

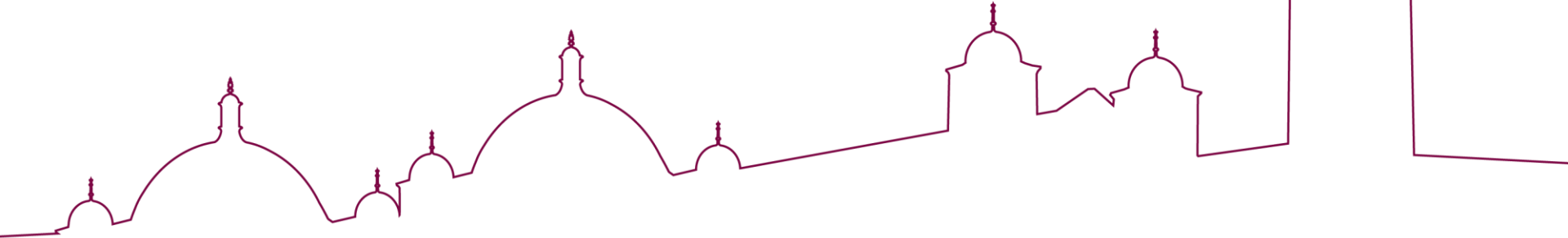
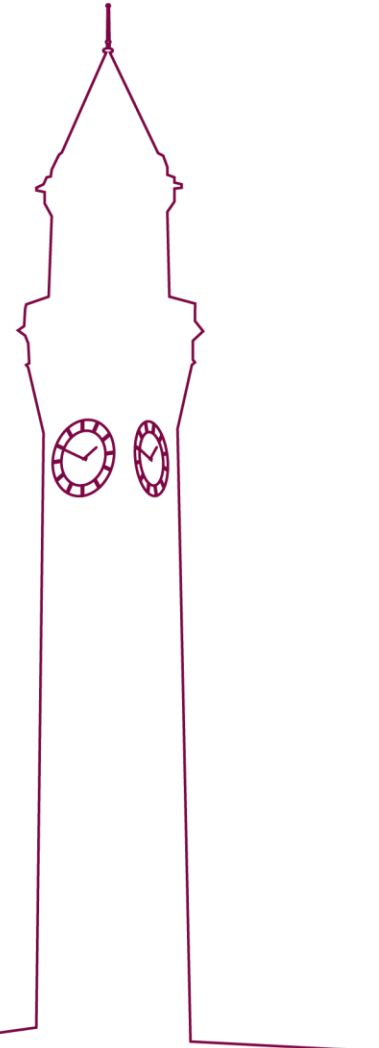


UNIVERSITY OF  
BIRMINGHAM

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SOCIAL SCIENCES

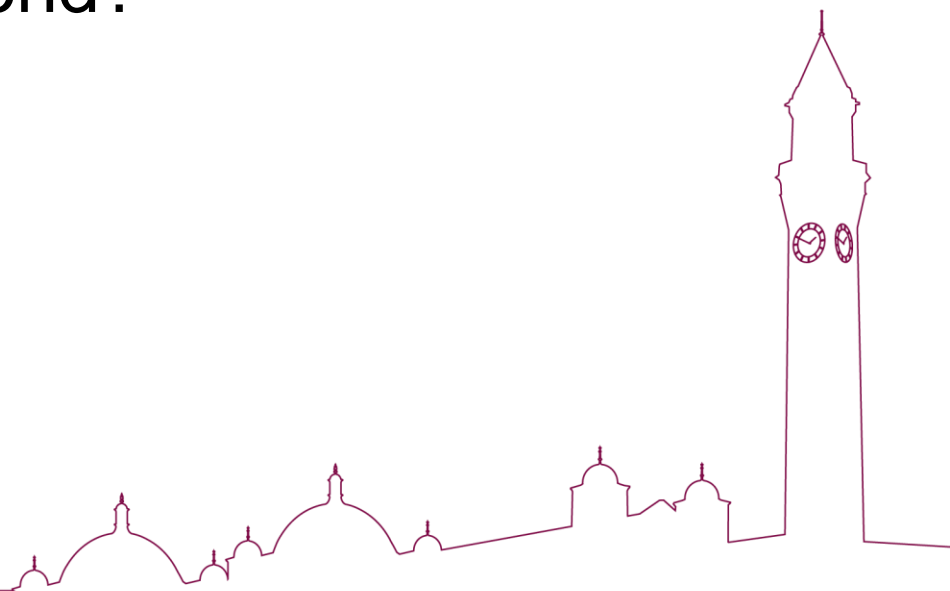
# How should policy respond to 'the problem of riches'?

