



**The IFS Deaton Review**

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IFS Deaton Review  
Launch Workshop

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@TheIFS

# Inequalities and public policy



# The IFS Deaton Review



- Major inter-disciplinary study of inequalities, focussing on the UK
  - Contributions from economists, as well as sociologists, epidemiologists, philosophers...
- Examines inequalities in: income, education, health, wealth, political power and social mobility; and across geography, gender, and ethnicity
- With a parallel project focusing on labour market and income inequalities in Europe and North America
- Links to all the research: <https://ifs.org.uk/inequality>

# Launching the IFS Deaton Review



- Drawing together the Review:
  - A book co-authored by some of the key contributors to the Review
  - A VoxEU blog summarising the findings of the book
  - An IFS report examining the lessons for policymakers
- **Today:**
  - Summary of some key findings + a high-level toolkit for policymakers
  - Leave the in-depth discussion and debate to colleagues and discussants

# Inequality is about more than money (1)



- **Income inequality is high compared to most high-income countries**
  - Though relatively little change since the early 1990s
- **Standard measures of wealth inequality: flat since early 1980s**
  - Wealth more important relative to income; big changes in housing
- **Labour market inequalities are about more than wage inequalities**
  - Lower earners less likely to have 'good jobs': less training; fewer workplace benefits; more insecurity and less autonomy

# Inequality is about more than money (2)



- **Economic inequalities mean children have very different resources available to them and their families**
  - State education plays very strong role reducing the impact
- **Health inequalities are significant and partly reflect economic inequalities over the life-course**
  - Life expectancy; obesity; mental health; ‘avoidable’ conditions
- **Regional inequalities are substantial and have grown over last 50 years**
  - This is judged to be the most serious inequality by the public

# Inequality and efficiency

Efficiency considerations are paramount to discussions of policy responses to inequalities:

## 1) Equity-efficiency trade offs

- Increasing some dimension of equity can come at the cost of reducing efficiency
- Weaker economic growth increases importance of inheritances and makes it harder to fund inequality-reducing govt expenditure

## 2) Many problems which cause both inefficiencies and inequalities

- “Market failures” can underlie these issues: (market power; imperfect information; costs or benefits not reflected in prices)

**What is the source of inequality and does it involve a market failure?**

- Directly addressing the market failure at source if possible

**What are the interrelations between, and effects of, inequalities?**

- Recognise the self-reinforcing nature of many different inequalities

**What is the least inefficient way to address the inequality, and are the costs of doing so exceeded by the government's concern about this dimension of inequality?**

- In many cases, there will be trade-offs (arising directly or indirectly)

# Two additional considerations

- **Risks of government failure: it may not be possible to design and implement a good policy**
  - Informational constraints: failure to assess costs and benefits?
  - Public sector workers: do they have the right incentives?
  - Political issues: e.g. lobbying from influential groups
- **A rationale for type of policy intervention does not necessarily imply a rationale for a specific policy**
  - Consider and the costs and benefits of the **specific** policy
  - e.g. of a specific increase in the minimum wage, not of minimum wages in general