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Growing Inequality and Weakening Multilateralism: Is There a Connection?

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Abstract

The paper draws together the latest evidence from a wide range of disciplines to expose the harmful effects of inequality. At the individual level inequality harms human health, well-being, and behaviour. At the state and international levels it damages cooperation in politics and multilateralism. It is probably not a coincidence that multilateralism was stronger when inequality was considerably lower. The paper argues that high levels of bad inequality eventually leads to distorted and manipulated public discourse. At the same time, inequality creates a more resentful electorate that can be coaxed into casting protest votes. The combination of the two lead to electoral volatility, and the resulting elected leaders tend to be polarising, demagogic, and often imbued with a strong sense of nationalism. When stepping into the multilateral arena, they unfailingly take a my-country-first attitude, preferring confrontation over compromise. They readily point the finger at other states, accusing them of being lawbreakers and wrongdoers because they see them as unfair players, rather than as equal partners. This tendency is most evident in the growing frictions within the global trading system. Thus, the present-day crisis in multilateralism cannot be disassociated from growing inequality at the state level.

Key words: Inequality, Well-being, Behaviour, Politics, Multilateralism

Table of Contents

'The modern conservative is engaged in one of man's
oldest and least successful exercises in moral philosophy.
That is the search for a superior moral justification for selfishness.'

John Kenneth Galbraith (1963)

1. Introduction

Multilateralism, or international collaboration and co-operation, has never come naturally to sovereign states, and it has become particularly arduous in recent years. This is most visible in the economic sphere, especially at the World Trade Organisation where a paralysis looms over its dispute settlement system. Outstanding Doha issues, special and differential treatment, and plurilateral initiatives on electronic commerce deeply divide developed and developing nations. These disagreements risk breaking up the global trading system as we know it. Multilateralism is also contested within regional bodies. Within the European Union, Brexit and the failure to adopt a common migration policy are just two recent examples of this. At the United Nations, three trends are symptomatic of the growing international discord. First, the North-South divide is deepening, as the North's long-standing dominance is under pressure from the South's growing economic and political muscle. Second, the East-West relationship is deteriorating quickly, less than three decades after the end of the Cold War. Third, and crucial for our argument, is the resurgence of a strong, even a crude sense of nationalism among member states. Tensions between autonomy and cooperation have always existed, yet member states now engage more readily in multilateralism from a my-country-first perspective. In the past, states willingly made compromises, knowing that they would win some battles and lose others. However, the idea of losing a battle has become unthinkable, for it is perceived as a direct attack on national sovereignty—a kind of sovereignism. Is there a link between growing inequality and weakening multilateralism? Yes; we argue that rising inequality sparks resurgent nationalism, which in turn undermines multilateralism.

To lay the groundwork, the paper begins by reviewing growing inequality across the world. Then, to elucidate the debate, it clarifies four conceptual differences. The paper then discusses the main arguments used by the inequality disparagers to dismiss its importance. It also examines to what extent others only pay lip service to the topic or suffer from action bias by focusing too quickly on possible remedies. The paper subsequently compiles some of the latest evidence from behavioural science to show that the impact of inequality extends well beyond economics into areas such as health, well-being, state of mind, and human behaviour. Finally, it looks into the impact inequality has on politics, and hence on multilateralism.

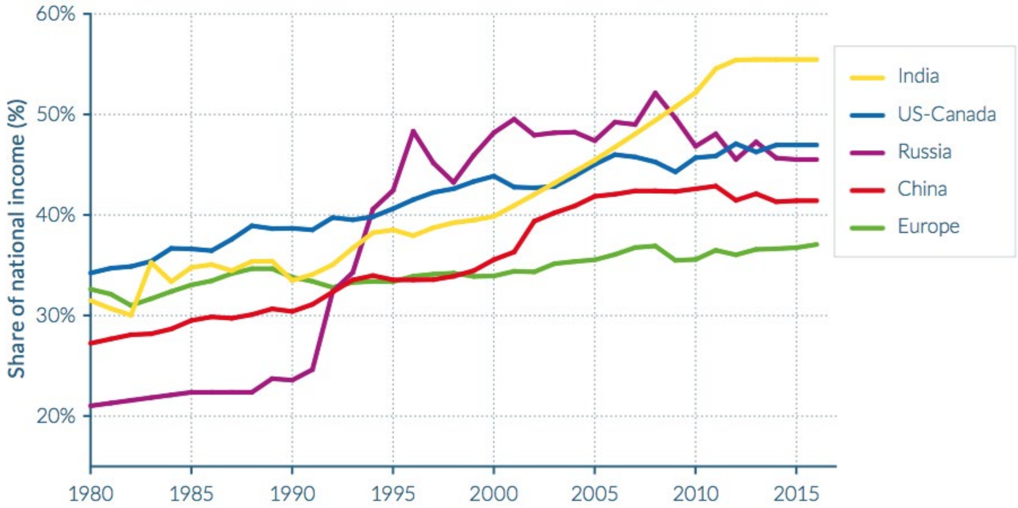
2. Growing inequality

Estimating the degree of inequality within a country is complex, but not more so than measuring other major economic indicators. The plurality of units, sources, metrics and dimensions may cause some confusion. The unit of measure can be the individual or the household. One can analyse the distribution of consumption, income or wealth, with the latter being more concentrated than income, which in turn tends to be more concentrated than consumption. The metric can be the Gini coefficient, Theil index, Palma ratio, the income share of the top 10% or top 1%, or the ratio between the income share of top/bottom quintiles. Information can be derived from tax records, payroll taxes, censuses, surveys, and/or national accounts. The distribution can focus on either market income or disposable income, or it can take into account the value of public services. They are called, respectively, the primary distribution (before taxes), secondary distribution (after taxes) and tertiary distribution (imputed public spending).

No matter how it is measured, it is evident that inequality has been on the rise in most countries for some time. Figure 1 shows the income share of the top 10% in selected countries since 1980 (World Inequality Lab, 2017: 6). Palma (2019) sees this metric as the simplest statistic for gauging inequality, yet it is at least as informative as standard measures, such as the Gini coefficient.

The data depict how the income share of the top 10% has steadily risen in all countries with reliable data. The top 10% now capture close to half of national income. The steepest rise is observable in India and in the Russian Federation, while China and the US follow a nearly parallel upward trend. The upswing in Europe is less steep, although some equitable countries have also seen a considerable increase in inequality, particularly Finland and Sweden (OECD, 2011).

Figure 1
Income Share of Top 10% in selected countries



Source: World Inequality Report 2018 – https://wir2018.wid.world/files/download/wir2018-summary-english.pdf

A striking feature of this figure is the growing concentration of income at the very top (Rajan, 2010; Palma, 2011; Wade, 2011). In the USA, the income share of the top 1% has doubled from 10 per cent to 20 per cent between 1980 and 2016, whilst that accruing to the bottom half shrank from about 20 per cent to a mere 13 per cent. Some speak of the secession of the 1% from the rest of society. Even those with the highest income outside this select group have more in common with the bottom of the distribution than with the top 1% (Dorling, 2014; Sayer, 2014). For example, the average CEO of the top 350 companies in the USA earned a staggering 312 times the wage of the average worker in 2017, up from merely twenty times more in 1965 (Mishel and Schieder, 2018)—notwithstanding the fact that the 'CEO effect' on a firm's performance seems to be negligible. Fitze (2014) finds that surging CEO-pay does not in the slightest reflect the value of their marginal productivity.

Macroeconomic data also show that the functional distribution of income has radically changed in recent decades. In rich countries, the share of labour in national income has dropped from 55 per cent in the late 1970s to about 40 per cent now (IMF, 2017). Hence, the difference between the value of what the average worker produces and what they are paid has widened considerably. Crucially, the productivity gains have mostly accrued to the employer and the shareholder, not to the employee.

3. Conceptual clarity

Semantics are important, and some terminology must be clarified to elucidate the debate that follows. Four differences will be explored in some detail, namely the difference between (i) good and bad inequality, (ii) within-country and between-country inequality, (iii) equality and equity, and (iv) equal opportunity and equal outcome.