Karen Rowlingson, Professor of Social Policy  
@KarenRowlingson  
Festival of Social Science, November 2019



# Outline

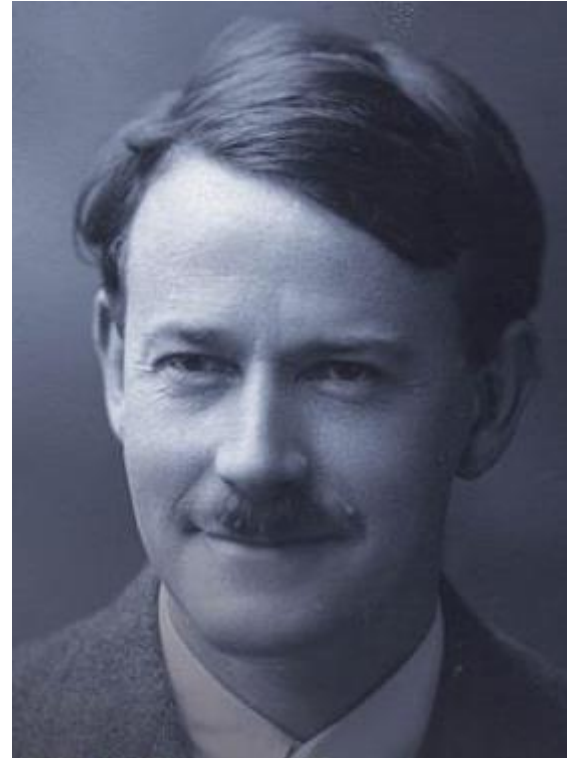
- What is ‘the problem of riches’?
- Who is rich?
- How should policy respond?



# What is ‘the problem of riches’?

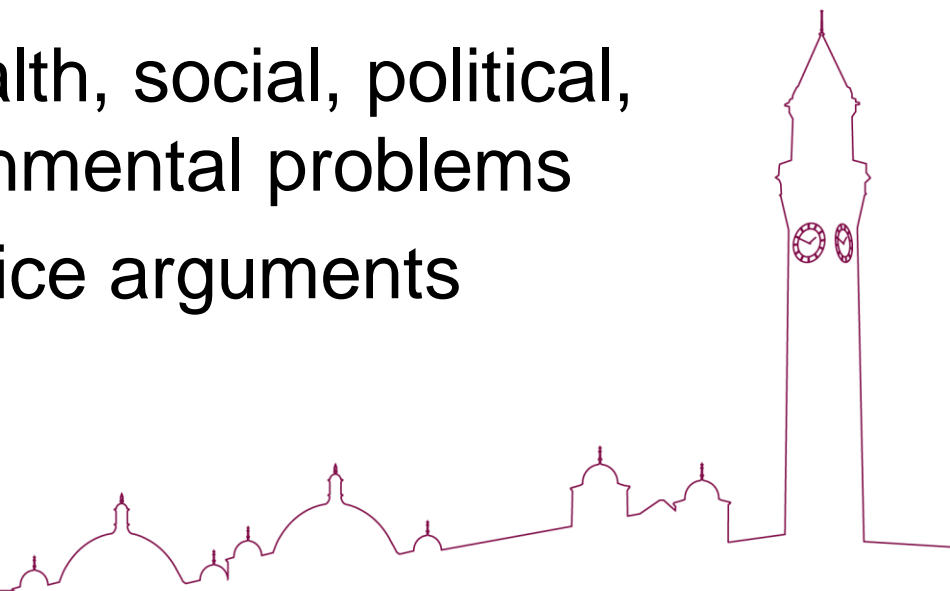
*‘What thoughtful rich people call the problem of poverty, thoughtful poor people call with equal justice a problem of riches.’*

