

Acsenda School of Management

Tea the Chancellor

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Challenges for Changing Times: Inequality

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Introduction

TEA WITH CHANCELLOR

Good afternoon. It is my privilege to be the Chancellor of the Acsenda School of Management. This is an honorary position. I am not a member of the Acsenda staff. My role is to preside at Acsenda's degree ceremonies, called convocations, and I am also a member of the Academic Council and the Strategic Planning Committee.

The chancellors of most universities focus on fund-raising and relations with the local community, but President Mort and I have agreed that the role of Acsenda's chancellor would focus more on relations with students – you!

One of the ways that I shall do this is to hold regular meetings like this where we can discuss current issues in the wider world. This is not the place to ask questions about your courses at Acsenda, but I hope we can have some interesting discussions about broader issues of in the world today.

SERIES TITLE

I start each session with a short talk of 10-15 minutes and then turn it over to you for questions and discussion. The title for this series of sessions is *Challenges for Changing Times*.

Canada, your own home countries and the wider world face many challenges. Each of you could produce your own list. In this year's series, I shall focus on four of today's challenges.

LIST CHALLENGES

Here they are.

- Work
- Inequality
- Truth
- Trust.

At our session last term we looked at the first of these: Work

INEQUALITY

Today I shall take the second, Inequality

Inequality

CHALLENGES TIMES INEQUALITY

INEQUALITY: GINI, BOOKS, POLITICS

In today's introductory remarks, I shall touch on three aspects of inequality:

First, how do you measure it? The most common measure of inequality is the GINI coefficient, which I shall explain.

Second, I shall note and discuss briefly some recent books which discuss various aspects of the issue of inequality

Third, I shall touch on the political implications of inequality and suggest how they might affect you as Acsenda students and graduates

GINI COEFFICIENT

Let's start with the GINI co-efficient.

GINI WHAT IT IS

The Gini co-efficient dates back over 100 years to an Italian statistician, Corrado Gini. It is a way of expressing the inequality among members of a population and is most usually applied to countries.

GINI DEFINITION

Here is how it is defined.

Gini coefficient of 0 (zero): Means complete equality – everyone in the country has the same income.

At the other extreme a Gini coefficient of 1 (one) (100%): means that one person has all the income and the rest of the population have none.

BY COUNTRY

Obviously, no country has Gini co-efficients at either of these extremes. Here are a few examples of where real countries do lie. Remember that the higher the number the more unequally income is distributed in that country.

In this table, South Africa is at the top. It is a country where a small elite have very high incomes while most of the population live in poverty.

Of the countries that I have chosen here, Norway is at the bottom, meaning that public policy in Norway, through the tax system and social programmes, prevents large differences in income between poor and rich.

You will note also that Canada has a lower Gini co-efficient than the United States. In terms of income distribution Canada is more like Norway and the US is more like South Africa.

GINI MAP

Here is a map of the Gini co-efficient worldwide. Dark green means low, dark red means high. You can see that, by and large, the southern hemisphere has more countries with very unequal distributions of income than the northern hemisphere.

RELEVANT BOOKS

Let me now note some books that talk about inequality. If the topic interests you they make good reading.

WINNERS TAKE ALL

First, a very recent book by Anand Giridharadas: *Winners Take All: The Elite Charade of Changing the World*.

US DATA

A lot of the book focuses on the USA and Giridharadas starts by pointing out how fast inequality has grown in the US over recent decades.

Pretax income of the top 10% has *doubled since 1980*

Pretax income of the top 1% has *tripled since 1980*

Pretax income of the top 0.001% has *risen by 7 times since 1980*

But over the same period the average pretax income of the bottom half of Americans has stayed almost precisely the same.

NATIONAL POPULISM: THE REVOLT AGAINST LIBERAL DEMOCRACY

Another book, taking a broader look, is *National Populism: The Revolt against Liberal Democracy*.

This argues that when ordinary people see the rich getting much richer while their own incomes stagnate, they rebel against the political system that allows this.

THE POPULIST EXPLOSION

This rebellion is often called populism. If you want to know more read John Judis: *The Populist Explosion: How the Great Recession transformed American and European politics*.

LEFT REST VS ELITE

In essence populist politics means urging ordinary people to be hostile to the elite. It's not the same as conventional left-wing politics.

RIGHT MINORITY

The right-wing version of populism, well demonstrated by Trump, urges the majority to be hostile to the elite but also to minorities such as immigrants or foreigners that these populists accuse the elite of favouring.

We see the consequences of populism in higher education. Because of the rise of xenophobia the US and Britain are becoming less attractive to international students. So far, populism has not taken much hold in Canada. I hope it stays that way.

SCHEIDEL BOOK

What can be done to reduce inequality? I recommend another book, Walter Scheidel's, *The Great Leveler: Violence and the History of Inequality from the Stone Age to the 21st Century*.

He looks at four phenomena that have reduced inequality in the past.

- Mass mobilization warfare – such as the First World War.
- Transformative revolutions – e.g. the French Revolution and the Russian revolution.
- State failure or system collapse – like what is going on now in Venezuela
- Severe epidemics – such as the Black Death in the 14th century.

Let's take them one by one:

WARFARE

The First World War – sometimes called the Great War – certainly reduced inequality. It gave workers more power and brought women into the labour force. However, it's hard to imagine that kind of war with mass armies happening again – and it was a horrible process.

REVOLUTIONS

Revolutions are now out of fashion, and to judge by examples like the French revolution and the Russian revolution they do not reduce equality much in the long term. A new elite replaces the old one.

STATE FAILURE

The same can be said for state and system failure – it often leads to civil war and the poor don't benefit much from that.

EPIDEMICS

Finally, the Black Death killed a large part of the population of Europe in the 14th century and reduced inequality by giving the surviving workers more power. But it's hard to imagine a devastating epidemic like that happening again – and we wouldn't want it anyway.

So, I conclude that we cannot look to catastrophes like these to create a fairer balance of incomes in countries today. We must look instead to the political processes of taxation and social support, which are slow and difficult.

In conclusion, I recommend a final book if you find this topic interesting.

ROAD TO SOMEWHERE

This book is the *Road to Somewhere; The Populist Revolt and the Future of Politics* by David Goodhart.

Goodhart divides people into two broad groups;

A '*Somewhere*' is a person who is rooted in a particular community or country; he or she hasn't travelled much and does not have a higher education.

An '*Anywhere*' is someone who is globally mobile and often has a university degree.

Goodhart explains the rise of populism, the election of Trump and the UK Brexit vote as a rebellion of the 'somewheres' against being ruled by the 'anywheres'.

I suggest that you should all reflect on this distinction.

ACSENDA STUDENTS

I imagine that most of you are 'somewheres' who will become 'anywheres' through your time in Canada and your studies at Acsenda.

My simple advice to you, if you want to reduce inequality of esteem and combat the rise of populism, is to keep in touch with the 'somewheres'. Do not let your international experience and study cut you off from the majority of the population and lead you to become objects of resentment in the communities that you came from.

That is how you can contribute to combatting inequality.

I'll leave it there for discussion.

THANK YOU