3.1. Good vs bad inequality

Inequality is not *per se* problematic. Therefore, it is useful to make a distinction between good and bad inequality. Although being an inequality disparager, the author of the article entitled *In Defense of Inequality* (Welch, 1999: 2) observes,

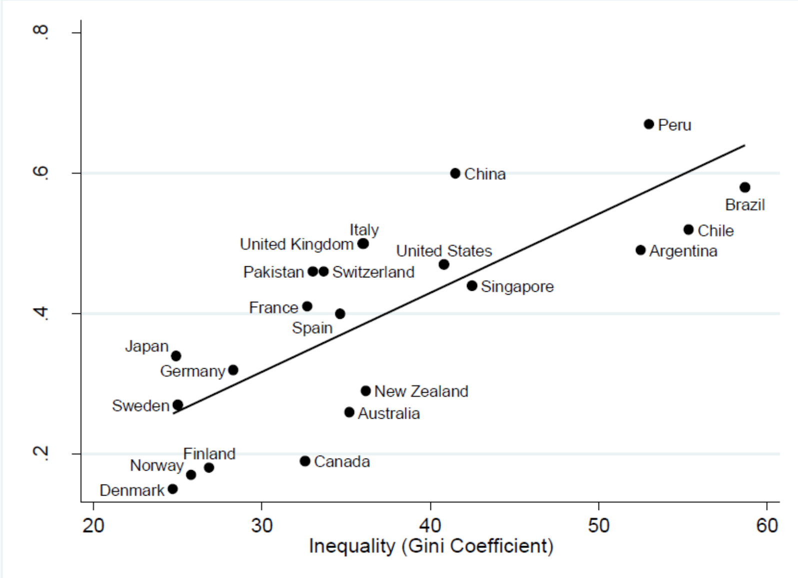
> 'I would argue that inequality is destructive whenever the low-wage citizenry views society as unfair, when it views effort as not worthwhile, when upward mobility is viewed as impossible or as so unlikely that its pursuit is not worthwhile'.

Milanovic (2012a: 12) rephrases bad inequality as that which 'provides the means to preserve acquired positions' while good inequality is that which 'is needed to create incentives for people to study, work hard, or start risky entrepreneurial projects'. Evidence points towards a kind of threshold effect, whereby bad inequality occurs beyond a certain degree of inequity.

The problem with bad inequality is that the family background becomes the dominant factor in determining the individual's success, rather than one's effort and ability, besides chance. Bad inequality thus stifles social mobility based on merit. Etymologically, the term aristocracy comes from the Greek word *aristos*, which means being excellent. Aristocracy thus refers to the rule by the best, and not by the elite as it is commonly understood today, for members of the elite are not always among the best.

Studies show that the correlation between the income of the parents and that of their children is strongest in more unequal countries (Blanden, 2009; Economic Mobility Project, 2009; Wilkinson and Pickett, 2009; OECD, 2010). Figure 2 depicts a relationship known as the *Gatsby Curve*. It shows that the correlation between the income of the parent and that of the child is highest in Latin American countries, as well as in China and the USA—countries which are known to have high levels of inequality. The correlation is lowest in Denmark, Norway and Finland, countries where the socioeconomic gradient is more level.

Figure 2
Intergenerational earnings elasticity



Source: Corak (2012) – https://milescorak.com/2012/01/18/the-economics-of-the-great-gatsby-curve-a-picture-is-worth-a-thousand-words/

The idea that the USA is one of the most socially mobile countries may be vital to its national self-image, but empirical studies categorically contradict it. Corak (2012: 1) writes, 'children are much more likely as adults to end up in the same place on the income and status ladder as their parents in the United States than in most other countries'.

Education, of course, plays a crucial role in determining social mobility. The sad truth is that educational inequality remains pervasive in most countries. Rich countries, for instance, display large and widening gaps in children's reading abilities at age 10, gaps which are even wider by age 15 (UNICEF, 2018).

Private schools often function as a brake for social mobility. In the UK, for instance, about 7 per cent of children attend private secondary school. Given the price tag, they predominantly come from families within the top decile of the UK's income distribution. Children educated in these schools are about twelve times more likely to end up in influential top jobs than pupils who attend state schools (Sutton Trust and the Social Mobility Commission, 2019). The 7 per cent privately educated pupils represent no less than 65 per cent of Britain's senior judges, 59 per cent of Whitehall permanent secretaries and 57 per cent of members of the House of Lords. The fact that a country's key positions remain dominated by such a narrow segment of the population is not quite befitting of a democracy, where merit—besides luck—should define social mobility.

Indeed, private education can, from an equity perspective, be more troubling than private health care, because it creates a positional disadvantage for pupils who attend state schools, irrespective of their ability and effort. When someone gets better health care, that does not reduce the care others receive; whereas the better education someone gets—real or perceived—automatically reduces the education of the others in positional terms. Dorling (2014) argues that private education is as much about ranking than about learning. The author observes (Dorling, 2014: 33) that 'The most prestigious private schools in the UK have marketing departments, which are absent from almost all state schools'.

3.2. Within-country vs between-country inequality

The debate can focus on national or international inequality. Global inequality, or inequality between countries, has probably decreased in recent years because of the rapid rise in average per-capita incomes in China, India and other emerging economies. However, the focus must be on what happens within a country's borders, because people's perception of inequality invariably relates to their fellow citizens. Indeed, status rivalry happens within the group, not vis-à-vis people in far-away countries. Most people compare themselves with people within their community or society.

MacIntyre (1981) and Sandel (1982) stress that we are all situated in space and time. By that, they mean that our ethos, beliefs, social bonds, and other affiliations cannot be abstracted away from the specific context in which we live. Actually, context is central to the way humans perceive most things. Judt (2010: 65–66) argues, 'most people live in a defined place: defined by space, by time, by language, perhaps by religion'.

People place themselves on the social ladder within their country. A social ladder that englobes the entire human race is simply too large for anyone to place themselves on it in a meaningful or accurate manner. Except perhaps for the super-rich, one's place on the global ladder is utterly meaningless. Global inequality, and the so-called 'elephant graph' (Milanovic, 2016), may be of interest from an academic point of view, but it has no real significance, neither does it have much policy relevance.

3.3. Equity vs equality

Equality and equity are often used interchangeably, although they have a distinct meaning. Equality implies that no differences should exist amongst individuals; that everyone should earn or receive the same. Equity, on the other hand, accepts differences though only those that are earned fairly. It balances the principle of merit with justice, by allowing differences as long as they are based on fairness and a level playing field. Equity holds that citizens must be treated equally, which does not require that they should have the same earnings or wealth.

The norm of equality relates to what Therborn (2013: 49) calls 'existential inequality', which covers areas such as gender, race, disability, sexual orientation, religion. Hence, the terms gender equity and racial equity are incorrect because they would imply that differences based on gender or race would be admissible. The correct terminology is gender equality and racial equality. Concerning human development, the appropriate term is equity because differences will always exist between individuals. People have different drives, ambition and talents, and pursue different goals and priorities in life. The key question is whether the differences are based on fairness and whether everyone is being treated equally.