R. Tawney (1913:10) *Poverty as an industrial problem*



# Are 'riches' a problem?

- Procedural arguments
  - The process by which some people become rich is unfair
- Consequentialist arguments
  - Inequality causes health, social, political, economic and environmental problems
- Fundamental social justice arguments
  - Limitarianism
  - Extractive capitalism



# Limitarianism, Ingrid Robeyns

- *'What, if Anything, is Wrong with Extreme Wealth?' 2019, Journal of Human Development and Capabilities*
- *"superriches can undermine political equality [and] ... it would be better if the surplus money that superrich households have were to be used to meet unmet urgent needs and local and global collective action problems. A particularly urgent case of the latter is climate change."*

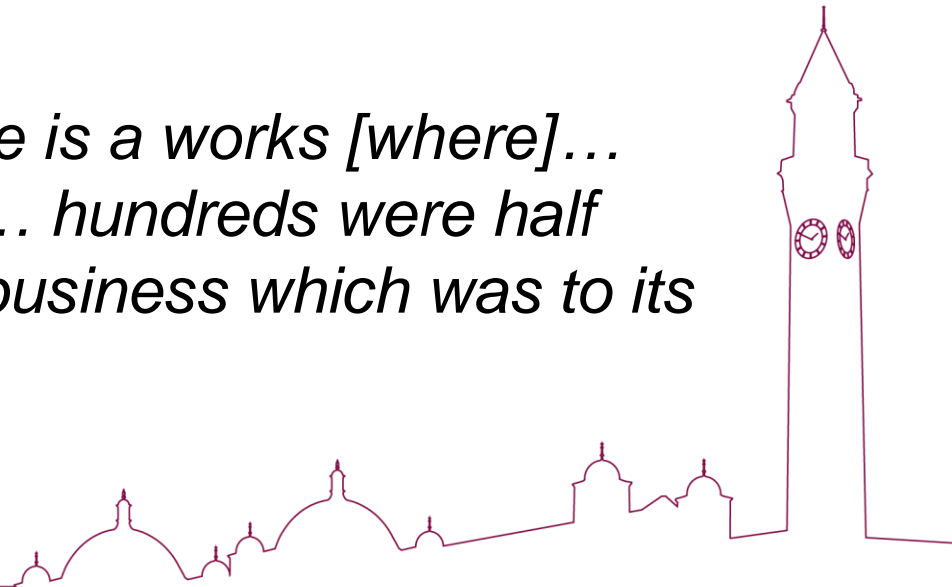


# Extractive capitalism

*'The product of industry is distributed in such a way that ... large groups ... derive a meagre, laborious, and highly precarious living from industries from which smaller groups appear to derive considerable affluence'*

