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# Inequality Redux.

Staff and Students of SPERI

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## Preface

From February to April 2015, *SPERI Comment: the political economy blog* ran a series of linked posts by SPERI staff and students, all devoted to the theme of inequality. The posts were intended to paint into place a different backcloth to the issues that were being debated in the British General Election campaign that was running as the posts were published. Inequality was very much the dog that did not bark very loudly in that campaign. Now that the election is over and a new majority Conservative government has been elected in Britain, SPERI republishes the series of posts as a contribution to the cause of continuing the debate in Britain about the deeply worrying trend in society and political economy towards intensified inequality. The blogs have been edited only for tense.

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## Introduction

Colin Hay

Inequality is back. Of course, there is nothing at all surprising about this. For not only did it never go away, but, as a vast and seemingly ever more influential literature shows clearly, it has in fact been accelerating in the Anglo-liberal world in an almost exponential way since the 1980s and throughout the ‘great moderation’. And there are reasons for thinking that this acceleration is only set to intensify in the years to come. But that is to get a little bit ahead of ourselves. The point for now is that inequality is back in a perhaps surprising way – in that it now dominates the public debate in a manner that it has not done in Britain since the early to mid 1940s. But we need to be careful not to assume that Thomas Piketty, Joseph Stiglitz and Danny Dorling are harbingers of change – the Beveridges and T. H. Marshalls of our (rather different) times. That would be both premature and, alas, far, far too optimistic.

To see why, we need to consider the reasons for inequality’s perhaps surprising return to the public discourse and the politics to which it is currently giving rise.

Let’s start with the good news. There are at least two elements to this. The first is that, particularly in the work of authors like Thomas Piketty and Danny Dorling, we now have rich, lucid and supremely well-evidenced accounts of the widening of social inequality since the early 1980s – and, in Andrew Sayer’s new and startlingly brilliant *Why We Can’t Afford the Rich*, as clear an exposition as it is possible to have of the economic pathologies of such distributional asymmetries. The case for change, in other words, is clear and compelling – and, above all, it is prominent in the public debate. Second, it is not just inequality that has returned to the public discourse – but capitalism too. Indeed, for the first time in a long time, we can and do talk about both inequality and capitalism in the same breath and as inherently interlinked (in, for instance, the argument eloquently expounded in the *New York Times*<sup>1</sup> that previously unprecedented levels of societal inequality are a product of workers’ declining profit share). It is the contours of our current capitalism that are responsible – and, perhaps more surprisingly still, seen to be responsible – for the stark inequalities that characterise, as they scar, the societies in which we live.

So far, so good. But why is it that inequality and capitalism have returned to capture the public *zeitgeist* today? The answer is disarmingly simple, obvious even. And it is here that the story becomes rather more predictably depressing. Inequality has been growing at an alarming rate for over three decades and the crisis both exacerbates and graphically illustrates the cumulative consequences of the social and economic processes responsible. Put slightly differently, in the context of the sustained growth of the ‘great moderation’ (the period from the early 1990s until the onset of the crisis), it was much easier to turn a blind eye to the seemingly inexorable advance of relative inequality and infinitely more credible than now to offer the (always trite) ‘trickle-down economics’ defence (invariably, that relative inequality was a necessary and acceptable price to pay for higher aggregate levels of growth). The crisis, in other words, has led us to look anew at the ‘great moderation’ – and it is not surprising that there has been revealed, in the process of that retrospective re-evaluation, its darkly inegalitarian underbelly.

Indeed, the crisis arguably marks the point at which widening relative inequality masked by (sustained, if undramatic) growth gave way to rising absolute inequality for the majority of citizens. The figures, even before the crisis, are awful. As Piketty demonstrates in graphic detail, the share of total income captured by the top percentile grew in Britain from a depressing 6% in 1980 to a staggering 15% in 2008; and, more significantly, over the same time period, its share of national wealth rose from just over 20% to just over 30%. Danny Dorling's numbers are almost identical.

But what Piketty and Dorling have thus far failed to show (in part because the data is not yet in) is what has happened since the crisis. This is where the story becomes more depressing still. If the inequality scenario before the crisis was horrendous, then it has only worsened subsequently. For what we now know definitively is that the response to the crisis in Anglo-liberal states like Britain has essentially been two-fold: public austerity, on the one hand, and an ever more concerted and frenetic attempt to re-secure the conditions of asset price (and hence wealth) appreciation, on the other. Arguably, this has served only to accelerate the transition to what is usually called 'asset-based welfare'<sup>2</sup> (in which citizens take an increasing responsibility for meeting their future welfare needs by accumulating a portfolio of liquid assets) – though, for reasons we will come to presently, the term has in this context become increasingly anachronistic.

The argument is not difficult to make. Austerity on the scale and to the time-frame now envisaged by all the major UK political parties, and particularly in the absence of stable growth and rising tax receipts, can only be achieved by drastic (indeed, unprecedented) cuts in public welfare spending. And it was, of course, precisely those public programmes which are now most at risk that were almost solely responsible for compensating the poor for the rising social inequality they had come to experience since the 1980s. In short, austerity is itself synonymous with regressive redistribution – it is, and can only be, an inequality multiplier.

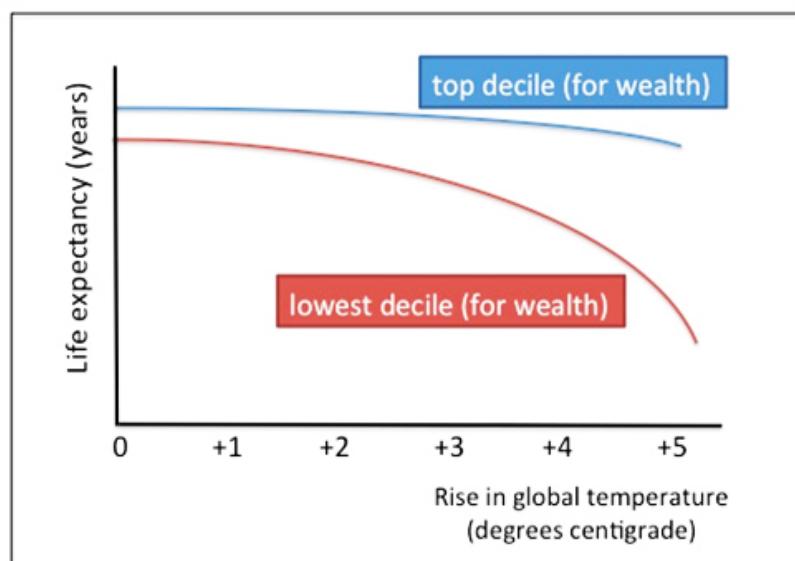
Yet that is only half the story. For, having bailed out the banking sector with public funds (nationalising, in effect, its losses whilst demanding essentially nothing in return – not even a certain tolerance for a more precautionary regulatory environment), the Coalition Government turned its focus on re-securing the conditions of asset-price (notably house-price) inflation – and achieved at least some success. The consequence is that those with accumulated assets (with wealth, in other words) are the key beneficiaries of the post-crisis public policy regime that is now in place – and they are set to benefit in proportion to the assets that they already hold or have the resources to acquire. That is staggeringly inegalitarian, and not just for British citizens. Russian oligarchs with (depreciating) roubles to burn can currently secure a 30% per annum return on their investment (in sterling – more, of course, in roubles) by 'speculating' or 'taking a position' in the London housing market (and, of course, they can do so without having to pay capital gains tax when they seek to liquidate their assets and repatriate their profits). This is not asset-based welfare, nor is it trickle-down economics – for the trickle has turned into a torrent and the torrent is raging upstream. Whatever we call it, it is contributing – very significantly – to the house price inflation radiating out of the south-east of England and hence to asset- and wealth-based inequality in Britain. And it is but one example.

The picture I have painted is already profoundly and, indeed, unapologetically bleak

– if we are to do something about these dynamics then we need to face up to how bad they really are. Yet it only gets worse if one brings inter-generational factors into the equation. For all generations are not created equal in the kind of analysis I have been developing. To paraphrase Orwell, some generations are more equal than others – and the most equal of all, almost certainly, will turn out to be the ‘baby-boomers’ (those born between 1946 and 1964). For the rest of us, things are only going to get worse ... and, for some of us – the very young especially – much, much worse. This is not just because the employment prospects and debt levels of students leaving higher education today and in the future mean that the housing market is seriously over-valued, nor that interest rates are currently at an historic low and will at some time start to return to more normal levels precipitating (indeed, exacerbating) a crisis of affordability in the housing market – and thereby cutting off asset-appreciation as a means to meeting future welfare needs. No, in inter-generational terms, it’s far worse than that.