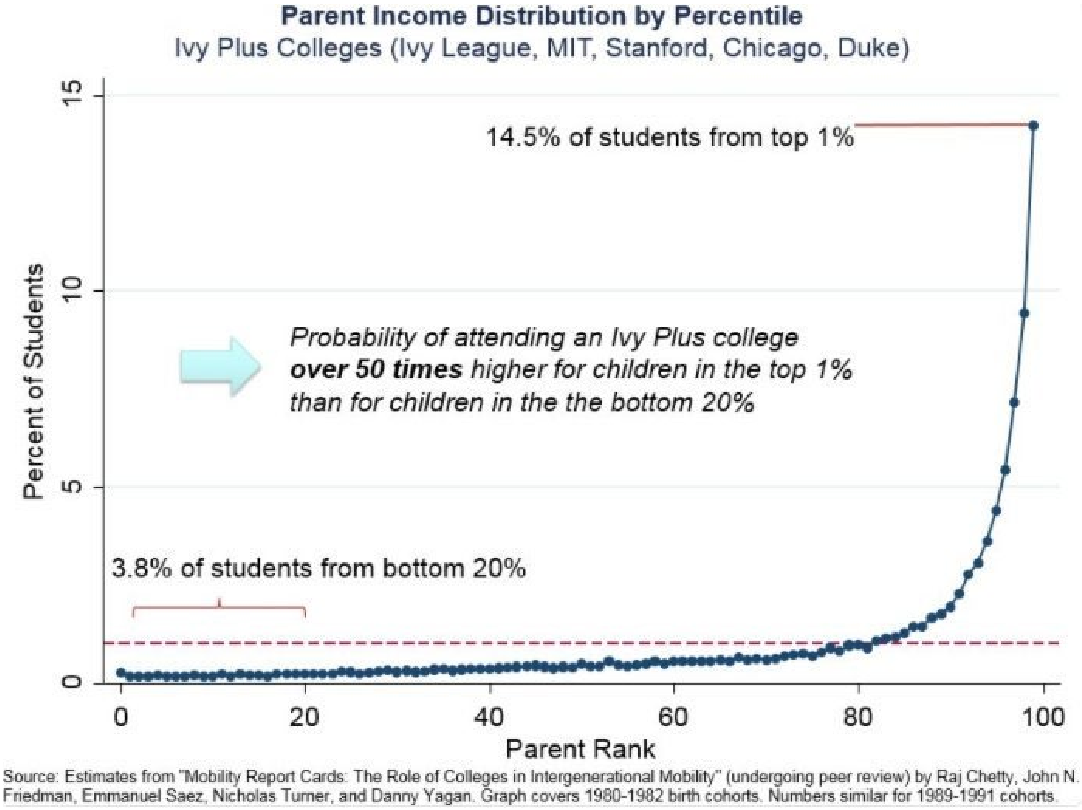
Hence, it is not the gaps in income and wealth that are the problem, rather the unequal relationships that underpin these gaps. The concern about inequality is not that people have unequal amounts of income and wealth, it is that the relations between them are not equal. Herein consists the crucial difference between poverty and inequality: the former is about insufficiency whilst the latter is about hierarchy—not having enough versus not being treated equally.

3.4. Equal opportunity vs equal outcome

Before examining the arguments that are commonly used to dismiss the importance of inequality, we must demystify the distinction between equal opportunity and equal outcome. Outcome-equality is frequently, and correctly, seen as a utopian goal because it would deny the differences that exist among individuals in terms of drives, talents, ambition and choices. Equality of opportunity is seen as the more sensible objective. Life expectancy, for example, is an outcome, whilst access to health care can be categorised as an opportunity. The former cannot be equalised, but the latter can.

Equal opportunity implies that factors such as family background and other privileges—e.g. race or gender—will not influence the individual's outcome in life. Yet, the family background is arguably the most powerful factor determining the child's chances in life. It is closely linked to the child's health status (Kuntsche and Ravens-Sieberer, 2015), as well as its cognitive development (Kiernan and Mensah, 2009). Chetty et al. (2017) calculate that a child in the top 1% in the USA is more than fifty times more likely to attend one of the top universities than her/his counterpart from the bottom quintile. Figure 3 shows that less than 4 per cent of the students at these universities come from the bottom quintile, while no less than 14.5 per cent come from the top 1%.

Figure 3



Hence, the distinction between equal outcome and equal opportunity is to a large extent theoretical. Disentangling the two is nearly impossible. Based on data from 19 Latin American countries, where outcome-inequality is notoriously high, researchers find that up to half of the inequality is due to unequal opportunities (Paes de Barros et al., 2009). The argument that the pursuit of equal opportunities is sufficient for creating a fair society assumes that unequal outcomes will not thwart equal opportunities. The evidence indicates, however, that unequal outcomes considerably reduce the likelihood of achieving equal opportunities (Swift, 2001; Mullainathan and Shafir, 2013; Wilkinson and Pickett, 2018). It is, therefore, incorrect to see the causation as one-directional—from equal opportunities to equitable outcomes. Indeed, the pursuit of equal opportunities is far from sufficient for achieving fair outcomes. It cannot be denied that a child's starting point is closely related to the position of the parents on the social ladder—i.e. unequal outcomes.

The belief that 'we get what we deserve and deserve what we get' is so deeply embedded in modern psyche that it makes us blind to the fact that outcomes can be codetermined by random elements too, not only by the family background. We dislike it when our success is explained away by luck or chance. Most see success as the just reward for one's personal effort, perseverance and talent. Kahneman (2012: 9), however, underscores that 'luck plays a large role in every story of success'. Frank (2016: 3) observes that 'many seem uncomfortable with the possibility that success in the marketplace depends to any significant extent on luck'. He explains how luck, even when it counts for only a trivial part, can play a large role in determining outcomes, especially in winner-take-all markets.

An inequality detractor (De Vos, 2015: 338) argues, quite elegantly, that, 'Behind the cold statistics about inequality, I discern the warm glow of merit'. Yet, most scholars who study the matter dismiss the idea that we live in a meritocracy. Wilkinson and Pickett (2018: 242) see it as 'an anachronism based largely on a falsehood'. Therborn (2013: 47) puts it equally strongly, 'The dichotomy between inequality of opportunity and inequality of outcomes is a sociologically untenable ideological construction'. Sandel (2012: 8) points out,

> 'If the only advantage of affluence were the ability to buy yachts, sports cars, and fancy vacations, inequalities of income and wealth would not matter very much. But as money comes to buy more and more—political influence, good medical care, a home in a safe neighborhood rather than in a crime-ridden one, access to elite schools rather than failing ones—the distribution of income and wealth looms larger and larger. Where all good things are bought and sold, having money makes all the difference in the world'.

In other words, bad inequality undermines the basic tenets of a meritocracy. Inevitably, one must agree with Swift's conclusion (2001: 104) that 'if we really care about equalizing opportunities, we need to think about equalizing outcomes also'.

Ironically, the term meritocracy was coined as a satire of the British educational system (Young, 1958), as a warning that a seemingly meritocratic education system would not necessarily lead to a fairer and more egalitarian society. Instead, it would bring about a new morality that blames persistent poverty onto the poor themselves, whilst assigning success entirely to the ability and efforts of the deserving rich, thereby ignoring privilege and discrimination in society. The idea of a meritocracy seems like the reincarnation of social Darwinism, according to which it is the most fitted who succeed in life. Although meritocracy was meant pejoratively, it swiftly became an adjective of praise, much to the chagrin of the author (Young, 2001).

4. Leaving inequality unaddressed

Given that inequality is on the rise almost everywhere, the topic gets more attention from political leaders and the media. Yet, the gaps continue to widen. In spite of the increased attention, inequality is mostly left unattended by politicians and policy-makers. Why? Part of the answer is that several actors continue to dismiss the societal importance of inequality, whilst others merely pay lip service to it.

4.1. Dismissing inequality

Faced with the overwhelming evidence regarding the worsening income distribution in most countries, mainstream economists and policy-makers no longer deny that inequality is on the rise. Yet, they continue to regard it with complacency, or even welcome it. What matters, they argue, is to grow the economy and increase the income of the poor, as exemplified by the view of Lucas (2004: 16),

> 'Of the tendencies that are harmful to sound economics, the most seductive, and in my opinion the most poisonous, is to focus on questions of distribution. […] The potential for improving the lives of poor people by finding different ways of distributing current production is *nothing* compared to the apparently limitless potential of increasing production.' (original emphasis)

His view is typical of those who dismiss the societal significance of inequality. They argue that even if the income of the rich grows faster than that of the poor, everyone will end up better-off. An increase in inequality is then a mere by-product of progress, perhaps undesirable but not at all worrisome. Invariably, the inequality disparagers refer to the Kuznets hypothesis and the trickle-down theory.

Kuznets posits that inequality within a country will first increase and then decrease as the economy attains a mature level of development. Since it will eventually come down, inequality should not be a major concern. Despite repeated scholarly efforts, the empirical validation of the Kuznets hypothesis remains elusive, and the recent increase in inequality in rich countries fatally undermines it. There is obviously more to inequality than the level of economic development. To be fair, Kuznets (1955: 24) admits that his hypothesis is based on 'perhaps 5 percent empirical information and 95 percent speculation', a point his present-day acolytes conveniently overlook.

The other argument the sceptics use is that even if inequality increases, the poor will gain because of the trickle-down effect. Standard economic theory holds that an increase in the incomes of the rich will raise national savings and lead to more investment, which will lift national income in the long run. However, it is just as likely that the extra investment will go to speculative real estate and unproductive ventures. Neither is it guaranteed that the returns will accrue across the population in an equitable fashion. In sum, available evidence offers little support for the trickle-down theory. If it contained only a grain of truth, bad inequality would never have reached today's level.