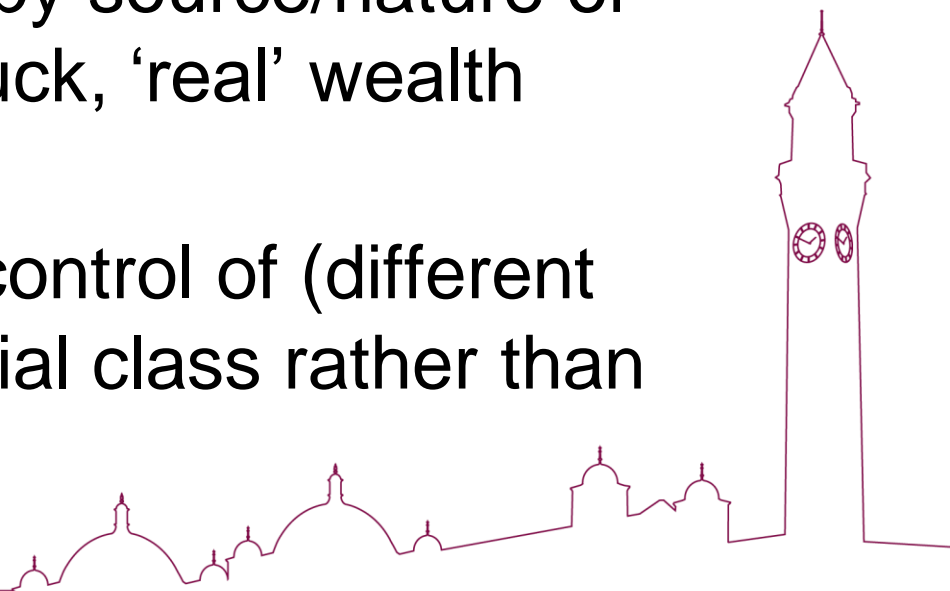
*'In a certain small town... there is a works [where]... thousands were pinched and... hundreds were half starved while employed by a business which was to its shareholders a goldmine'*

Tawney (1913: 11)



# Who is rich?

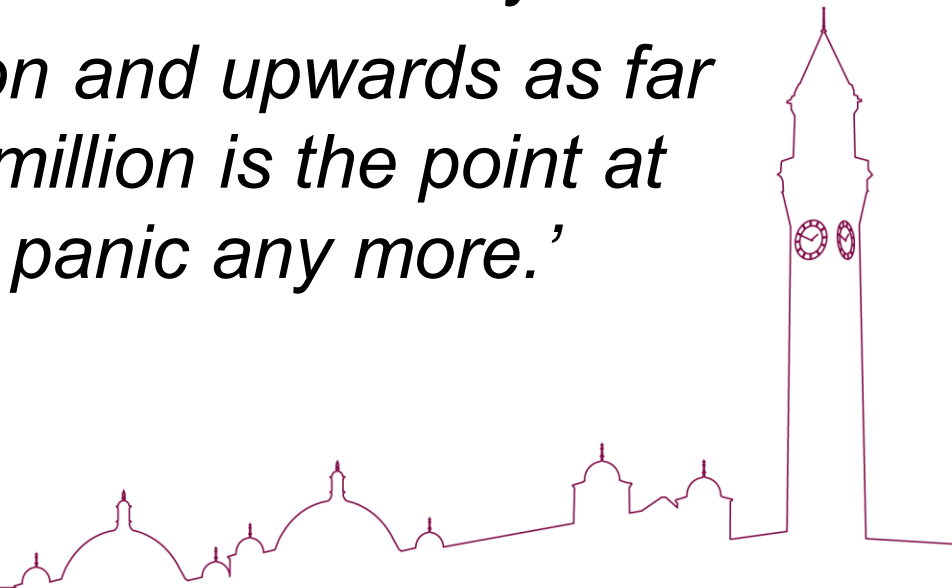
- Need to consider wealth as well as income
- Where/how do we draw the line – or lines?
  - Individual or society-wide lines?
- Should we differentiate by source/nature of wealth eg inheritance, luck, ‘real’ wealth creation, hard work?
- What about ownership/control of (different kinds of) property? Social class rather than income/wealth



