Inequality's going to shrink on its own. Don't screw up by trying to do something about it. [1]

Written by **Tim Worstall** [2] | Saturday 2 February 2013

I know, I know, inequality in the UK is claimed to be at the root of all evils. And we neoliberals are supposed to have been promoting it for our own ends. Possibly cackling with glee as we did so.

And if truth be told I have indeed been cackling at the results of our dastardly neoliberal actions. As I've pointed out repeatedly the last 30 years have seen the largest reduction in human poverty in the history of our species. Billions have progressed from starvation to a petty bourgeois three squares a day. Indeed, this has been a change of such titanic proportions that global inequality is falling. And yes, there has been a price for this: the rise in in country inequality. A price that I think is eminently worth having paid.That the global top 10% mark time (even if the global top 0.1% continue to power ahead) while some goodly portion of the 90% catch up does not dismay me in the slightest.

As an example of this analysis about inequality, here's Dean Baker [3]:

> But if technology and its demand for high skills are not to blame for the rise in inequality, then we have to look elsewhere for the culprits. One obvious source is globalization. Millions of manufacturing workers have lost their jobs to low-paid workers in Mexico, China and elsewhere. Some argue that this is a natural, inevitable market process. But it is not. It is a policy choice. Yes, there are tens of millions of people in the developing world who can perform the same tasks as our manufacturing workers for a fraction of the pay.

This has put downward pressure on the wages of our own low skill workers and explains that rise in in country inequality. However, this is just about to change. As China goes through its Lewis Turning Point [4]:

> China is on the eve of a demographic shift that will have profound consequences on its economic and social landscape. Within a few years the working age population will reach a historical peak, and then begin a precipitous decline. This fact, along with anecdotes of rapidly rising migrant wages and episodic labor shortages, has raised questions about whether China is poised to cross the Lewis Turning Point, a point at which it would move from a vast supply of low-cost workers to a labor shortage economy.

As and when China becomes a labour shortage country (2020, 2025 they say) then wages there will soar. Wages soaring for 1.3 billion people is of course good for 1.3 billion people. But it also relieves some to most of the pressure on the wages of our own lowly paid. Thus we can expect the pay of our own lowly paid to rise, reducing inequality.

Another way of putting this is that low wages in China caused some to most of the rise in inequality here. As Chinese wages rise that cause, thus the inequality, will go away.

The point being that if inequality is one of those things that you do worry about it is going to lessen anyway in the coming years. There's no need to do anything to make it happen. It's simply a natural by-product of

China getting rich. And as India, Indonesia, sub-Saharan Africa, follow in those footsteps then inequality in the UK will diminish markedly. Which brings us to a strange place really.

If you want to reduce inequality in the UK you should be gunning for the industrial development of the rest of the world. For as other countries develop the downward pressure on UK wages abates. Which is, of course, the true deceit of the neoliberal plan for the New World Order. That we all of us get stinking rich. Cunning, eh?

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