Another staple of the dominant narrative is the myth that the wealthy generate jobs for the poor. Dorling (2014: 68) dismisses the argument as follows: 'If it were true that more wealth for the wealthy would lead to more job creation, then today we would be drowning in jobs'. Economists, at least those free of ideological bias, generally accept that job creation is closely related with the level of aggregate demand, which means that it is ultimately the consumers, rather than wealthy employers, who are responsible for the level of job creation.

It is worth to note here the work-centricity in today's world (Fleming, 2017). The political slogan in many a country is Jobs, Jobs, Jobs. A large-scale and cross-country longitudinal survey of values in Europe confirms that work often comes second, after family but before friends (Bréchon and Gonthier, 2017). Having a job has become much more than a means of earning a living. It plays a pivotal role in life: it structures daily schedules, lead to social contacts, defines social status, and ultimately gives meaning to life.

Incidentally, the inequality disparagers often laud the value of maximising aggregate utility, while violating the basic tenets of utilitarianism. Its objective to maximise overall utility would be well served by an equal distribution of income, given the axiom of diminishing marginal utility. According to the Pigou-Dalton principle, a redistribution of goods and resources from those at the top to those at the bottom will increase overall utility, as long as it does not bring the richer person into a worse situation than the poorer one. Those at the top have a lot and thus get little utility from an extra item, whilst those at the bottom have little and will thus derive more utility from each additional item. Note that the argument here is about aggregation, not about redistribution. Yet, mainstream economists and politicians misuse aggregation by stressing that the aggregate pie must expand first, thereby fudging distributional issues. Although they advocate to maximise aggregate utility, they refuse to consider it as an aggregation of individual utilities.

Before moving on from the arguments of inequality disparagers, it is worth quoting one of them again. This time, Lucas (2003: 1) argues the following about macro-economics, 'its central problem of depression prevention has been solved, for all practical purposes, and has in fact been solved for many decades'. Fate has it that the statement was made five years before the 2008 global financial crisis, which was neither predicted nor avoided. One could easily put it aside as an anodyne statement, made by any economist on the spur of the moment. In this case that would be difficult, for it was pronounced by a Nobel laureate in economics as part of his Presidential Address to the American Economic Association.

Tetlock (2005) helps to explain why well-thought-of scholars make assertions that are hard to support with scientific knowledge. In the early 1980s, he asked some 300 economists and political scientists to make predictions about a wide range of topics, such as future oil prices and developments in the Soviet Union and in apartheid South Africa. Twenty years later, he contrasted over 80,000 of their predictions with what really happened. Overall, they did quite badly, worse actually than if they had gambled at random. Yet there was one factor that did influence the quality of the forecasts, namely the way the scholars used reason. Those who performed best were those who were more nuanced and careful, weighed their convictions, and who knew they did not know everything. This conclusion is not dissimilar to a statement attributed to John Kenneth Galbraith, that,

> There are two kinds of forecasters: those who don't know, and those who don't know they don't know.

In the quest for truth, it is most advisable never to be part of the latter group. Indeed, the basic attitude of a scientific researcher must be that of *ignoramus*, of not knowing. *Ignoramus* is basic because researchers must start from the premise that they do not know; that even the little they know might be incorrect. If they had absolute certainly, no research would be needed; as is the case with dogmas. Yet, researchers, especially in the social science, have been known to jump too quickly to conclusions. Only when one starts from the perspective of openness is one likely to consider alternative narratives and accept data and options that do not confirm preconceived views. Indeed, one of the hardwired mistakes in thinking is that we seek to confirm, rather than to question, our ideas. Kida (2006: 156) writes, 'we selectively attend to information that supports our existing beliefs and expectations'. Worth mentioning here is one of the conclusions of a team of external evaluators that examined the quality of research conducted at the World Bank (Banerjee, et al., 2006: 8): 'There is too much self-citation'. Scholars do not seem to be immune to confirmation bias, no even the most reputable ones.

4.2. Paying lip service

In a special report, The Economist (2012: 3) declares, 'Growing inequality is one of the biggest social, economic and political challenges of our time'. In the same vein, the World Economic Forum (2017: 6) states, 'rising income and wealth disparity is the most important trend in determining global developments over the next 10 years'.

Despite these strong assertions by two champions of the leading economic narrative, the policy frameworks as applied still fails to address inequality in earnest—as witnessed by the ceaseless increase of inequality in most countries. The Sustainable Development Goals (SDGs) offers a typical example of this. They comprise 17 global goals to be achieved by the year 2030 (UN, 2015), one of which is to reduce inequality. However, that goal is not among the top priorities, it ranks only in the tenth position. Ranking matters, for it indicates the relative importance accorded to the topic. Given that inequality is not among the top three priorities—which are occupied by Millennium Development Goal (MDG)-like issues of poverty, hunger and child mortality—it is doubtful whether world leaders really have the courage to address one of the most pressing problems the world faces today.

More important than ranking, however, is the way inequality is addressed by the SDGs. They set the target of achieving income growth for the bottom 40% of the population at a rate higher than the national average. This formulation is utterly flawed because it focusses on the bottom segment of the population and ignores the concentration at the top. Therefore, the SDGs fail to cover inequality (Vandemoortele, 2018; Fukuda-Parr, 2019). If the faster income growth for the bottom 40% is caused by transfers from the next 50%, whilst leaving the top 10% unaffected, it is conceivable that a country will see an increase in inequality and still meet the SDG-target regarding inequality.

The faulty SDG-metric for inequality leads to the statement (UN, 2018: 12) that 'From 2010 to 2016, in 60 out of 94 countries with data, the incomes of the bottom 40 per cent of the population grew faster than those of the entire population', giving the false impression that inequality is decreasing in the majority of countries.

In high-income countries, one observes more transfers from the middle class, even the upper-middle class and the rich, to the super-rich, so that the middle is being hollowed out (Temin, 2017). It is with a pinch of sarcasm that Palma (2019: 33) notes, 'Life is not that easy anymore in the OECD, having a family and an oligarchy to support'. That such trends can be sustained uninhibitedly is, in large part, due to our psychological tendency to look down on people who are lower on the social ladder, whilst looking up to those above us. Although many middle-class people know they are being taxed more heavily than the super-rich, a common reaction is to blame those on the lower rungs of the ladder (Fiske, 2011). Stories about welfare queens, benefit thieves, the unemployed, and immigrants, for instance, typically receive more media attention and often inflame public opinion, much more than tax fraud and tax evasion committed by the super-rich.

5. Action bias

Scholars and policy-makers who are truly concerned about growing inequality often suffer from action bias, whereby they focus too quickly on trying to do something about it whilst society at large is insufficiently aware of the importance of the matter. The focus on remedies is often premature—for two reasons. First, the cited causes of growing inequality are many, including technology and education (so-called skill premium), followed by globalisation, taxation and labour market policies as well as demography. Second, their relative importance remains subject of heated debate and endless discussions, and these discussions have yet to yield a conclusive consensus. Yet, the urge to find remedies seems irresistible, as exemplified by the title of two important books on the subject: *Inequality—What Can Be Done?* (Atkinson, 2015) and *The Great Divide—Unequal Societies and What We Can Do About Them* (Stiglitz, 2015).

Since the search for solutions is inevitably divisive, even amongst like-minded people, it frequently leads to indecisiveness and inertia. This explains why levels of inequality are seldom reduced through a policy approach. Scheidel (2017: 6) documents how historical trends tend to produce long stretches of high inequality, interspersed with periods of equalisation that are not caused by policy reforms but by the 'Four Horsemen of Leveling'—i.e. war, revolution, state failure and pandemics. Indeed, history shows that reducing inequality in a significant way is extremely difficult, and only occurs under exceptional conditions.

The wealthy and their ideological defenders do not always want us to comprehend the importance of inequality. This is a typical example of so-called *agnotology* (Proctor, 2008). The term is derived from the Greek word *agnosis*—not knowing. Agnotology maintains that much of what people do not know is deliberately manufactured and manipulated. Lobbyists and interest groups issue reports, press releases and tweets with the sole purpose of making certainties look uncertain; or to present uncertainties as absolutely certain. Such techniques have been used with great success by the tobacco industry to conceal the health effects of smoking. The pharmaceutical industry staunchly minimises the risk of addiction from taking oxycodone, an opioid medication for pain relief (Van Zee, 2009), whilst the food industry consistently obscures the effect of sugar consumption on obesity (Taubes, 2016). Similarly, the fossil fuel industry undertakes systematic efforts to mask the impact of CO_2 emissions on climate change. What all these actors have in common is a fear of lay knowledge, of commonly-known facts that would be discomforting for their special interests.