# People on very high incomes/wealth don't see themselves as rich

Laura Edwards (2002) IPPR report

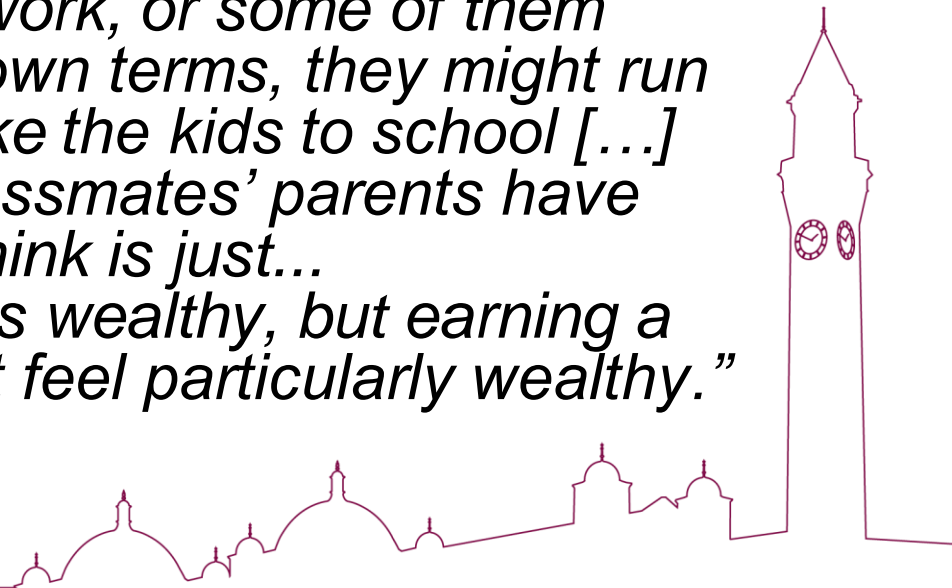
- *I'd like to think I'd need to have something like £4 million in the bank to feel wealthy'*
- *'Wealthy? It's £50 million and upwards as far as I'm concerned. £50 million is the point at which you don't have to panic any more.'*





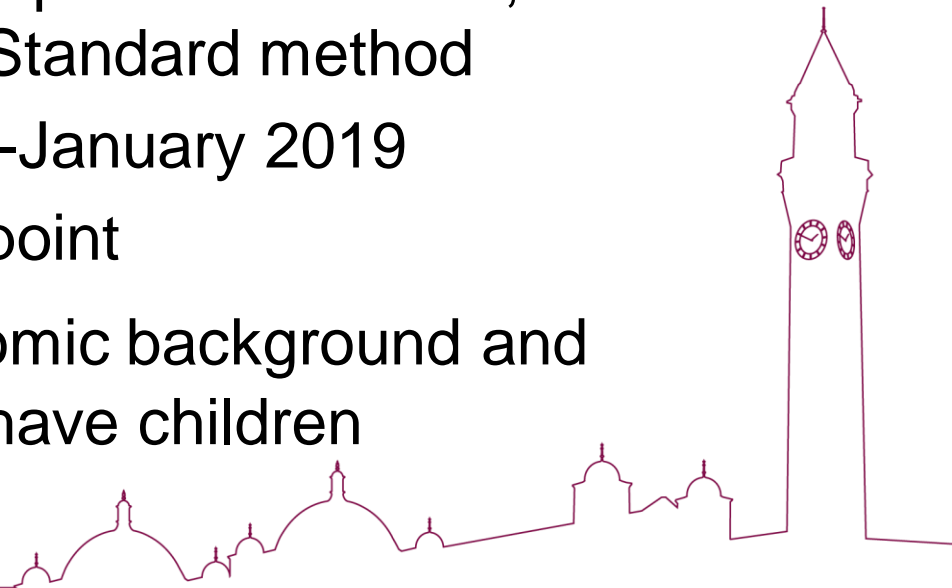
# Katharina Hecht (2017) LSE paper

*“£100,000 income ... does not feel that great.... My kids are at school, in a very nice school in [a prestigious area in London]. I feel like I’m fairly well off, and I earn multiples of the hundred thousand. But, I feel very poor in the context of the classmates that [my kids] have [...] Their parents can spend a lot more time with them, because none of them really work, or some of them work but it’s working on their own terms, they might run a hedge fund, but they can take the kids to school [...] I’d say nine or ten of [their] classmates’ parents have over £100 million, and that I think is just... differentiating. That to me feels wealthy, but earning a hundred thousand just doesn’t feel particularly wealthy.”*