The reason is that there is one massive and all-too-familiar omission in the preceding analysis – the environmental crisis. This, too, is likely to prove starkly inequitable both inter-generationally and in terms of its differential impact on citizens’ quality of life and, indeed, life-expectancy. To get a sense of both, simply reflect on the differential consequences in terms of life-expectancy we might expect to follow from anticipated climate change in the years ahead. This is perhaps best presented graphically (see Figure 1) – not least because it is so profoundly disturbing to put into words. It need hardly be pointed out that the x-axis (degree of global warming) can, in the absence of concerted and globally-coordinated efforts to reverse climate change, simply be replaced by ‘time’ (with the origin of the graph representing conditions today).

Figure 1 – Inequality and global warming



So where does all of this leave us? The short answer is in a sorry mess. Inequality is rife and has been for a very long time. It has made considerably worse by the crisis, which has shown quite how bad things have gotten – and quite how mistaken

we were to believe that markets, left to their own devices, would deliver sufficient growth to trickle down even to the poorest in our societies. Yet we do not appear to have learned the lessons of any of this. For our response to the crisis has been to put in place an economic and public policy regime which serves only to exacerbate existing inequalities of income and, far more significantly, of wealth. This might provide the very richest in our societies with the resources they will need to mitigate for themselves alone the worse effects of the environmental crisis that looms increasingly large. But, even for them, that may provide little solace. In the alarmingly prophetic words of Dani Rodrik, written in 1997 in *Has Globalization Gone Too Far?*, ‘social disintegration is not a spectator sport — those on the sidelines also get splashed with the mud from the field. Ultimately, the deepening of social fissures can [and does] harm all.’

What’s more, it need hardly be pointed out that, in the absence of the willingness or capacity of the parties of the centre-left to speak to the theme of inequality, that deepening of social fissures provides rich dark soil for the politics of what, until so recently, we called the ‘extreme’ right and which now tends simply to be referred to as the right.

## **Wage decline, welfare retrenchment and the politics of austerity in Britain**

**Scott Lavery**

There is a paradox at the heart of the debate around inequality in Britain. On the one hand, inequality has emerged as a key theme in the aftermath of the 2008 crisis. Across the political spectrum there is a growing recognition that rampant distributional inequities are not only socially unjust; they are also economically imprudent and unsustainable.

On the other hand, the re-emergence of inequality as a matter of public concern came at precisely the moment when income inequality actually fell – for the first time in a long time – in Britain. As the Institute for Fiscal Studies (IFS) has shown, the gini co-efficient fell from 0.36 in 2007-8 to 0.34 in 2011-2.<sup>3</sup> This was the lowest level of income inequality recorded – at least on the gini measure – in Britain for over a decade.

This seeming paradox implies two questions: firstly, what drove this decline in income inequality in the post-crisis period? Secondly, what does this mean for our analysis of distributional politics in Britain today?

Since the crisis broke in 2008, we have witnessed a period of unprecedented real wage decline. In contrast to the economic downturns of the early 1990s and 1980s, where workers managed to retain above-inflation wage increases in the face of recessionary pressures, the most recent economic downturn saw real wages fall by 8% between 2008 and 2013.<sup>4</sup>

The result of this was that inequality measured in terms of the ‘market income’ – the distribution of income between those who derive their income from employ-

ment, self-employment and capital – did increase in the first three years of the downturn.<sup>5</sup> Private firms effectively passed the burden of economic adjustment on to employees in the form of wage cuts and pay freezes, whilst the public sector simultaneously cut back on pay and on the size of its workforce.

However, during this period the income of non-working households remained relatively protected. This was because welfare payments are generally indexed to inflation and therefore act as ‘automatic stabilisers’ in periods of recession. As the income of non-working households fell less rapidly than the incomes of in-work households, this led to a decline in the overall level of income inequality between the years 2007-12.

This dynamic has been important in the debate over austerity in Britain. David Cameron’s Coalition government – sensitive to charges that its policies have precipitated a ‘cost of living crisis’ – has argued time and again that the fall in income inequality is proof that the burdens of its austerity programme have been shared equitably across society.

However, there is a profound irony at the heart of this Conservative narrative. The Coalition government’s Welfare Reform Act (2012) contained a series of measures which aimed to tackle Britain’s supposedly ‘lavish’ benefits system. As part of its reforms, the government implemented a ‘welfare cap’. This held increases in working age benefits below the rate of inflation – a process which impacts negatively on the incomes of those in the lower income deciles.

The tension in the narrative of the Conservatives is clear: on the one hand, the Coalition government highlighted the fall in income inequality as evidence of the ‘fairness’ of its austerity programme; at the same time, it sought actively to dismantle the very mechanisms within the welfare state which ensured that this reduction occurred in the first place!

As a result, the initial drop in income inequality which occurred after the crisis is being quickly reversed. As the IFS again has argued,<sup>6</sup> Conservative reforms to welfare and tax credit entitlements are projected to increase income inequality in the years ahead, with the gini co-efficient projected to approach its pre-crisis level once again by 2016.<sup>7</sup> Austerity has therefore been underpinned by a significant time-lag effect, with many of its most iniquitous consequences projected to take full effect during the next parliament.

What does this mean for our analysis of inequality and distributional politics in Britain today?

Firstly, the reduction in income inequality after the crisis should be seen as a temporary blip in an otherwise consistent historical trajectory. The sad fact is that, since the 1980s, no political party has reversed rising income inequality in Britain. Rather than breaking with this trend in the post-crisis period, the distributional politics associated with austerity have intensified it.

Secondly, when it comes to inequality, politics matters. Some analyses – such as Thomas Piketty’s recent contribution – can give the impression that economic ‘laws’, such as the rate of return on capital outstripping the rate of growth, lead inexorably to certain distributional outcomes.

However, the post-crisis period in Britain reminds us that strategic political interventions remain crucial in determining which groups in society bear the brunt of economic restructuring. Since 2010, low pay work has proliferated.<sup>8</sup> As a result, rising employment has not generated sufficient tax receipts, which has further compounded the budget deficit.<sup>9</sup>

However, instead of tackling the development of low pay work – through implementing a living wage or through stimulating manufacturing investment, for example – the Coalition government focused exclusively on rapidly cutting public expenditure. In this way, real wage decline has helped to initiate a classic ‘race-to-the-bottom’, with falling real earnings used to justify swinging welfare retrenchment.

Alongside changes in the income distribution we have seen a series of direct policy interventions – including Quantitative Easing and targeted interventions in the housing market – which have boosted the *wealth* of asset-holders at the top end of the income distribution. Britain’s economic recovery has been secured through a process of regressive redistribution – a process of wealth concentration which is likely to further intensify distributional disparities at the heart of our already fragile political economy.<sup>10</sup>

What does this mean for the centre-left? One of the reasons that the issue of inequality attracts progressives is that it potentially provides a unifying narrative through which to mobilise a national electoral coalition. The argument here is simple: inequality is bad for all of us – for the low-paid, the ‘squeezed middle’ and, indeed, business itself.

However, Britain’s post-crisis experience reminds us forcefully that building hegemony need not be based on the construction of a potentially inclusive ‘One Nation’ response to the present crisis. Rather, we have seen the return of classic statecraft whereby key electoral constituencies are privileged, whilst other groups – in particular, the working poor and benefit recipients – bear the brunt of economic restructuring.

For all that, one thing is certain: in the absence of a more radical approach to fixing Britain’s anaemic labour market and its disciplinary welfare system, inequality in this country will continue to widen – with all of the social and economic pathologies which this process necessarily entails.

## The ‘trilemma’ of equality, accumulation and ecology

Martin Craig

The connection of greater equality to improved economic performance, especially where it relates to enhanced capacity for economic growth, poses a unique problem for growth sceptical environmentalist perspectives: they deem the prospect of an improved growth model to represent as great a problem as austerity and inequality.<sup>11</sup> Accordingly, they advocate ‘degrowth’ of economies to an ecologically sustainable ‘steady state’ of physical throughput, with concomitant constraints on GDP and transformations of consumption, production and employment norms.