Agnotology has real-world consequences. A recent version of it are so-called 'alternative facts'. Both the speaker and the audience may know that the statement is untrue, but its veracity is subtly enhanced each time it is repeated. With the constant barrage of alternative facts, people eventually give up on fact checking. The more frequently an alternative fact is repeated, the more credence it is given. Kahneman (2012: 62) explains how this process works,

> 'A reliable way to make people believe in falsehoods is frequent repetition, because familiarity is not easily distinguished from truth'.

Alternative facts can thus become *facts by repetition*. In the same vein of thinking, Passas (2012: 256) argues,

> 'A large proportion of conventional wisdom guiding policy is unfortunately not founded on solid evidence but reflects perceptions shaped by superficial, incomplete, or wrong information, which has been repeated and regarded as accurate in scholarly and policy documents'.

Since most people lack the skills and the time to differentiate between deliberate misinformation and facts, agnotology often proves to be an effective way to blur the distinction between lies and truthfulness, a fudging which is seldom without practical effect.

The wealthy, through the think tanks they fund, often apply similar techniques to keep us ignorant about the societal impact of inequality. They prefer that scholars disagree about the nitty-gritty of potential remedies rather than to see society at large gain a fuller comprehension of the many and harmful effects of inequality. For example, a representative from the *Adam Smith Institute*, more a lobbying group than an academic-type think tank, states, 'Inequality is a side-effect of stability, peace and growth' (quoted by Fleming, 2017: 7).

To counter such misinformation, the priority must be to foster a better understanding and lay knowledge about the effects inequality has on the way people feel, think and view the world, instead of rushing to analyse its causes and searching for remedies. Inequality is frequently seen through a political lens. Those on the right of the political spectrum usually dismiss it as envy, whilst those on the left associate it with greed. Envy and greed are indeed profound human emotions, but both views miss the important point that inequality shapes our reasoning and our behaviour. More analyses about causes and remedies will not transcend our ideological reaction to inequality. The first step in the battle against bad inequality is to gain a better understanding of the multiple effects it exerts on society, politics, the economy and the environment. The main reason why a policy response has been inadequate so far is not insufficient analyses on causes and remedies, but insufficient understanding and limited awareness about the deep-seated impact of inequality.

6. Beyond the economic realm

Many mainstream economists and policy-makers now accept, albeit still reluctantly, that high inequality is harmful for economic growth. As Stiglitz (2012: xii) argues,

> 'we are paying a high price for our inequality—an economic system that is less stable and less efficient, with less growth'.

Studies show that inequality and growth are foes, rather than friends, as was previously believed. Based on data from 65 countries, Alesina and Rodrick (1992) document that more equal countries have had higher rates of growth; a finding echoed by Corry and Glyn (1994). Persson and Tabellini (1994) confirm that inequality is harmful for growth. After reviewing the growth literature, Temple (1999: 146) concludes, 'it has become extremely difficult to build a case that inequality is good for growth'. Ravallion (2000: 16) writes, 'On balance, the existing evidence appears to offer more support for the view that inequality is harmful to growth than the opposite view'. Milanovic (2012b: 12) argues that 'the pendulum has swung from a rather unambiguous answer that inequality is good for growth to a much more nuanced view that favors the opposite conclusion'. Even the International Monetary Fund, a notable inequality disparager, has recently changed its tune, and now admits that high inequality has an economic cost (Kumhof and Rancière, 2010; Ostry et al., 2014).

However, inequality extends well beyond the economic realm. Its harmful effects on individual well-being, social cohesion, democracy and the environment are increasingly evident. The latest evidence, as summarised by Dorling (2017) and Wilkinson and Pickett (2018), shows that the healthiest and happiest people in the world live in countries with low inequality; where education, health and social mobility are high, whilst social ills are low, including gender discrimination, crime, fraud, corruption, drugs abuse and bullying at school. The justice system in these countries sentences less punitively and does not hold children criminally responsible at a young age. People in countries with low inequality also tend to consume less water for personal use, produce less waste and emit less CO_2; thus leaving a smaller ecological footprint.

7. Inequality as a societal problem

The evidence is piling up that inequality potentially corrodes many aspects of life. This section discusses evidence which shows how high inequality can ravage health, undermine well-being and promote selfish and asocial behaviour.

7.1. Impact on health

Studies show, intriguingly, that our health depends not only on how much we make, but how much we make compared with others. One's health is determined by one's position on the social ladder. The rung on which people place themselves is a better predictor of their health than their actual level of income or education. Those on the lower rungs are more likely to suffer from diabetes, heart problems, chronic pain, and depression (Marmot, 2004). Inequality seems to be an important determinant of the health status of people across the world (Ruiz et al., 2015). Since health is closely related to one's relative position, more so than to absolute income, people in unequal societies will tend to have poorer health, a fact confirmed by the data (Payne, 2017).

The link between health and social status has been revealed most notably by a large-scale longitudinal survey of British civil servants conducted in the 1970s and 1980s, called the Whitehall study. The striking finding is that those higher up the bureaucratic ladder have better health, not only in terms of life expectancy but also in number of years free from disability. At the time, the conventional wisdom was that people at the top face a higher risk of heart attacks, due to stress. This proved wrong, however. It is not high stress that is harmful, but the combination of high stress and low control (Bosma et al., 1997; Marmot, 2016).

Lack of control leads to feeling frustrated, disempowered and humiliated, and to the feeling of what sociologists call superfluous. Lack of control wears heavily on our health. People with lower incomes tend to have higher levels of stress hormones (Payne, 2017). Higher social status normally commands a greater sense of control over one's life and work, which in turn yields better health.

The significance of status competition on people's health is not always fully appreciated. Health is often linked to lifestyle choices, but the link is beset by several misunderstandings. Rather than poor lifestyle choices leading to poor health, it is often low status that contributes to poor decision-making that leads to ill health (Mullainathan and Shafir, 2013). Controlled studies show that scarcity and low status often result in poor decision-making. One's choices are heavily influenced by the context in which one is born and raised. People's ability to take personal responsibility seems moulded, to a considerable extent, by context and circumstances. The setting of one's childhood influences many of the choices one makes in adulthood, including those about drinking, smoking, gambling, overeating, viewing television, exercising and sleeping. In addition, empirical data indicate that such risk factors are most harmful for people living in deprived circumstances (Foster et al., 2018). Hence, high inequality means that more people will face a double whammy: they will make poor choices more frequently and suffer from them more intensely.

The recent increase in so-called *deaths of despair*—deaths due to suicide and drug or alcohol abuse, including opioid overdoses—is causing an unprecedented rise in mortality among white Americans without a college degree, both males and females (Case and

Deaton, 2017), especially within the working-age population (Cutler, 2017). To understand this phenomenon, we need to consider the source of despair. Payne (2017: 121) describes it as 'violated expectations'. Although this demographic group has higher average incomes than similarly educated African-Americans or Hispanics, they expected more, given the history of relative privilege enjoyed in the past. It must be noted that the phenomenon of deaths of despair is not being observed among the non-white population.

It has been the wages of that group of the population—white and low-skilled in particular—that have been stagnating or falling since the 1980s. This trend, combined with the loss of job security, good retirement plans, and decent health insurance make that their circumstances fall well below what they expected. And when people's expectations are violated, a sense of despair develops. The Institute for Fiscal Studies shows that the occurrence of deaths of despair, a phenomenon that now haunts the UK too, is associated with growing inequality (Joyce and Xu, 2019). As Therborn (2013: 14) concludes, 'Inequality kills'.

