

Jussi Herlin: Questions, Not Answers, on the Growing Income Gap

The concept of relative deprivation was coined in 1938. In essence, it describes the negative feeling that results from not having as much as the person next to you or being unable to exhibit standards of living that are deemed normal in a given society. Relative deprivation is thus distinct from absolute deprivation, since it may affect people on either side of the poverty line and theoretically is independent of absolute deprivation.



Relative deprivation, through globally increased income and wealth polarisation, can lead to social unrest and lower the quality of life in a society. For example, in the United States income and wealth are exceedingly concentrated in the top 0.1% bracket. Thomas Piketty's views on broken capitalism ("Capital in the 21st Century") and the now global Occupy movement relate to this situation. And although in the EU the situation is significantly better, the long-term trend also points towards growing gaps.

More strongly progressive taxation seems the obvious solution. Yet there are two important issues to solve:

1. What is a fair level of taxation for the higher income brackets. How can tax arbitrage and emigration of wealthy individuals be avoided?
2. On which level should fiscal policy be managed? Are we ready to move towards a EU-wide policy to reduce income differences?