Such perspectives differ on the form of political economy implied by the vision. A relatively conservative strand, common among ecological economists<sup>12</sup> and environmentalist political parties,<sup>13</sup> argues that it is compatible with the market coordination of production, *providing* that levels of inequality are managed and scarce resources (including the atmosphere's 'carrying capacity') are rationed at an ecologically sustainable level. They envision a market economy that is neither stagnant nor expanding, and within which profit-driven activity, greater equality and a healing ecology are reconciled. With prominent climate scientists<sup>14</sup> attributing massive risks to further economic growth, it is timely to assess this vision of a new macroeconomics and its implications for equality.

The growth sceptic's case for greater equality addresses a tension arising from the competitive profit-driven behaviours of producers. Because physical output cannot be expanded beyond exogenously imposed limits in this vision, firms are not necessarily able to expand production to capture economies of scale. Consequently, cost savings become central to competition. Investments in resource productivity (that is, investments to allow more units of output to be produced from the same amount of rationed resources) are one possibility. Equally likely, however, is investment in labour-saving equipment, or simple wage repression. Such strategies would undermine consumer demand, while the resulting unemployment and loss of income could render any such project politically unviable.

It's here that greater income equality becomes integral to the vision. The idea of a 'basic income'<sup>15</sup> – a non-means-tested guaranteed minimum income paid to all citizens – is a prominent policy advocated to this end.<sup>16</sup> It compensates citizens for decreasing employment opportunities and ensures sufficient demand to purchase the economy's product. Meanwhile, the opportunities for creative self-fulfilment gained from the economy's declining labour requirements are celebrated in their own right.

Notwithstanding the Green Party's recent equivocation on its proposal for a basic income (the 'citizen's income'), the idea is gaining prominence. It finds intellectual support from across the political spectrum, uniting social democrats with the followers of Milton Friedman. Yet, for growth sceptics, the policy exposes a 'trilemma' at the heart of their macroeconomic vision: put simply, one can have capital accumulation (which is implied by the market coordination of production), greater equality and a healing ecology, but in a vision that holds economic growth irreconcilable with ecology *one cannot have all three at the same time*.

What is not always acknowledged is that for the basic income to fulfil the growth sceptic's purpose it implies a *maximum income* as well.<sup>17</sup> This is because of the need for producers and financiers to maintain a profitable return on capital. Where such a return cannot be realised by unequally dividing up the proceeds of economic growth, profit becomes a zero-sum game between employees and owners (as has been seen during the recent experiment in austerity).<sup>18</sup> Insofar as this upwardly redistributive dynamic is not arrested, ecology is pursued at the expense of equality. Indeed, the growing inequality between owners and employees would be paralleled by a new form of inequality: between those able to compete in increasingly competitive labour markets and the growing number of citizens for whom the basic income would be their only income.

Preventing such a dynamic requires a point in relation to the basic income above which the incomes of individuals and firms (whether derived from high-earning employment or from assets and investments) are redistributed. Proponents maintain that the resulting ‘bounded inequality’ would still provide a sufficient incentive for the market coordination of production. Leaving aside the plausibility of this claim, we should note that this apparent resolution of equality and ecology has come about at the expense of capital accumulation: there is no compounding rate of profit return on investments in this vision, simply a static higher income band for those able and willing to coordinate production. In other words, this vision takes us into the terrain of a post-capitalist economy, a fact about which its academic advocates are coy and its nominal parliamentary advocates are yet to comment.

At this point a tempting manoeuvre for environmentalists is to endorse so-called ‘green growth’. One might argue that supply-side reforms promoting ecologically benign forms of production could reconcile accumulation, greater equality and ecology by allowing owners and employees to take a more equal share of an expanding ‘green’ output. Yet this is precisely the move that the growth sceptic cannot make. Why not? Because, if ecology is necessarily opposed to physical economic growth (and if GDP growth remains tightly coupled to physical resource usage), this is to pursue capital accumulation and equality at the expense of ecology.

It’s unlikely that the Green Party’s equivocating policy statements reflect this trilemma, yet there are certain parallels with the logic that it imposes on growth sceptics engaged in the formal political process. To put it mildly, the rapid transition to a post-capitalist economy is an ambitious undertaking. Yet, without such a transition, parties professing growth scepticism will eventually have to re-order their political priorities: either loosening their commitment to equality so as to privilege ecology and capital accumulation or, more likely, revising their growth scepticism.

Where does this leave the debate on equality for committed growth sceptics? Like the architects of austerity, those implementing such an agenda would prioritise the interests of one class at the expense of another, but unlike austerity’s advocates they are unable to call this a temporary state of affairs. The confrontation with powerful interests entailed by a resolution of the trilemma in favour of equality and ecology would, as Naomi Klein has recently underlined, surely require the mobilisation of a mass movement. This is no doubt a tall order, but environmentalists are no strangers to such odds. The promise of expanding leisure-time bound up in the notion of a basic income could be a very useful place to begin such a project.

## Fighting slavery, flaming labour exploitation?

Genevieve LeBaron

In the context of soaring wealth and income inequality, labour exploitation has reigned.

As Steven Greenhouse recently argued in the *New York Times*,<sup>19</sup> rising income inequality has been spurred by workers’ falling share of profits. And, as workers

have earned less – and in the context of declining unionisation<sup>20</sup> and high unemployment<sup>21</sup> – they have become less powerful (both individually and collectively). Study after study has documented falling real wages and rising rates of exploitation across many sectors over recent decades.

The link between rising inequality and labour exploitation is intuitively obvious: the poorer that people get, the harder it is to command a fair wage for their work. And this is compounded by unemployment: the more difficult it is to find a job, the more fearful workers become to exercise labour rights, or leave an abusive employer.

With wealth and income inequality continuing to soar, and global unemployment set to worsen further (the International Labour Organization predicts 215 million people will be unemployed by 2018<sup>22</sup>), labour exploitation is set to deepen – not disappear – even as corporations post record-breaking profits.<sup>23</sup> The reality is, labour exploitation is now a widespread and endemic element of modern industry. What's more, the ability of business to exploit workers seems to be enhanced by upward redistributions of wealth that are leaving working populations with a smaller and smaller share of the pie.<sup>24</sup>

As a string of reports, including in recent years the World Economic Forum's Global Risks Report, have sounded an alarm about workers' declining income share<sup>25</sup> and the perils of the 'jobless recovery',<sup>26</sup> an interesting thing has happened. A wave of governments – including those in the UK, US and Canada – have become champions of the cause of combatting 'modern slavery', including forced labour and human trafficking for the purposes of labour exploitation.

The UK and US governments have been at the forefront of these 'new abolitionist' efforts. UK Home Secretary Theresa May recently declared: 'We must step up the fight against modern slavery in this country and internationally to put an end to the misery suffered by innocent people around the world'.<sup>27</sup> Similarly, in a recent speech in the US, President Obama claimed that 'our fight against trafficking is one of the greatest human rights causes of our time, and the United States will continue to lead it'.<sup>28</sup>

Forced labour has long been nominally illegal in all countries. But, in the aftermath of the 2007-8 financial crisis, governments have passed a wave of new legislation to combat slavery and forced labour. Canada's Harper Government established its National Action Plan to Combat Human Trafficking in 2012, while California passed its Transparency in Supply Chains Act (SB-657) in 2010 and the US federal Business Supply Chain Transparency on Trafficking and Slavery Act (HR 4842) was introduced in 2014.

In the UK, the Conservative Party has championed the 2014 Modern Slavery Bill (which is now an Act) as a 'historic bill to help stamp out modern slavery' and a key achievement during its recent term. Indeed, it has been heralded by the Home Office as 'the first of its kind in Europe, and one of the first in the world, to specifically address slavery and trafficking in the 21st century', thereby reflecting 'the Government's determination to lead the global fight against modern slavery'.<sup>29</sup>

There is no doubt that the problem of forced labour is important. The International Labour Organization estimates that it 'generates annual profits of US\$150 billion' worldwide.<sup>30</sup> Within the UK, official statistics report 1473 cases of modern slavery

in the country last year alone. And a new government study estimates the ‘full scale’ of modern slavery in the UK ranges between 10,000 and 13,000 victims.<sup>31</sup> These practices involve severe and often physically harmful forms of labour control and exploitation, from which workers cannot exit, and so are unquestionably deserving of our – and the UK government’s – attention.

But, importantly, even if the Modern Slavery Bill, which focuses on higher fines and criminal justice consequences for perpetrators, is successful in protecting victims of forced labour (and there are many reasons to worry it will be a ‘lost opportunity’<sup>32</sup>), the reality is that it covers only a tiny percentage of the labour exploitation that is currently thriving in the UK market.