Recent trends in vital inequality have not been encouraging. In low- and middle-income countries, progress in terms of narrowing the gap has been glacial. Chao et al. (2018) examine trends in the under-five mortality rate (U5MR) of 137 countries between 1990 and 2016. In spite of the dramatic fall in overall U5MR across most countries, progress made by the poorest segments has not been faster than that of the rich. They find that the average U5MR ratio between the poorest and the richest quintile increased slightly from 2.03 in 1990 to 2.06 in 2016. A child born at the bottom of the social ladder still faces a risk of premature death that is twice as high as the risk faced by her counterpart born at the top of the ladder. In high-income countries, on the other hand, the evidence seems to point towards an increase in vital inequality. The Office for National Statistics in the UK (2019) shows, for instance, that the gap in life expectancy at age 65 for males between Kensington & Chelsea (the area with the highest longevity) and Glasgow (with the lowest longevity) has widened from 5.5 years in 2002 to 6.9 years in 2015.

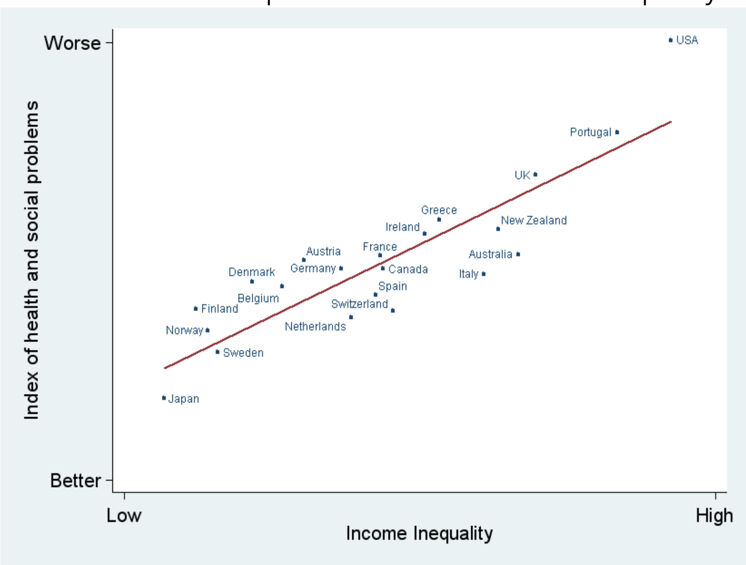
The only area where inequality has decreased markedly relates to existential inequality—i.e. gender, race, disability, sexual orientation, religion. With the caveat that gender and racial discrimination or homophobic attitudes are not a thing of the past, most countries have witnessed a trend towards more egalitarianism in these dimensions. Some misconstrue the decline in such existential inequality as evidence of falling overall inequality, but the dynamics that determine overall inequality are more complex (Segal with Savage, 2019).

It is debatable whether progress towards gender and racial equality and other forms of existential egalitarianism will be sustained in the future. Signs are emerging that anti-pluralism is gaining ground. Women's rights are being challenged, violence against ethnic minorities still erupts, and LGBT rights are being put into question. A growing proportion of the population in many a country is in support of such restrictive and discriminating measures. In several countries, laws are adopted that protect the rights of conscience—i.e. those based on personal convictions. However, they directly challenge the principle of non-discrimination, a basic tenet of democratic governance. The growing support for such legislation is symptomatic of the intensifying polarisation in many countries, and often stoked by inequality—a point that is explored further in section 8 below.

7.2. Impact on well-being

The book *The Spirit Level* was one of the first to document the effect of inequality on well-being (Wilkinson and Pickett, 2009). Drawing on data from 23 rich countries, the authors collate statistics for ten separate indicators: life expectancy, math and reading scores, infant mortality, homicides, imprisonment, teenage pregnancy, trust, obesity, mental illness and social mobility. They combine this information into a composite index, called the index of health and social problems. They observe considerable variation across the 23 countries. Based on the logic that health and social problems will diminish as countries get richer, they search for a link between average income and the composite index, but cannot find one. After searching for other explanatory factors for the variation, they find that the correlation for the composite index is strongest for inequality, as depicted in Figure 4.

Figure 4
Health and social problems are related to inequality



Source: Wilkinson and Pickett (2010: 20) - www.equalitytrust.org.uk

Countries with a low level of inequality—Japan, Norway, Sweden—have a low level of health and social problems; whilst countries with high inequality—USA, Portugal, UK—display high levels of these problems. Wilkinson and Pickett (2010: 25) argue,

> 'The health and social problems are not caused by the society not being rich enough but by the scale of material differences between people within each society being too big. What matters is where we stand in relation to others in our own society'.

Another important finding is that high inequality is not only harmful for those at the bottom on the social ladder. The authors (2010: 192) conclude,

> 'People at almost all income levels, not just the poor, do worse in more unequal societies'.

Several think tanks, especially those funded by the super-rich or by big business, challenge these results (Saunders, 2010; Snowdon, 2010; De Vos, 2015). Yet, reputable universities and intellectually independent think tanks endorse, by and large, the book's findings. Rowlingson (2011: 18), for example, states,

> 'The basic methods in *The Spirit Level* are robust and the main finding on the correlation between income inequality and health and social problems stands up to these criticisms'.

7.3. Impact on human behaviour

The curious association between social status on the one hand and health and well-being on the other is rooted in evolutionary biology. We constantly gauge our status through social comparisons, something we do almost automatically and unconsciously—ranking people not only by gender, age and race, but also by their looks and accent, and by what they eat and wear, etc. If we did not care so much about social status, inequality would not really matter. But we are fascinated by it. We constantly worry about what others say and think of us, so much so that inequality shapes who we are and how we live our lives. Inequality exerts an inordinate influence on the way we feel, think, behave and relate to others.

DeCelles and Norton (2016) demonstrate that the wealth of others affects our state of mind. They examine the incidence of air rage and find that its occurrence depends on the conditions at the time of boarding the airplane. The odds of an air range incident are about four times higher on flights with a first-class section, than on flights without such a section. When the airplane has first-class cabin, but when boarding takes place in the middle or at the back of the airplane, the incidence of air rage drops by about half compared with flights that board only at the front. These revealing results can only be explained by the fact that we cannot stop comparing ourselves with others. We just can't help it. When economy-class passengers pass through the first- or business-class cabin, they become acutely aware of the hierarchy that exists in this microcosm. And when inequality is perceived as exceedingly high, some passengers start to behave strangely. The same happens outside the airplane. When inequality gets too high, we start to reason and act weirdly. We even think more superstitiously and believe more readily in conspiracy theories of all kinds (Payne, 2017).

The craving for status and the urge for social comparison affect our feelings, opinions, thoughts and behaviour. An assessment of the effect of Olympic medals has led psychologists to the surprising finding that bronze medals produced more happiness than silver medals (Medvec, Madey and Gilovich, 1995; Matsumoto and Willingham, 2006). The reason for this apparent contradiction is that bronze medallists mostly make a downward comparison, towards the colleagues who failed to win a medal; whereas silver medallists focus on one thing only, namely that they might have been the champion.

It is indeed with ease that we look up to those at the top, often with a mixture of awe and envy, whilst showing contempt for those lower on the social ladder. We judge ourselves through comparisons with others, often perceiving differences in income and wealth as a reflection of differences in personal worth and ability. It is not surprising then that the prevalence of mental health problems is positively correlated with inequality (Layte, 2012). People in egalitarian countries suffer less from mental illness because they are less anxious about their social status (Wilkinson and Pickett, 2018).

Whilst status competition is part of human nature, it is not an innate characteristic as is commonly misunderstood. The urge to compete and the desire for dominance is as much part of human nature as is our inclination for fairness and egalitarianism. Similarly, non-human primates like dominance and pecking orders but they also care about fairness and sharing (de Waal, 2013). Alongside our concern for status, we display a strong dislike of inequality. When asked to indicate what constitutes an ideal level of inequality, most people in the USA desire a more egalitarian distribution than the prevailing one, with a surprising level of consensus amongst rich and poor, Democrats and Republicans, men and women (Norton and Ariely, 2011). A large majority of the respondents indicate a preference for the distribution that prevails in Sweden.

Wilkinson and Pickett (2018) stress that the level of inequality in society is not genetically but socially determined. In a context of high inequality, our urge for status competition and rivalry will be stimulated, whilst our inclination for fairness and cooperation will be stirred in a context of low inequality. Studies confirm that the individual trait of self-centredness is associated with the degree of inequality within society. Since we easily adapt to the kind of society in which we find ourselves, what matters is not our individual nature but our collective nurture to keep inequality in check. Both nature and nurture shape us, since we are part biology and part culture. Nature and nurture seldom compete with each other; they mostly work together. Thus, a country's level of inequality is not determined by genes but by culture and politics.

