Birmingham Brief: Wealth inequality - are we 'one nation', all in it together?

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Birmingham Brief: Professor Karen Rowlingson, Director, Centre on Household Assets and Savings Management (CHASM)

In his speech to the Labour party conference this week, Ed Miliband invoked the spirit of the former Conservative leader, Benjamin Disraeli, when he set out his vision for Britain to be 'one nation: a country where prosperity is shared'. This audacious theft of a traditional Tory idea comes at a time when living standards at the bottom and in the 'squeezed middle' are deteriorating, but a small group of Britons remain extremely wealthy. While the 'one-nation' brand is a Conservative one, there has been little evidence of it so far in the Coalition government's policies, with tax cuts for those earning over £150,000 at the same time as cuts in services and benefits, affecting the poorest most. So where are the 'one-nation Tories' and where do Conservatives more generally stand on this issue?

In 2010, London's Conservative Mayor, Boris Johnson, identified himself as a 'one-nation Tory', arguing that the rich have a duty to the poor. But he also argued that the poor would not be helped if high taxes led the rich to leave the country.

The issue here is that the top 1 per cent have seen their share of income and wealth increase in the last 20 years. They now have incomes of over £150,000 per year and marketable wealth of over £1 million. Should we ask this group to contribute more, now, at this time of austerity? Or do the wealthy already contribute enough through taxation, job/wealth creation and philanthropy? The Liberal Democrats support the view that the wealthy should pay more – through a mansion tax or broader wealth tax but would this discourage entrepreneurship as some Conservatives have recently argued?

These are among the questions that a new Policy Commission on the Distribution of Wealth aim to answer. The Commission, chaired by the Right Reverend David Urquhart, Lord Bishop of Birmingham, will first of all review existing knowledge about the distribution of personal wealth across different groups in society, focusing on three particular kinds of personal wealth: pensions; housing/property; and financial savings/investments. It will then consider the extent to which, and the ways in which, the unequal distribution of wealth may be a problem for individuals and the economy or whether it is beneficial, for example, through providing incentives for entrepreneurial job creation. It will also consider whether there are equal or similar opportunities to accumulate wealth in the UK, as well as whether the outcomes of wealth inequality cause socio-economic problems and social divisions. During this stage of the Commission's work, we will also review whether there are advantages to an unequal distribution of wealth, for example, in creating incentives for entrepreneurs or others to create/accumulate wealth.

The final, though arguably most important, stage of the Commission's work will be to consider policy options. These will depend on the nature of the problem identified in the second stage but may include consideration of one or more of the following: how to spread opportunities to accumulate wealth; how to redistribute wealth; and how to mitigate any of the negative impacts of wealth inequality.

The Conservatives' Coalition partners, the Liberal Democrats are talking about introducing a 'mansion tax', or an even a broader wealth tax, but this has not been supported by the Conservatives. With the Policy Commission's launch scheduled for a fringe meeting at the Conservative party conference next week, we will be interested to hear views from within the party. Do the rich have any obligations to the poor? And, crucially, should the rich contribute more than they currently contribute, at this time of austerity?

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