Furthermore, one can’t help but notice that the same governments which are passing measures to eradicate forced labour are also responsible for the political economic policies that have bolstered the power of employers to inflict illegal and severe human suffering in modern industry.

For instance, as a recent study of forced labour in the UK’s construction, cannabis and food industries revealed, ‘the UK economy has a number of elements which create vulnerabilities in people which may then allow for forced labour’, including the ‘light-touch’ regulation of business and the general lack of labour standards enforcement, ‘which creates a sense of impunity for employers’.<sup>33</sup>

If we accept inequality as a driver of exploitation – and it’s surely impossible not to – then it is striking that the same political forces which are now passing legislation to ‘eradicate slavery’ have also enacted economic and social policies that have deepened labour market inequality and exploitation, facilitated growing class and wealth inequality, and contributed to growing power disparities between workers and employers since the crisis. It is almost as though the more widespread that labour exploitation has become, the smaller the group of people that governments are trying to save from it becomes.

Measures to address forced labour are necessary and welcome. But the current framing of *forced labour* as an isolated issue that can be neatly severed from labour exploitation, more broadly, deflects attention from more widespread problems in relation to labour market governance in general. These include policies that fuel ‘ordinary’ labour exploitation.

Dealing with labour exploitation will, at a minimum, require: enhancing social protection to reduce vulnerability; measures to reduce the forms of poverty that prompt workers to enter into risky and informal jobs; and stopping the assault on wages, benefits, pensions and bargaining. Bolder and more proactive solutions might include – as Guy Standing has convincingly argued<sup>34</sup> – a class-based charter guaranteeing universal basic income; or, bolder still, a shock redistribution away from the 1% of the kind effected by the First World War.

Both ordinary labour exploitation and ‘modern slavery’ share one key driver: inequality. No political forces to date have mustered the courage or bold thinking necessary to confront this huge problem. But, until they do, labour exploitation has little prospect of abating.

## Shedding light and turning down the heat in the debate on welfare reform

Thomas Hastings

As noted recently by the OECD<sup>35</sup> – the West’s most prominent pro-market think-tank, lest we forget – inequality has been shown to hamper economic growth. This raises interesting and concerning questions regarding the British Coalition government’s attitude to welfare cuts, which have intensified in the wake of financial crisis in the name of reducing the deficit and bringing about ‘fairness’ for a squeezed middle-class.

Benefits act as a vital safety-net for people out of work or struggling to make ends meet, a point not lost on the OECD which views government transfers as the key to guaranteeing that low-income households ‘do not fall further back in the income distribution’. I argue, however, that debates around welfare/benefit reform routinely fail to make the connection between inequality and economic growth due to their pre-occupation with deficit reduction and the moral aspects of welfare reform. I also suggest that these debates would benefit from cross country-comparisons and a stronger engagement with the *political economy* of welfare by the mainstream media.

Clearly, the thorny issue of welfare reform cemented itself as ‘hot topic’ in the run-up to the May 2015 election. It seemed that we couldn’t go a week without hearing about the pros and cons of welfare cut-backs, benefit sanctions and the impending system of Universal Credit both from the perspective of ‘taxpayers’ and recipients of out-of-work support. One notable instalment – *Dispatches: ‘Britain’s Benefits Crackdown’*<sup>36</sup> – has added to Channel 4’s growing repository of ‘reality nasties’ (Benefits Street, anyone?). Unfortunately, few mainstream discussion programmes analyse the wider implications of benefit reform outside of basic moral dilemmas on either side of the debate, or reach for more critical reasoning to justify the reforms in the first place. They seem designed instead to generate more heat than light in debating welfare reductions and their corollary: rising rates of social inequality. This is good news no doubt for Katie Hopkins<sup>37</sup> and Russell Brand<sup>38</sup>, less so for members of the public interested in a critical engagement with the whole issue.

So, where to begin? Undoubtedly, the context of the 2008 financial crisis has proved pivotal in establishing the ‘need’ for deficit reduction and consequent welfare adjustments. This drive has been reflected particularly in the Coalition government’s WORK programme which intensified the welfare-to-work aspect of employment policy in Britain, primarily through the use of sanctions for ‘non-compliant’ claimants. Outside of benefit suspension, additional compelling measures included enforced community service for long-term jobseekers (part of the ‘Help to Work’ programme which began in April 2014) and further pressure for jobseekers to accept zero-hour contracts under threat of benefit restrictions.

There is strong evidence to suggest this turning-up of the dial disproportionately impacts the most vulnerable in society. Although the Department of Work & Pensions points to declining rates of sanctions overall, the fact is that, for those receiving employment support allowance (the main benefit for the disabled and seriously ill), they have increased fourfold in the two year period 2012-14 (a rate of more than

3,000 sanctions per month). Campaigning charities, such as Mind, have accordingly chastised policymakers for failing in their duty of care to the most vulnerable, particularly those suffering mental health problems and associated medical conditions.<sup>39</sup> We've also witnessed extended use of means-testing in relation to entitlement to child benefits.

As noted earlier, justification for this 'sanction culture' has typically centred on two related issues. First, there is the perceived need to cut the deficit and the accompanying suggestion that in this context the £94 billion spent annually on working age benefits is both wasteful and ineffective.<sup>40</sup> Second, there is the purported moral dimension to the benefits issue, epitomised by attacks on claimants and the 'something for nothing culture' by leaders across the political spectrum. This creates a problem of choice for the electorate, with all the major parties attacking benefits spending – in one guise or another – as inimical to renewed economic growth. The question becomes: 'whose benefit inequality matters least'? Answer the elderly<sup>41</sup> (vote Lib Dem), migrants<sup>42</sup> (vote Conservative) or the young<sup>43</sup> (vote Labour)?

Any way round, the calls for benefit reform and related austerity responses have been presented as necessary evils linked to lower deficit levels. This need not be the case. As shown by ETUI reports (such as Clason *et al.*<sup>44</sup>), cross-comparison studies in the EU suggest multiple interpretations of the crisis and the necessary outcomes across different EU states. In the case of Spain, a less prevalent narrative depicts post-crisis labour market reform devoid of major cuts to labour market policy expenditure.<sup>45</sup> Rather, Spanish administrations have focused on reducing employment protection legislation with a view to enhancing labour market flexibility on behalf of firms and, specifically, in the interests of labour market 'outsiders' struggling to attain work. For its part, Italy has also put considerable effort into post-crisis reform intended to enhance employment rates (via solidarity contracts offering wage cuts/reduced social contributions) and has recently sought to strengthen social protections for groups of (non-)workers previously unprovided for. In contrast to current conservative rebuttals of 'inhuman inflexibility'<sup>46</sup> with respect to British benefit sanctions, it is notable too that reform in Italy has extended the coverage of social insurance to apprentices and other workers with fragmented employment histories.

A further point of comparative interest with reference to rates of lifelong learning arises with the case of Ireland, where education has been pushed as a means of lifting jobseekers out of poverty. Contrary to the British experience, where educational funding has suffered in recent years (e.g. the abandonment of the 'Train to Gain' programme and the axing of the educational maintenance allowance), the rules relating to Ireland's Back to Education Allowance (BTEA) have been adjusted in a contrary direction. In 2010 eligibility for BTEA (which provides funding for a return to full-time education for those receiving welfare payment) was expanded to allow the entry of applicants claiming benefits over a period of nine, rather than twelve, months.

In other words, different things can be done. These various actions have received insufficient attention in Britain and have in effect been drowned out by the generalising narrative of austerity and deficit reduction which implies that the main 'crisis states' have little or no scope to implement progressive policies geared both to reviving the economy and tackling inequality.

Rather than entrenching ourselves on one side of the ‘moral argument’, we should look to steer the discussion in more useful directions that embrace a better grasp of political economy. After all, does the crisis and the rise of sovereign debt really necessitate welfare cuts? How have other states reacted to both debt and inequality concerns? If this is too ambitious, we can at least spread the word that inequality is not only distasteful: it actively *holds* back economic growth. We could then perhaps try to ask, as objectively as possible, if welfare policies that sanction, bully and propel people into low-paid (often zero-hour) work are likely to do much good for *any* of us outside of the 1%.

