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What Queen Elizabeth I's silk stockings tell us about inequality [1]

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Inequality drives civilisation. Unequal distribution of income indicates which behaviour needs to be copied to prosper, and which doesn?t. If you stay in bed you earn nothing; if you get on your bike to work you do: the unequal income incentivises behaviour which will create growth and prosperity from which ultimately the whole of society benefits.

Inequality does not only benefit everybody with regards to income ? but also in spending patterns. Wealthy individuals will typically buy luxury goods while they are still exclusive. Spurred on by the high income, manufacturers will produce more ? and this leads to those previously exclusive goods becoming cheaply available to all. Silk stockings once were a luxury which only Queen Elizabeth I and the richest in the land could afford ? now everybody can buy them for £28.95.

What is important is that everyone should have enough food to eat, clothes, and a roof above one?s head ? not whether or not your neighbour drives a Rolls Royce or just a bicycle. It is perfectly possible to have a reduction in inequality through high taxes for the rich, while seeing an increase in absolute poverty at the same time.

Inequality as indicated by the Gini Coefficient therefore misses the point completely. Poverty is absolute, not relative. Read more in our report*Does Inequality Matter* [3].

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