and poverty, neither of which is visible in aggregate data," Deaton said.¹

In his somewhat dry and abstract way, he was pointing to the paradox of industrial depression

¹ Angus Deaton, Nobel Prize Lecture, Stockholm University, December 8, 2015. www.nobelprize.org/prizes/economic-sciences/2015/deaton/lecture/

that haunted Henry George. Why this perverse correlation between the prosperity of a nation and the impoverishment of its citizens? Deaton, though, does not engage in the kind of rhetorical denunciation we find in George's writings.

Where George is moved to extended meditation on the principles of human economy, and from there to the development of what amounts to a manifesto on universal land rights, Deaton mistrusts any account of things not derived from the innovative and meticulous data analysis in which he specializes.

Four years down the track, as Anti-Poverty week 2019 comes round, the Morrison government is claiming the first budget surplus in a decade. Yet interest rates have flatlined along with wages, and claims of improved unemployment figures fail to reflect the precarious state of workers forced into the gig economy.² The most recent ACOSS report on inequality states that those in the highest 20% of the scale hold nearly two thirds of the national wealth. The average wealth of a household in the top 20% is five times that of one in the middle band, and has become almost 100 times that of the lowest.³ There is every sign that the discrepancies are widening, as they are in Britain and America.

Deaton is so concerned about this intractable problem that he is heading up a five-year review of the causes and consequences of inequality, launched in May this year at the Institute for Fiscal Studies. In his launch speech, though, Deaton was also beset with the question "what it is that bothers people about inequality?" Economists, he acknowledges, think they know what they mean by the term, and are too ready to tell others they don't know what they're talking about. And, one might respond, the trouble with an econometric approach is that those who specialize in it sometimes can't see for looking.

2 <https://www.smh.com.au/politics/federal/morrison-government-moves-to-surplus-as-economy-slumps-to-gfc-levels-20190904-p52nx5.html>

3 Australian Council of Social Service, factsheet on inequality, July 31, 2018. www.acoss.org.au/inequality/

All that data... There is never enough of it. Never enough detail, precision, scope. And there is always some new and improved approach to modelling and analysis to be found. What bothers people about inequality, to offer a brutally simple response to Deaton's question, is that they suffer from it. Henry George never lost sight of this reality, and his whole way of thinking was born – or reborn – of his own encounters with it. In an 1881 interview with his friend James E. Kelly, George recalled a traumatic formative experience from his early adulthood in San Francisco. The incident was triggered by a visit from a doctor who warned that his wife and their newborn son were in immediate danger from starvation. George walked out of the house and stopped a stranger in the street, asking him for \$5. "I told him that my wife was confined and that I had nothing to give her to eat. He gave me the money. If he had not, I think I was desperate enough to have killed him."⁴

When inequality is a matter of life and death – when it boils down to the stark economic equation of one person having a spare banknote that might save another's life – some bedrock of principle is reached. It is significant that George's account culminates not in some bland expression of gratitude, but in a forthright admission that he was at that point ready to kill if his request failed.

The implication here is critical: an instinct that George recognises as primal tells him that this is not about asking for charity, but about claiming his rights.

In his writings, he alludes repeatedly to the 'equal and inalienable rights' of those who are born on the earth to derive a living from it. An understanding of inequality that arises from this first principle focuses on poverty as impoverishment, not a condition somehow given as part of the order of things, but a state of affairs created through the misappropriation of the wealth of the land by those who seek to accumulate it in quantities vastly in excess of their needs.

4 Henry George Jr., *The Life of Henry George*, Chapter IX. www.henrygeorge.org/LIFEofHG/LHG1/lhg109.htm#n6

This does not necessarily flow on to a fundamentalist argument against inequalities of wealth and property, but it does give us a rationale for the fundamental rights of the citizen in an economy. Everyone has a right to subsistence. How that is interpreted, and how the economy at large is configured to accommodate it, are matters for complex deliberation. Such deliberations are involved in the schemes for an unconditional basic income now being modelled in widely different economic contexts around the world.

The key point I want to make here – and that I think the Georgist tradition has to offer in response to the initiative Deaton is leading at the IFS – is that any approach to inequality that sidesteps the question of rights is seriously problematic. A panel of distinguished academics from the social sciences and humanities who joined Deaton for the launch of the project in May this year offered a range of perspectives, but seemed to share the same blindspot: they were all seeing inequality in terms of disadvantage rather than dispossession.

This leads to a focus on the causes of inequality in terms of deficiency: lack of opportunity, resources, advantages. The question then becomes one of how much the deficiency resides in those who suffer from it, and to what extent it is a matter of situation and circumstance. Data tells us that escalating depression and suicide rates correlate with the availability of opioids on prescription. What it does not tell us is why people need to take this stuff. What kind of data is going to “tell” us about the

impact of workplace bullying and harassment, or the stresses faced by small businesses under rapacious franchise contracts, or the terror of living with a violent partner? All these are consequences of inequality. The statistics might tell us the scale of the problem in these cases, but they fail to convey the reality of the experience. In the face of such experience, a group of distinguished academics from prestigious universities talking about “what matters to people in their lives,” “how they feel” or why equality may “concern” us comes across as patronising and out of touch. Already, the language of “us” and “them” has crept into the premise; “they” and their feelings and perceptions are a puzzle to be studied

To rephrase Deaton’s own statement, it is impossible to think coherently about inequality and poverty, while ignoring the question of rights and the politics of dispossession.

Towards the end of his opening address, Deaton seems to break through the conceptual barrier. “It is not inequality itself that is hurting people, but the mechanisms of enrichment.” But inequality is not just about “the haves and have-nots.” It is about extreme imbalances of power and control in our society and our economy. The consequences of that are not something people are “bothered about” in some generalised state of dissatisfaction. They are the determining conditions of life, and are leading more and more people to desperation.

THEFT AND THE STATE

Tax is theft (Libertarian)

All property is theft (Anarchist)

Monopoly rent is theft (Georgist)

Who Wins?