## Equity, entitlements and the changing nature of welfare

Hannah Lambie-Mumford

Equity and entitlement are two words which are central to the practice and analysis of social policy. They also constitute key foundations of the welfare state that has been built up in Britain over many years. Yet they are not so often invoked as social aspirations in the mainstream discourse of post-crisis Britain.

This section of the Paper discusses how notions of equity and entitlement are being undermined by (welfare) austerity politics and explores some of the visible, practical repercussions of this process. At the level at which welfare reform is actually experienced and in relation to the changing nature of community-based welfare provision, we see, at first-hand, distinct movements away from principles of equity towards neoliberal notions of individualised risk and from entitlement towards charitable gifts.

Whilst the austerity politics and welfare reforms introduced in Britain since 2010 have had particularly significant impacts on the nature of the welfare state, these recent changes must also be placed within a longer trajectory of adjustments to the shape and nature of the welfare state, including the New Labour years from 1997 onwards, which themselves saw an increased and more formalised role for the voluntary sector in welfare services via programmes of diversification and increased social security conditionality. Indeed, looking back further still to changes made since the 1970s, what we have seen generally over the last 30-40 years is the forced emergence of an increasingly individualised notion of responsibility and care, combined with increased conditionality and the appearance of communitarian and contractarian interpretations of dependency and solidarity. Overall, these shifts have involved an undermining of entitlements and a retreat from rights and entitlement-based assistance to charitable responses and gifting.

This has been a result of two particular dynamics in state-based poverty provision. First, as mentioned, policy shifts have increased the conditionality of social security (including, most recently, changes in sanctions policy, the insertion of waiting periods before benefits can be claimed and tightened criteria for disability benefits). Since the Welfare Reform Act of 2012<sup>47</sup> there has also been a reduction in real terms of the levels of social security entitlements, including social security caps, abolition of council tax benefit and changes to annual uprating of social security levels. Second, high profile policy platforms of both the New Labour and Conservative-led

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Coalition governments (in the forms respectively of the ‘Third Way’ and ‘Big Society’<sup>48</sup>) have actively promoted a shift towards the greater involvement of charities both in formal provision of welfare services and in assuming more generally an enhanced, responsive role to community needs.

From 2000, but particularly since 2010, one particular consequence of these key changes in welfare provision has stood out as emblematic: namely, food charity. Between 2010 and 2014 the number of food bank projects in the country’s largest organisation of food banks network – Trussell Trust Foodbank Network – rose from 20 to 405.<sup>49</sup> In 2013-14 the Foodbank Network distributed nearly one million food parcels, representing a 610% increase in provision since 2011-12.<sup>50</sup>

The evolving evidence base on the growth of food charity indicates that there has been a symbiotic relationship between the changing welfare state and the growth of both the need for and provision of food banking.<sup>51</sup> On the one hand, changes to social security entitlements and processes have driven demand for food banks. Examples include delays in social security payments coming through, lack of awareness about short term benefit advances and incorrect sanctioning decisions.<sup>52</sup> On the other hand, the changing nature of state services and the increased expectations imposed on the voluntary sector have seen charities working increasingly hard to fill gaps.

Particularly important here have been the cuts to service budgets or services as a whole prompted by austerity politics. Building on the longer history of welfare diversification and the rise of narratives around community responsiveness, the result has been an increasingly professionalised and mobilised charitable sector.

In this sense, the rise of food charity is a telling manifestation of a stark shift in post-crisis Britain. It represents a big step away from cash entitlements towards reliance on charities to provide gifts of food (in this case) to those in need in their communities. We are seeing nothing less than an undermining of notions of equity in social policy provision and the emergence of unmet needs which only charities are taking responsibility for meeting. Yet they are necessarily limited in what they can provide, the number of people they can help and how accessible they can be to their local communities. This is without question a significant departure from a belief in, and implementation of, the right to a social-safety-net for all. Charities have been left to make up as best they can the gap between state provision and real human needs.

Importantly, however, in the context of food charity, the evidence tells us that charitable gifts do not measure up to entitlement-based systems. We know from experience in other countries, where food charity is much more established, that not all people in need access the support available and that provision (in terms of food actually given out) can be hugely variable. Moreover, the institutionalisation of this kind of charitable support can serve, however unintentionally, to depoliticise the very issues that gave rise to food charity in the first place. In other words, by being responsive and meeting needs even to a limited extent, food charity can make the core issue at stake less visible.

In the context of a focus on inequality and its effects, this account of changing welfare provision and the rise of food charity in Britain inevitably raises the normative question of what a better social policy *should* look like. In particular, what does

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the notion of ‘social rights’ mean in post-crisis Britain? Should we be talking more about entitlements and adequate social protection? Should this shift towards individualised risk and care and away from notions of social solidarity be allowed to continue unabated? These are big questions that were not extensively debated in the ‘long campaign’ leading up to the May general election.

The rise of food charity highlights the incredible amount of compassion and innovation in the community sector, but it also reveals the sharp reality of heightened need facing those living in, or on the edge of, poverty in Britain today. Turning back to principles of equity and entitlement could re-focus attention on the whole notion of social protection and the key matter of what is needed genuinely to protect people from poverty and alleviate it quickly when it occurs.

## The intersectional consequences of austerity

Daniela Tepe-Belfrage

Inequality is at heart intersectional. What does this mean? Intersectionality is the understanding that inequality, oppression, power, domination and discrimination have different forms and that we need to study their intersections and, in particular, the way in which these contribute to multiple and reinforcing patterns of inequality. In other words, to reduce inequality to any one of its forms or to observe inequality simply through aggregate statistical measures serves to obscure its many social manifestations and, above all, what is perhaps best called the ‘lived experience’ of inequality.

Understood in this way, intersectional analysis can help us to understand better and then to begin to counter the damaging effects of the global financial and economic crisis and the negative consequences of austerity policy responses for the lived reality of ordinary people.

As has been recognised in earlier parts of the Paper, inequality is not a new phenomenon that suddenly arose as a result of the crisis. Rather, in its historically concrete form it is based on interconnected inequalities that have generally run along different axes, such as gender, class, age, sexuality, ability and/or race. Yet class and income remain the most common lenses through which to understand inequality and have been popularised once again by Thomas Piketty’s recent intervention.

Unfortunately, these remain the only lenses for many political economy approaches. As Zillah Eisenstein has argued in a critique of Piketty’s *Capital in the Twenty-First Century*, political economy often ‘reads as though labor has no actual body – no home that actually creates it. It remains abstract and therefore colorless as in white, and sexless as in male.’<sup>53</sup> Yet, to take just one example, gendered inequality is quite easy to detect when studying work and inequality. But it nevertheless remains largely unrecognised in work such as Piketty’s. Indeed, when looking at income and wealth inequality, which has clearly grown since the 1970s, both the hidden and well-established structures of gendered inequality between paid and unpaid work and the gendered structures of inherited wealth should surely appear at the forefront of ‘critical’ analysis.

The lived experience of racial inequality is similarly overlooked in studies of work. For example, the number of long-term unemployed young people from black, Asian or minority ethnic communities in the UK has risen by 49% since 2010, compared with the 2% fall experienced by white young people.<sup>54</sup> Or, as research at the University of Essex has shown, the gap between Britain's white workers and those from ethnic minorities doubled in the 15 years leading up to 2008.<sup>55</sup> What's more, the crisis has significantly widened this gap.

Recent developments have increased other levels of inequality too. With the crisis, some violent expressions of inequality have come directly to the surface. To give an example, in 2011-12 the number of people sleeping rough rose by 23% in England and by a staggering 43% in London. Another example is the explosive growth in the number of food-banks that have come into existence all over the country.<sup>56</sup> There is no doubt that class and/or income analysis are obvious ways to illustrate inequality, providing a stark account of who loses and who wins.

But, to reiterate Zilla Eisenstein's question, do these people not have a body? We need to ask the question differently: who is affected and to what extent? Class-based analyses of the impact of the crisis can only ever give a partial picture and they are thus partly complicit in obscuring the intersectionality of inequality.

We know that women have been hit disproportionately by the crisis. For instance, the UK Women's Budget Group has shown that the largest drop in disposable income since the crisis has been experienced by women.<sup>57</sup> Women are also more likely to be employed in the public sector or be subcontracted to the state via private-sector organisations (for example, in the form of cleaners or carers). As the UK's austerity policy regime has especially targeted public services, women have been particularly affected, facing wage drops and job losses. Austerity also has a 'double-impact' on women as, by virtue of being disproportionately in caring roles, they tend to be more likely to depend on the public provision of social services such as childcare services or care provision.