# Living on Different Incomes in London (LODIL)

- New research about to be published by Trust for London carried out by LSE and Universities of Loughborough (and Birmingham) explored whether there is a public consensus on this
- Deliberative focus groups: explore consensus, following Minimum Income Standard method
- 6 groups in November 2018-January 2019
- London used, as a starting point
- Groups differ in socio-economic background and whether or not participants have children



# Some descriptive consensus

- Consensus around different levels of living standards (A-E)
- While C seems to be 'fully flourishing', some identify this as D
- Links to security, choice, freedom

E – Super rich

D – Wealthy,  
affluent, rich

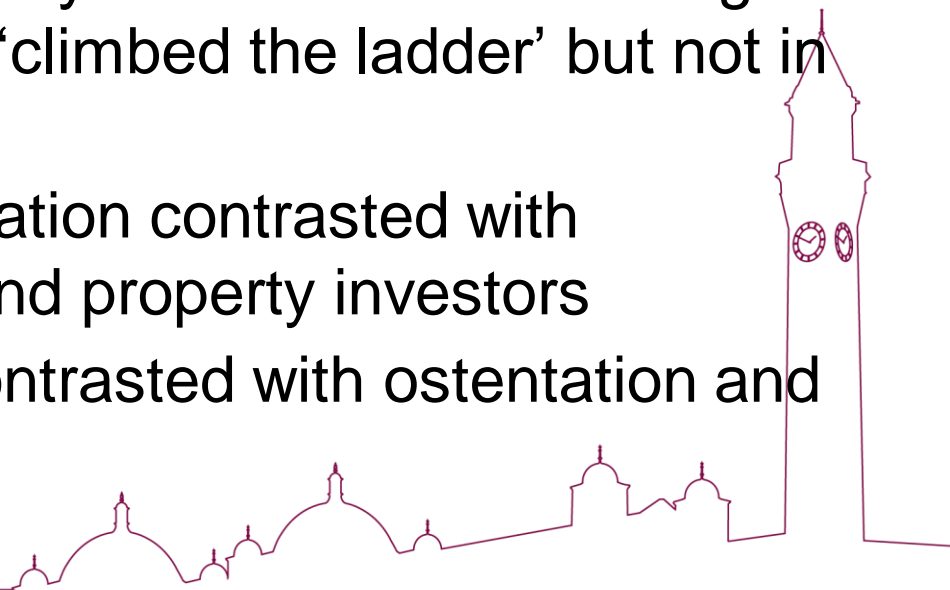
C – (Securely)  
Comfortable/well-off

B – (Surviving) comfortably

A – Minimum socially acceptable  
standard of living (MIS)

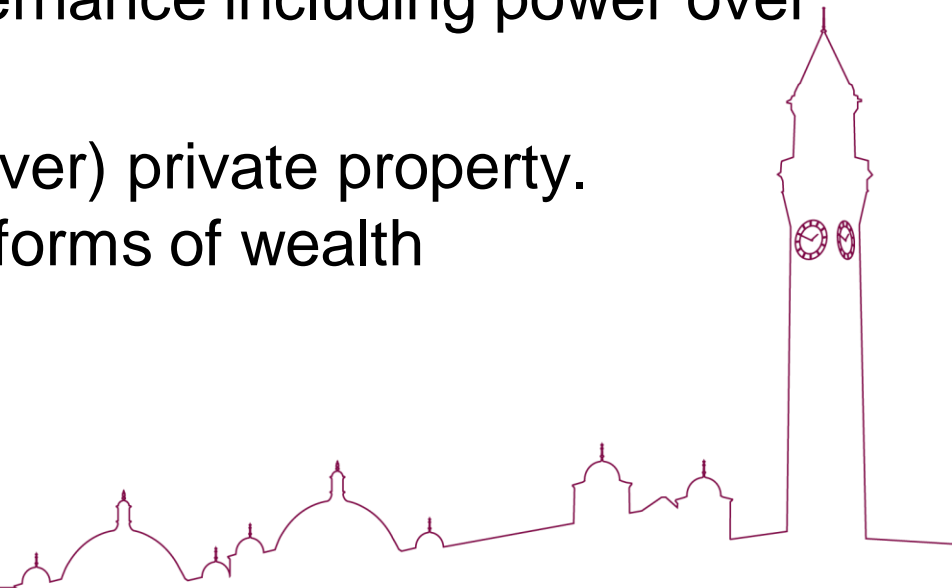
# No consensus on whether there is a 'problem' of riches