Psychological experiments show that people who are induced to feel rich and powerful are more likely to break the law while driving. They also exhibit unethical decision-making and readily cheat to win (Piff et al., 2012). Drivers of luxury cars are more likely not to give the right of way to pedestrians on a zebra crossing (Piff, 2013). In another experiment, a bowl of sweets is left on the table and participants are told that it is intended for children in another experiment. Those who were induced to rate themselves high on the social ladder are more likely to eat the candy. It seems that inequality can desensitise those at the top to the needs of others, whist displaying a greater sense of entitlement. When inequality rises, people are more likely to turn a blind eye to the situation of others, and to be more concerned about themselves and how they are perceived by others (Dorling, 2014).

Studies also reveal that individual tendencies of self-aggrandizement and boasting are related to inequality. Loughnan et al. (2011) find that the conviction that one is better than others is more common in unequal countries, where people tend to consider themselves more readily above average. This is not illogical because asserting one's ability is one way of bolstering one's self-image in a competitive environment. Having a high opinion of oneself is also most common at the top of the social ladder; which may result from insecure egotism in the context of high status anxiety caused by extreme inequality (Dorling, 2014; Wilkinson and Pickett, 2018).

People in unequal countries more readily accept that wealth and virtue are connected, because success of those at the top is seen as the result of their talent, resolve and effort. In other words, outward wealth is seen as a reflection of inner worth (Wilkinson and Pickett, 2018). More than a century ago, when inequality was equally high, Veblen (1899) observed that wealth had become the basis of esteem. He coined the now familiar term *conspicuous consumption*, arguing that the wealthy purchase material goods not only because they generate utility but because they confer social status and esteem onto those who possess them.

Evidence of the link between wealth and virtue appeared again in the wake of the 2017 tax reform bill in the USA, a country with high inequality. The bill raises the exemption from inheritance tax to US$11.2 million per individual, a measure that is supported by a very large majority of the population, although it only affects a minute proportion of the very rich—limited to the top 0.2%. In highly unequal societies, where the inheritance tax is frequently called death tax, people not only accept that the rich deserve their wealth, but that their offspring do as well, which is a rather weird logic when one puts the emphasis on individualism and meritocracy.

Yet, the idea that those at the top deserve their income may largely be self-serving, as their stratospheric level of income and wealth is more often than not linked to family background, political connections, legal loopholes, anti-competitive behaviour, monopoly rents, capture of common resources and public investments, rather than ability and effort (Villette and Vuillermot, 2009; Hacker and Pierson, 2010; Mazzucato, 2013). Nevertheless, the myth is widespread that those at the top are smarter than the rest of us, although their success is frequently due to privilege and family background, if not to cheating to get admitted at top universities (Golden, 2006).

It is, therefore, not surprising that the great-man thesis has gained popularity in recent decades, including within publishing houses. In countries with high inequality, such as the USA, UK and China, bestsellers exalt the life of men—rarely women—such as Steve Jobs of Apple, Bill Gates of Microsoft, Elon Musk of Tesla, Phil Knight of Nike, Jeff Besos of Amazon, Richard Branson of Virgin, Jack Ma of Alibaba. They are presented as business geniuses, a kind of 'homo economicus perfectus' (Fleming, 2017: 108).

8. Inequality and politics, and hence multilateralism

Given its wide-ranging impact on our feelings, thoughts and behaviour, it is not surprising that political scientists also express grave concerns about inequality, especially about how it can undermine the basic tenet of democracy—that all people are created equal and must be treated equally.

The financial crisis of 2008 clearly exposed the impact of bad inequality. Since then, democratic governance in many a country has weakened. A recent survey of 41 OECD and EU countries finds that the quality of democracy has waned in the majority of them (Bertelsmann Stiftung, 2018). The hollowing out of democratic governance is evident from the rise in political fragmentation, falling memberships of political parties, low voter turnout, and increased electoral volatility. A hollow democracy often leads to sudden and unexpected surges of what is misleadingly called *populist parties* with demagogic candidates who appeal to emotions and prejudices and incite intolerance.

When Stiglitz (2012: xii) highlights the economic costs of inequality mentioned earlier, he adds 'a democracy that has been put into peril', because 'economic inequality inevitably leads to political inequality' (Stiglitz, 2015: 9).

The way the wealthy and big-business translate affluence into influence is by funding political parties and by investing in favourable media outlets and biased think tanks. These activities potentially blur the distinction between democracy and oligarchy. Campaign financing and investment in think tanks and the media fuse wealth with politics, even in a democracy. Jones (2015: 85) speaks of 'mediaocracy', arguing that a press free from government interference is not necessarily a press free of special interests.

Besides contributing financially to political campaigns, big business has another lever, namely the 'employer mobilization' arrangement, whereby companies in the USA can use their employees in activities that support political candidates (Hertel-Fernandez, 2016). Employees who refuse to participate in such activities can be legally disciplined or fired.

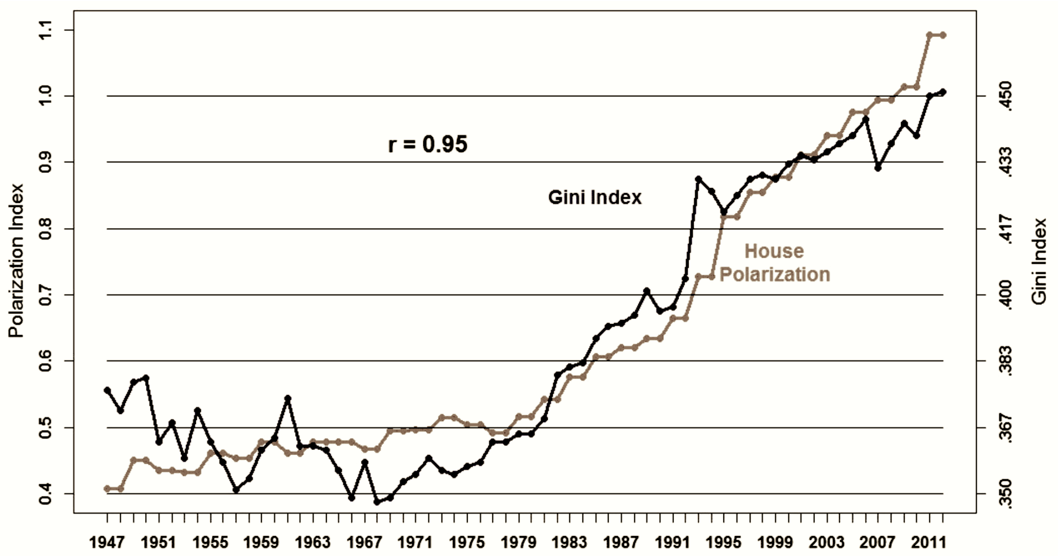
By subjecting politics to money, the wealthy and big business increasingly shape and manipulate policies to their own ends. In the late 19th century, Mary Elizabeth Lease, a political activist in the USA, famously stated, 'It is no longer a government of the people, by the people, and for the people, but a government of Wall Street, by Wall Street, and for Wall Street' (quoted in Müller, 2017: 88). Today, citizens in several democratic nations increasingly perceive the government 'of the 1 percent, by the 1 percent, and for the 1 percent' (Stiglitz, 2012: 99), and see that the political system is 'more akin to "one dollar one vote" than to "one person one vote"' (ibid, 2012: xix). Wolin (1996: 80) cannily observes that democracy 'is the only political ideal that condemns its own denial of equality'.

The influence of the super-rich on the national consciousness is considerably higher than what is commonly understood. The *Libra* exemplifies this plainly. In the past, it would have been farfetched, if not absurd, for the owner of a private company—in this case Mark Zuckerberg of *Facebook*—to propose to issue a new currency. The fact that most reactions focus on the technicalities of the idea speaks volumes about the extent to which the super-rich dominate and control present-day policy-making and politics, including in democratic nations. It epitomises how the role of the state has been diminished compared with that of a handful of individuals at the very top of the social ladder.

The evidence supports the argument that growing inequality gradually yields more political polarisation. The political scientists McCarty, Poole and Rosenthal (2016) find a clear association between polarisation and inequality. Their polarisation index reaches a maximum when all members of one party in the US House of Representatives vote one way, whilst the members of the other party all vote the other way. When comparing the annual polarisation index with inequality, expressed by the Gini coefficient, they find a close association, especially since the late 1970s when inequality started its upward march, as depicted in Figure 5.