Using an intersectional lens helps us to see which women have actually been affected the most. The figures show that they are predominantly lone mothers, single women, women with disabilities and women aged between 50 and 64.<sup>58</sup> Most of these women are responsible for unpaid care responsibilities for children, elderly people and/or children or adults with disabilities. Furthermore, as public services that support these unpaid caring roles are cut financially, it is, by default, these very same women who 'pick up the tab', increasing the 'double burden'.<sup>59</sup>

Similarly, there is evidence that women from Black, Asian and Minority Ethnic (BAME) backgrounds have again been disproportionately affected by the crisis and subsequent austerity policies. As a University of Warwick study has shown, 'BAME women are more likely to live in poverty... unemployment is higher for all groups of BAME women than among white women ... BAME women as a whole are more likely to report ill health and experience ill health earlier than white British people'.<sup>60</sup> For BAME women, 'taken together, the combined impact of job losses and cuts to spending on welfare benefits, education, health, social care, legal aid and voluntary services will exacerbate existing inequalities between BAME women and other groups and pose a serious risk to some BAME women's human rights'.

To sum up, inequality is not reducible to singular aspects of socio-economic identi-

ty. Rather, it is only through intersectional analysis that we can understand how different forms of inequality intersect, who it is that is actually affected and ultimately how poverty is created. This constitutes a clear challenge to political economy approaches that reduce inequality to single dynamics. Such explanations necessarily fall short of addressing the multiple causes and consequences of inequality. Intersectional analysis suggests different solutions, taking as its preferred starting-point the lived experience of domination, power, discrimination and oppression.

## Why ownership is at the root of inequality

Andrew Gamble

In the debate now raging on inequality a great of attention is paid to income inequality, partly because of the way in which the pay of CEOs and bankers in recent decades has soared so spectacularly in relation to their employees. But to understand why inequality is such a persistent feature of capitalist market economies we also need to focus on ownership and wealth.

The ownership structures of a society express its fundamental power relationships. One of the basic features of our kind of political economy is that, while everyone is legally entitled to be an owner, in practice the only thing most people reliably own is their capacity to sell their labour. Most people in capitalist market economies are property-less, because they possess only very limited physical property and financial assets. Many people have no financial assets at all. This is of course in sharp contrast to the top 10% who have significant financial assets, whether in the form of ISAs or pension funds, and even more to the top 1% whose share of financial assets and total wealth has been steadily increasing. As a result, as the Equality Trust shows the distribution of wealth is even more unequal than the distribution of income.<sup>61</sup> The extent of the inequality has fluctuated in the history of capitalism, but in the last forty years it has been increasing again towards levels last seen when the *Titanic* sank.<sup>62</sup> Andrew Sayer estimates in *Why We Can't Afford the Rich* that the top 1% now own 14% of all the wealth in the United Kingdom and 35% in the United States.<sup>63</sup>

Concentration of ownership was seen as an evil in the nineteenth century by both radical liberals and socialists. Tom Paine argued that democracy could not work unless there was a rough equality between citizens, with all citizens owning sufficient property to make them independent of their fellow citizens and the state. Socialists argued for collective and co-operative forms of ownership in which all citizens would have a sufficient stake to empower them against the landlords and the capitalists who controlled the economy. In general, the connection between unequal ownership of land and capital and the inequality of income and wealth was widely understood. Property ownership allowed the extraction of unearned rents, cementing the division of society into rich and poor. The most hated form of unearned rent was that extracted by the rentiers of the landed aristocracy, who owned so much of the land on which the great industrial cities were built, as well as benefiting from mining royalties and other unearned windfalls. Yet the profits and dividends extracted by the new class of industrial owners came a close second.

In the last hundred years the political salience of land ownership has lessened, with the decline of landed aristocracies across Europe, while the attention paid to ownership of capital shifted because of the growing divorce between ownership and control with the decline of capitalist owners and the advent of the managerial revolution. Some argue that ownership is increasingly formal and that power now lies elsewhere, predominantly in the self-perpetuating oligarchies which run the giant transnational companies that dominate the international economy. It is true that ownership has changed and that it has become much harder to understand the structures of control at the heart of modern capitalism. But that does not mean it is no longer important. The emergence of a class of absentee owners who only have a financial interest in the companies in which they hold shares disguises the way in which the other attributes of ownership, in particular the control over the assets themselves, are exercised by executives operating within the legal form of the modern corporation. This process has also been disguised because of the blurring of the lines between states and big companies. Both have become dependent upon one another, to the point where, despite some frictions, there is no fundamental conflict of interest between them. The weakening of trade unions as a countervailing power has further meant that there has been little pressure either through the state or within companies themselves to ensure transparency and accountability in the way in which ownership rights are now exercised.

The consequences are plain. Corporate managers in big companies and in the banks have used the ownership powers vested in them to extract an ever increasing stream of rents. Some of this takes the form of increased incomes, but it is also evident in the share options, bonuses and other perks which senior executives receive. There is no market justification for these rewards. They reflect the current set of power relationships in our political economy, which ultimately rest on the exclusion of most citizens from significant property ownership. It has been a recurring political ambition of the Conservative party in the UK to establish a property-owning democracy, and the means by which it has sought to bring this about have included at different times tax incentives to home ownership, the sale of council houses and shares in privatised industries at a discount. But these measures of popular capitalism have failed to stop the inequality of wealth increasing. The number of individuals owning shares rose sharply in the 1980s, but has since fallen back. Only 15% of British citizens hold any shares at all. Yet ownership of shares is the major repository of the wealth of the top 1%.

There will be no lasting change in the drift towards ever greater inequality unless the source of the problem is tackled – namely, the cartel character of ownership at the heart of our political economy, which constantly distorts free markets by encouraging collusion and rent seeking, yet is defended as the embodiment of competition. This should not surprise us. The financial markets were celebrated before 1997 as a perfectly formed and infallible mechanism for pricing risk. The concentration of ownership and the shareholder value model of corporate governance reinforce the privileges of an increasingly closed elite and weaken both social mobility and social cohesion. Commentators across the political spectrum have become alarmed at these trends, but there are few ideas about what to do to arrest them. Nothing is likely to change unless there is a redistribution of property rights. This means looking again at stake-holding and the reform of corporate governance, at capital funds for the young financed by inheritance taxes, at employee share

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ownership and at the accountability and transparency of pension funds. There are plenty of radical ideas around for a new reformed, civic capitalism. If we do really want to reduce inequality, translating them into reality is overdue.

## Housing, house prices and homelessness

Adam Barber

Evidence from the Confederation of British Industry has demonstrated that over the last decade house prices in the UK have risen on average by 56%, with residential property in the UK now worth approximately £4.5 trillion and quickly becoming the default repository of wealth.<sup>64</sup> However, the latest SPERI *British Political Economy Brief*, ‘The UK housing market and stamp duty reform’, also shows that, while prices in London and the South-East have indeed surpassed pre-crisis levels, house values in the north of England are still approximately 5-10% below their pre-crisis peak.<sup>65</sup>

The implication of such regional variations is that inequalities within the market have been intensified, with housing in some areas moving beyond the reach of many low-income families and households. By contrast, house prices in the North of England have fallen significantly between 2007 and 2013 and, although still historically high, are now more closely aligned to earnings.<sup>66</sup>

Despite this, between 2010 and 2014 homelessness – that is, those recorded as ‘sleeping rough’ – increased by 55%, with London and the South-East experiencing the greatest increases amongst the regions, at 78% and 96% respectively. Statutory homelessness, defined as households or families that face a real and imminent threat of losing their homes or are at risk of being evicted from their current residence, also increased on average by 17% over the same period.<sup>67</sup>

While homelessness cannot solely be attributed to rising house prices, evidence presented by the Joseph Roundtree Foundation demonstrates that housing market conditions tend to have a much greater direct impact upon homelessness than other market and economic factors.<sup>68</sup> While rising house prices, tighter lending conditions and a lack of social housing have put home-ownership beyond the reach of many working families, a number of policy initiatives put in place by the Coalition government, along with its sweeping welfare reform agenda, have had the effect of adding fuel to the fire, greatly exacerbating an already capricious market and further stacking the deck against the disadvantaged.