- Strong belief in meritocracy
- Rich not viewed as a homogenous group: how they got it; spent it, and behaved -
  - 'Silver spooners' and lottery winners less deserving than entrepreneurs who 'climbed the ladder' but not in favour of inheritance tax!
  - Philanthropy and job creation contrasted with hoarders, tax evaders, and property investors
  - Gratitude and respect contrasted with ostentation and arrogance



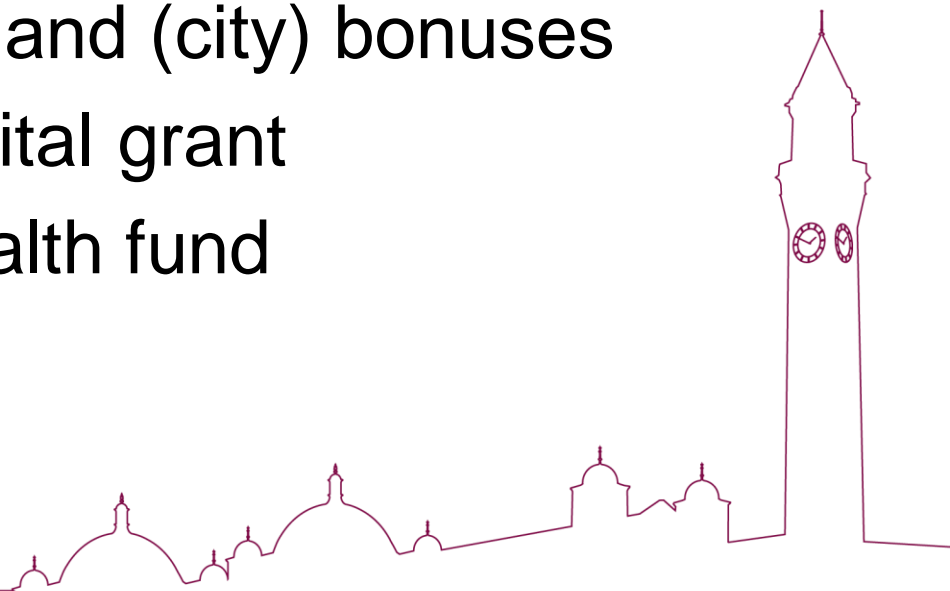
# Policy responses

- Tackle equality of opportunity
- Redistribution through tax and benefits
- (Original) income and wealth policies
- Workplace democracy/governance including power over pay of senior staff
- Reduce/eliminate (control over) private property.  
Encourage social/common forms of wealth