Inequality divides us into hostile camps according to ideology, religion, race, gender and other dimensions. Such divisions create cleavages whereby social groups have less contact with each other, which in turn reinforces prejudices and stereotypes and creates greater division. This creates a fertile ground for politics of fear, for identity politics, and for us-versus-them thinking. High inequality thus leads to a decrease in the level of trust and empathy, as well as less toleration for and respect of opposing views. In a polarised context, it is harder to see opponents as members of the same community who share the same goals but happen to have different opinions about how to reach them. Opponents are increasingly perceived as enemies, whose views are considered economically ruinous, dangerous, as well as immoral. It is with ease that we dismiss their opinions as wrong, illegitimate and illogical. Making compromises becomes more difficult, whilst confrontation becomes the preferred option.

Figure 5
Income inequality and political polarisation in the USA



Source: McCarty, Poole and Rosenthal (2016) -https://legacy.voteview.com/Politics_of_Income_Inequality_2014.htm

Behavioural experiments yield particularly disquieting results in this area. In one of them (Brown-Iannuzzi et al., 2015), participants are given seed money to invest, and any profit is theirs to keep. Although they do not know it, the investment game is arranged so that everyone makes the same amount of money. The only difference is that half are told that they are making more money than the others, whilst the other half think they are making less money than the rest. Participants can vote to change the rules of the game. One rule is to tax profits to partially cover the losses of other players. When asked to vote on that rule, the result is predictable: those in the first group want to annul it. But when asked whether all votes should count equally, the majority in the first group readily accept the idea to ignore opposing votes. Subjects who thought their profits were inferior want everyone's vote to count equally, regardless of whether the other player agreed or disagreed with them. But those who are made to think they are winning, and thus induced to feel powerful and wealthy, try to tweak the game's rules in their favour by rejecting the votes of those who disagreed with them. This is truly disconcerting because inequality seems to corrode our democratic sentiments too.

Plato's critique on democracy in the *Republic*, probably the most important ever written, remains utterly valid today, given the level of bad inequality that has crept into most democratic nations. His critique transcends Churchill's oft-quoted statement that 'democracy is the worst form of government, except for all the others'. Plato sees the flaws of democracy more presciently. Besides pointing out that leaders in a democracy will focus on superficial and short-term issues, and spend more that they take in; he argues that democracies will foster discord and a loss of shared values because people will want to go their own way in the pursuit of their personal interests. Democracy, he argues, will breed distrust of government. Today, it is not uncommon to see bumper stickers in the USA that read, *I Love my Country but Fear My Government*.

Central to Plato's reasoning is the distinction between appearance and reality, between how things seem and how they really are; hence his famous *Allegory of the Cave*. In today's world, the cave has been replaced by newspapers and websites, TV stations, think tanks and social media. They all have the potential to distort the way in which we perceive the world around us, hence influencing political debates. Oddly, Plato argues that in a democracy people will tend to eat poorly because they will pay more attention to how food items look than to their nutritional content. Given the growing incidence of overweight and obesity, Plato's critique made about 2,500 years ago is absolutely remarkable.

The important point here is that political debates in a democracy can be manipulated by focusing more on images than substance, by making them emotional rather than rational, by keeping the debates superficial, and by seeking popularity. Given that present-day societies wallow in appearances and are awash in images, citizens and voters have become particularly vulnerable to manipulation by special interest groups. The wealthy and big business can, by employing an army of lobbyists, media consultants, public-relations experts and spin-doctors, manipulate public debates to support their own ends, rather than the common good.

The level of misinformation is so widespread that the legitimacy of some elections or referenda has been called into question. Democracy falls increasingly prey to Plato's point that the political discourse can be manipulated by focusing on appearances over reality. It is important to heed such caution in order to maintain vibrant democracies. It is only by exposing the existing flaws that we will be able to restore and maintain democracy's strength. It is not uncommon to dismiss those who criticise the current situation as anti-democratic. However, it is precisely those who don't want to discuss democracy's weaknesses who don't want to defend it.

At the same time, the continuously rising inequality means that a good deal of the electorate is facing growing precarity—insecure and casual jobs, freelance work, zero-hours contracts, unpaid internships, combined with underfunded pension schemes and crushing student loans. The result is that more and more people increasingly feel undervalued, bypassed, and ignored. The feeling of resentment and powerlessness makes them vulnerable to a distorted political discourse and likely to cast a protest vote during democratic elections. Such a sense of reactiveness seldom gives birth to positive values, but rather to a stance of retaliation and revenge—which is then viewed as a form of justice. It should be noted that such a stance is not exclusively directed towards people who belong to the top 10% or top 1%. More often than not it is levelled at people who are lower on the social ladder—often perceived as welfare queens or benefit thieves.

Politicians increasingly win elections as a result of manipulated and misinformed campaigns. They get elected more on the basis of emotions, images and shallow debates than on ability, substantive positions and moral values. The result is more political fragmentation and electoral volatility, and the vanishing of the moderate centre, all symptoms of the growing insurgency by the electorate. Polls show that an increasing percentage of voters in the USA have a very unfavourable opinion of the opposing party, a trend observed since inequality started its ascent in the mid-1970s (Pew Research Center, 2014). Electoral volatility has become commonplace. As Plato predicted, many of the newly elected leaders seek popularity rather than statesmanship. They often espouse a strong—if not crude—sense of nationalism, taking a my-country-first attitude when acting in the multilateral realm, where they choose confrontation over compromise, and thrive on conflict. Hence the resurgence of sovereignism in a growing number of countries. Herein is the connection between growing inequality and weakening multilateralism.

It is probably not a coincidence that multilateralism was strongest when inequality was low. This was particularly the case in the period following the Second World War, with its apotheosis occurring in the wake of the end of the Cold War. The strong sense of multilateralism was perhaps best embodied by the adoption of the Millennium Development Goals in 2001. Since then, multilateralism has gradually weakened, caused by a resurgent nationalism, which in turn has been triggered by growing inequality.

9. Conclusion

The evidence is sufficiently solid and compelling to accept the argument that inequality matters a great deal. Its psychosomatic effect on people's health and well-being, as well as on their feelings, thoughts and behaviour, is beyond doubt. The wealth of others affects our state of mind. It explains why people who feel poor have as many years from their life subtracted as those who are poor (Payne, 2017). The psychosomatic response to inequality explains why, beyond a minimum level, more income does not make people feel happier or better-off (Easterlin et al., 2010).

Through upward comparisons, inequality makes us always want more, but keeping up with the Joneses exerts a heavy toll—financial, psychological and otherwise. This is true for everyone, irrespective of one's position on the social ladder, including those close to the top. Inequality is thus bad for everyone, not just for those at the lower end of the ladder.

Inequality cannot be seen merely as an economic matter between individuals. Because of its corrosive effects on many fronts—including health, well-being, and human behaviour—and its psychosomatic impact, it very much is a societal issue. To go beyond the narrow economistic narrative, one needs a multidisciplinary approach. This approach must include the views of moral philosophers, historians, sociologists, psychologists, and political scientists. Indeed, inequality in one domain often contributes to inequality in another. A multidisciplinary perspective is therefore essential to comprehend fully the many effects of inequality.

Such a multidisciplinary approach will automatically lead to a better understanding of the corrosive impact of bad inequality on politics nationally, as well as on multilateralism internationally. Countries that are highly unequal, where domestic polarisation is high and internal co-operation weak, cannot be expected to be strong advocates of international co-operation. Bad inequality not only leads to distorted and manipulated political discourse, it also coaxes an increasingly resentful electorate to believe the distorted narratives, which further distorts democracy through protest voting. The result is more electoral volatility, producing demagogic leaders of all kinds but who are generally imbued with a crude sense of nationalism. Leaders of divided and polarised society will be tempted to point the finger at other states, accusing them of being lawbreakers and wrongdoers. Preferring confrontation over compromise, they will consider other states as unfair players rather than as equal partners. Thus, growing inequality at the national level makes it more likely that leaders will take a my-country-first attitude on the international scene. It seems apparent that the present-day crisis in multilateralism, given the resurgence of national sovereignism, cannot be disassociated from growing inequality at the country level.

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