For example, the benefits cap, introduced in 2013, limits weekly welfare benefits for single people to £350, with all other households being limited to £500 per week. The impact of the benefits cap has been particularly felt by larger families and those living in London and the surrounding regions where rents, reflective of the local housing market, are particularly high. As a result, many families and households have struggled to meet their rent obligations and have slipped into statutory homelessness. It is not surprising, therefore, that between March 2013 and April 2014 local authorities spent £176 million in Discretionary Housing Payments (DHP) to families and households facing an imminent risk of losing their accommodation

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within both the social and private rented sectors.<sup>69</sup>

Likewise, a limit on eligible rents for households in the social rented sector, better known as the ‘bedroom tax’, was also introduced in April 2013. It dictated that those in receipt of housing benefit would have that benefit reduced if the property being rented was deemed to have more bedrooms than necessary, with tenants having to make up any shortfalls in rent from their own pocket. Indeed, the Department for Work and Pensions has released figures which suggest that only two out of five tenants affected by the bedroom tax have been able to meet their rent obligations, with the remainder falling into debt, arrears or borrowing money from family and friends in order to avoid eviction.<sup>70</sup>

Meanwhile, research presented by the Joseph Rowntree Foundation has shown that in England and Wales landlord possession actions increased by 18% in 2013-14 compared to the previous year and further claims that the ‘full homelessness impacts of the bedroom tax have yet to be felt’, with the termination of fixed-term tenancies likely to be the single largest factor causing loss of permanent accommodation amongst the homeless.<sup>71</sup>

Changes to the Local Housing Allowance (LHA) may also be compounding homelessness in the UK. The LHA is a state benefit which assists tenants in privately-owned rental accommodation unable to meet their monthly rents in full. LHA recipients are often those in low-paid jobs, part-time workers, retirees or people dependent upon welfare. The LHA used to be calculated on the local market median, meaning that recipients were entitled to receive state help in order to be able to afford to rent a property up to the market median rate. However, in 2011 changes to the LHA mean that all new tenants, as well as some existing LHA recipients, are subject the thirtieth percentile rule, which insists that 3 in 10 properties of each size should be affordable to those receiving LHA.

In addition, market conditions, including rising house prices, will themselves have further increased inequality. For example, the Institute for Fiscal Studies has shown that declining mortgage interest payments, resulting from an overall fall in interest rates, has had the effect of lowering costs for home-owners by approximately 37% during the years 2007-13, with income-to-cost ratio for home-owners falling by 5% over the same period.<sup>72</sup> However, those in the private rental sector have not experienced a similar reduction in their overall housing costs.

The IFS report also demonstrates that falling mortgage interest payments have benefited a much smaller percentage of the population, with the number of mortgage home-owners falling by 5% during 2007-13. As such, home-owners are now better off than those in the rented sector and experience a greater ability to ‘consume’ housing, whether by moving to a more desirable property or purchasing a buy-to-let second property. When wealthier home-owners re-enter the housing market they have greater economic power than non-home-owners and are generally able to outbid their counterparts. The result is that prices rise, forcing non-home-owners and those on low incomes into the precarious rented sector and rendering them more dependent on state benefits that have already undergone significant reductions.

In sum, home-ownership in the UK now represents the greatest repository of individual wealth, with unequal access to housing magnifying the unequal distribution

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of wealth within society more generally. Quite simply, home-ownership is beyond the economic power of many. Although this cannot be attributed to any single individual factor, we do know that key policies of the Coalition government, in particular its welfare reform agenda, significantly constrained the access to housing of many people, exacerbating housing exclusion and compounding the direct causes of homelessness.

## The illusion of pursuing equality through a hollowed-out state

Craig Berry

'Inequality remains the great social and political challenge of our time'. This is the somewhat surprising view of the Conservative Party's chief whip in the Coalition government, Michael Gove. But Gove is not threatened by this realisation because, he argues, conservatives are 'warriors for the dispossessed'.<sup>73</sup> He was speaking at the launch of 'Good Right', a new Conservative grouping led by Tim Montgomerie, whose aim is to demonstrate how conservative values support 'a society where everyone has a chance, everyone has a stake and where no one is left behind'.<sup>74</sup>

For Montgomerie *et al.*, the problem with conservatism does not lie in its philosophy, but rather in 'how conservative parties and movements think of themselves and how they present themselves to the world'. You need to scroll to the very bottom of Good Right's mission statement to find its core diagnosis: 'A society that recognises parents, teachers and job creators as the agents of social progress will prosper. One that tries to replace them with the state (the socialist danger) will stagnate'.<sup>75</sup>

For Good Right, it is not capitalism that acts to dispossess the poor; rather, it is the state (a belief that sustained Gove's ruinous 'free schools' agenda). Moreover, the grouping proclaims that it stands for a 'conservatism that doesn't just want to reduce the state but knows how to make the government work for the people' (*emphasis added*).<sup>76</sup> So it accepts austerity, but also seemingly the neoliberal notion that the state is little more than a set of purely technocratic instruments – in effect, the servant of individual utility-maximisers, rather than the embodiment of individuals' collective enterprise.

The right defines the problem of inequality as dispossession *by* the state. But the real problem is the dispossession of the state from our collective imaginary. Without the idea of the state as the means by which human beings can act collectively to alter and improve their environment, politics is increasingly empty. It is the very fact that it has already succeeded in destroying the means by which inequality might be substantively addressed that allows the right to claim the cause of inequality as its own.

This is not to question the progressive sincerity of Montgomerie *et al.* – I think they genuinely believe that supposedly 'socialist' policies diminish the amount of wealth available to trickle down to the poor. But it does render their apparent egalitarianism largely meaningless. Fundamentally, inequality is the characteristic of a group – one can only be unequal relative to someone else. But our public discourse no longer permits us to reflect on our status in these terms; instead, we are atomised.

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The hollowing out of the state – indeed even the *idea* of the state – is evident most obviously in welfare reform. Benefit recipients are routinely described as a burden on the state (despite the fact that most are in employment). More importantly, this attitude is increasingly reflected in welfare practice, as entitlements are cut and recipients made to conform to expectations to find work irrespective of suitability and job quality.

Welfare is fundamentally a form of social security, an insurance against a range of socio-economic risks, both knowable and unknowable. This definition tells us something quite important about how inequality is understood. The right despises the welfare state because it draws on the idea – flawed, of course, in its judgement – that the state can engineer equality through redistribution. But this is not the only way to think about things and it is not how the left traditionally sees the welfare state at all. From this perspective, it exists not to *produce* equality, but rather *reflects* the fact we are equal to begin with.

Gove's reference to those on the wrong side of inequality as 'the dispossessed' is particularly revealing. Ensuring people are able to become possessors, or asset-owners, has become one of the key objectives of economic statecraft under both Conservative and Labour governments in recent decades. The Coalition has therefore continued New Labour's 'asset-based welfare' policies, most notably in the various guises of 'Help to Buy', designed to help young people buy a home.<sup>77</sup> I have written elsewhere about what such policies mean for the principle and practice of citizenship.<sup>78</sup> Just as the retrenchment of traditional welfare is based on the notion that you have a *responsibility* to work if you want to retain the citizenship-derived *right* of financial security, so too asset-based welfare is based on the notion that you have the *right* to become a possessor, because the very act of possessing is deemed to represent responsible citizenship.

This is especially the case given the illusion of home-ownership for most people: we do not really possess our homes at all, but rather mortgage them from the banking sector. This is why 'asset-based welfare' is so attractive to conservatives (even the cuddly ones): to possess something is to be disciplined by it. Herein lies the dark side of the right's embrace of inequality. It manages to put the blame for inequality back on individuals. The right offers a path to asset-ownership as a way to overcome inequality – any inequality that remains is the fault of those that refuse to take the path.

Defining the enemy as the state, and its allegedly endemic tendency to dispossess, fuelled the radical tax-cutting agenda of the Coalition government, despite its ostensible commitment to austerity. As well as reducing income tax, with cuts surreptitiously targeted on high earners, the Coalition steadily reduced the amount of tax payable on forms of wealth such as savings and pensions. It extended the use of tax-free ISA allowances and significantly relaxed most of the tax restrictions on early access to pension pots. The Conservatives also promised to make tax-free the first £1,000 of interest 'earned' on any savings; we will never know what it might have done in practice, but the Labour opposition had suggested that it would not have reversed this policy had it been elected in May 2015.

As such, we are confronted with a narrative in which the state is not only demonised, but unacknowledged altogether. The idea that our savings, or our pensions, are precisely that – ours – is a dangerous simplification. We must recognise that

the state has an intrinsic role in sustaining the highly complex financial ecosystem that allows people to save and invest – and we can do so without arguing that personal wealth is entirely illegitimate. Similarly, despite the veneration of business that pervades British political culture,<sup>79</sup> the ‘private sector’ would be unthinkable without the innumerable functions of the state that enable private enterprise to operate. Even so, British industrial policy is characterised by timidity.<sup>80</sup>

This is not to say that traditional leftist concerns such as redistributive taxation, and certainly not a planned economy, are the answers to inequality. A broader approach to addressing inequality would, as a first step, reject its premise. *We are already equal*. Once this is accepted, then the vast disparities of power that mean that far too many people exercise virtually no control over their own lives, whilst a handful of individuals determine how society is structured, are immediately rendered unjustifiable. A second step would be to recognise that the state, enshrining our equality as citizens, is the only entity able to challenge such disparities, whatever form they take. Here, it is the state as concept that matters – the embodiment of a collective endeavour to seek to shape socio-economic reality – rather than any particular institutional configuration or geographical layering.

The great tragedy of New Labour (with which the Miliband leadership did not fully come to terms) was that, although it maintained the party’s traditional attachment to equality, it marginalised the accompanying concept of the state and thus was only ever spitting against the wind.

New Labour also has to take as much responsibility as the right for the failings of welfare reform and ‘asset-based welfare’. On the understanding of equality and inequality advanced in this section of the Paper, there is nothing egalitarian about inviting people to participate in socio-economic structures over which they have no meaningful influence.

## Conclusion

Tony Payne

Inequality is back, wrote Colin Hay in the Introduction to this Paper, before going on to note that, of course, not only had it never gone away but that it has been accelerating since the 1980s, has worsened again markedly since the great financial crisis and recession and, thanks to the adoption of austerity policies, was bound to deepen still further into the future. In the circumstances, *Inequality Redux*, the latter adjective simply meaning ‘restored’ or ‘brought back’, may perhaps have been too mild a title for this Paper.

Nevertheless, the cumulative story told has surely been an important one to have highlighted, especially given the timing and context of the discussion: namely, contemporary Britain in the midst of a long and ongoing election campaign. In the various contributions we’ve seen inequality unpicked successively in relation to: the labour market, basic income, labour exploitation, benefits, welfare, gender, assets, housing and, most recently, the very operation of the state. We’ve described and analysed the ‘lived experience’ of inequality undergone by many of our fellow citizens and voters.

Yet the reality is that SPERI's attempt to draw attention to the complex political economy of inequality did not find a loud enough echo in the election campaign. Indeed, to adapt Sherlock Holmes, it was the dog that didn't really bark. Why is that? This concluding section will attempt to offer at least the beginning of an explanation and, in so doing, will open up the deeply worrying thought that inequality has also got to our politics and rendered the British political system at best ill-placed and at worst incapable of responding to the damage to society which growing inequality unavoidably entails.

I shall focus on the Labour Party. This may be unfair, because an election is a unique moment when all the political parties really 'are in it together' in respect of having a responsibility to chart ways forward for the country. I know too, not least because Craig Berry reminded us that the right now seeks to embrace the cause of inequality. But, to be honest, I can't take that claim very seriously: it's *chutzpah* of the highest order. The Conservative Party exists fundamentally to conserve the existing power structure; the Liberals exist, or should exist, to promote the greater freedom of individuals; Scottish Nationalists seek, above all, an independent Scotland; UKIP an (albeit mythical) restored and autonomous United Kingdom (really England); the Greens a genuinely sustainable economic and social order, and so on. By contrast, the reality surely is that, in Britain, *if* inequality is the issue that bothers you, it is Labour in the main to which you are most likely to look for redress.

The reason for saying this is simple. Historically, the concept of equality has been in Labour's ideological blood from its earliest beginnings as a political party. For anyone who doesn't know, or has forgotten, this history, it is engagingly summarised by Caroline Daniel in a collection of essays produced by IPPR in 1997.<sup>81</sup> As she shows, the Party's engagement with equality can be said to start with George Bernard Shaw, run through to R.H. Tawney and flower most eloquently in Anthony Crosland's *The Future of Socialism*, published in 1956 (and, incidentally, a book that much affected me when I first read it as a teenager in the 1960s). Since Crosland, the argument for making equality the organising crusade for Labour has been raised persistently by Roy Hattersley and, most recently, by Peter Hain. But Crosland remains the classic source of inspiration and is worth quoting at length. He wrote in that highly influential book:

Socialism, in our view, was basically about equality. By equality, we meant more than a meritocratic society of equal opportunities in which the greatest rewards would go to those with the most fortunate endowments and family background; we adopted the 'strong' definition of equality – what [John] Rawls subsequently called the 'democratic' as opposed to 'liberal' conception. We also meant more than a simple (not that it has proved simple in practice) redistribution of income. We wanted a wider social equality embracing also the distribution of property, the educational system, social-class relationships, power and privilege in industry – indeed all that was enshrined in the age-old socialist dream of a more 'classless society'.<sup>82</sup>

Personally, I've always translated that 'wider social equality' into the notion of a fundamental equality of respect in which society accepts that its successful functioning requires as much the care worker as the brain surgeon, the dustman as well as the entrepreneur. As I've said, this is all in Labour's blood, although I concede that,

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if you came to maturity in the 1980s and don't read much, you could (just about) be forgiven for not realising.

Where, then, did Labour stand on equality and inequality during the May election? Well, in case you missed it, Ed Miliband said quite explicitly in the town hall session that followed his grilling by Paxman in the middle of the campaign that Britain today is 'too unequal', adding that New Labour was 'too relaxed about inequality'. I heard it with my own ears. Yet, for all the force of his observation, addressing inequality was not developed into a *cri de coeur* that cohered and rallied the Labour campaign. Inequality was mentioned, and many of Labour's actual policy proposals, if implemented, would have ameliorated some of the worst effects. But, nevertheless, this dog did not bark loudly and persistently.

Why not? Possible answers are either that Miliband did not really believe what he said and was just touching base in his remark with a favoured mantra of the left, or that he was just too weak and ineffectual to make this cause central to the pitch of the party he led. We are all entitled to our views of Miliband, but I don't happen to think either of the above arguments true. I think Miliband was quite serious about tackling inequality, but that he was nervous about raising this argument and making it the centrepiece of his campaign. What's more, he might have been right to be nervous in the light of the actual election result.

What if the picture of the British electorate that emerges is that of a people that says and believes contradictory things at the same time? In other words, we are upset by inequality and perhaps our own position in the economic and social order, but we also prefer what are essentially individual, rather than collective, routes forward out of the inequality that affects us. Put differently again, what if, over the course of the last 30-35 years, we have all become more 'neoliberalised' in our heads, in our attitudes, emotions and core values, than we realise or are willing to admit? What if Miliband's advisers were telling him to be watchful of embracing inequality too strongly as a campaigning rhetoric for fear that many of us would, apparently, embrace the talk, but then walk in the secrecy of the ballot box towards tax cuts, the right to buy housing association property cheaply and unfunded promises about finding massive amounts of money to spend on the NHS?

Something of this argument is made by Philip Mirowski in his brilliant book on the crisis called *Never Let a Serious Crisis Go to Waste: How Neoliberalism Survived the Financial Meltdown*.<sup>83</sup> He uses theories of cognitive dissonance to argue that neoliberalism has become a 'Theory of Everything', providing a revolutionary account of self, knowledge, information, markets and government, and has thus rendered itself secure from being falsified by 'anything as trifling as data from the "real" economy'.

For what it's worth, I find his proposition plausible but also somewhat exaggerated, because, as I have argued previously on *SPERI Comment*, there is also considerable countervailing evidence in Britain, as well as more obviously in places like Greece, Spain, Argentina, that more and more people are rebelling in various ways against the practice of neoliberalism.<sup>84</sup> The point here is that inequality is the key battleground in this fight for the future and the great worry is that its entrenchment in countries like Britain has already significantly weakened the capacity of politicians, like Ed Miliband perhaps, who would like in their hearts to have addressed it directly.

In effect, what I am suggesting by way of conclusion to this Paper is that the rich and their allies may have already captured too much of the political process for our collective good as citizens. This is the sense in which inequality might already have got to our politics, as well as all the other aspects of society on which our argument here has focused.

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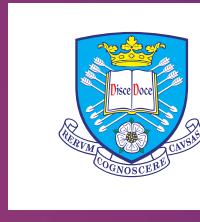
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