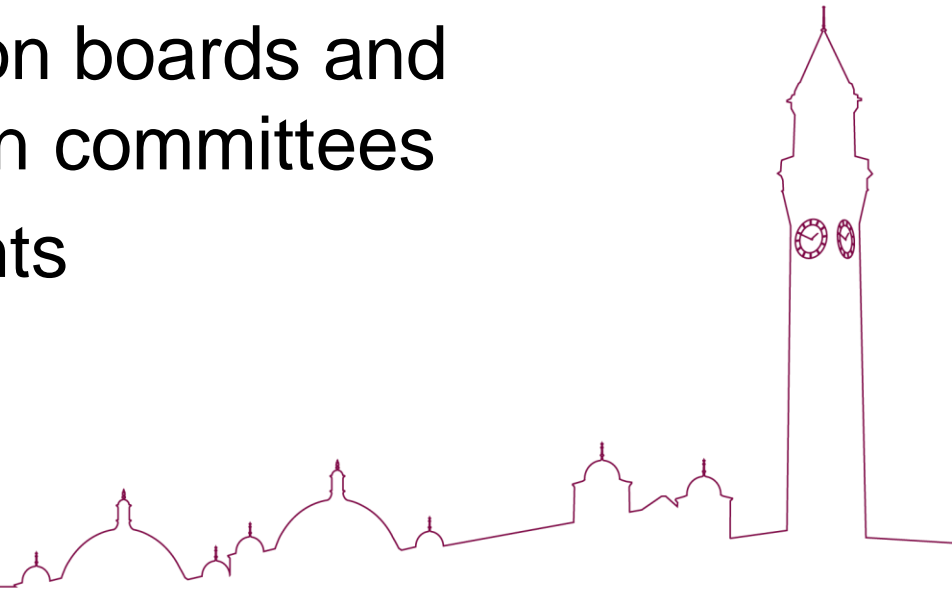
# (Original) income/wealth policies

- What about a maximum wage policy?
  - See Maureen Ramsay's 2005 article in *Contemporary Politics*
  - Pay ratios (see Hutton's 2010/11 Fair Pay Review)
- Curbing 'exit payments' and (city) bonuses
- Citizens inheritance/capital grant
- Citizens (sovereign) wealth fund



# Workplace governance and democracy

- IPPR's (2018) '*Prosperity and Justice: a plan for the new economy*' called for reduction in shareholder and director power
- Worker representation on boards and particularly remuneration committees
- Restore trade union rights



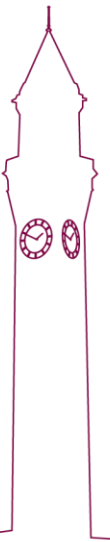
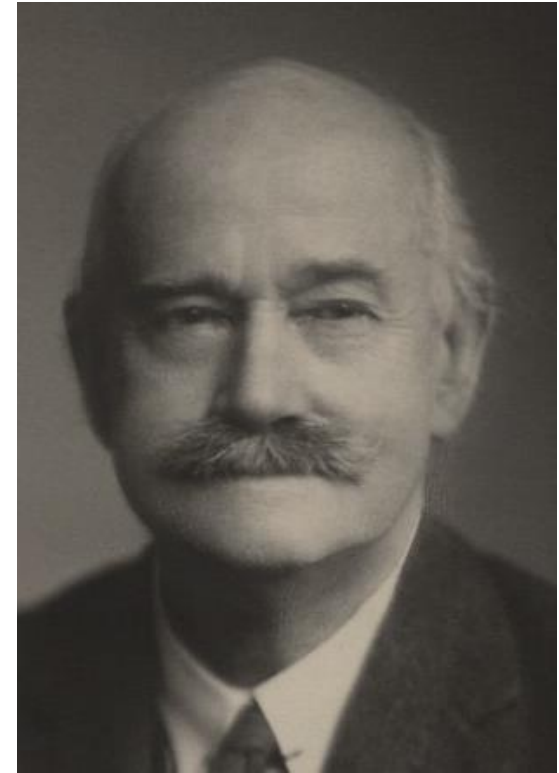
# Common forms of ownership

- IPPR report also recommended a Co-operative Development Act to support the expansion of co-ops and mutuals
- Co-operatives UK calling for more information/advice for setting up worker/employee owned organisations
- Worker share-ownership/profit-sharing schemes could be mandated (with shares held in trust, and dividends paid) – see ideas of ‘Common Wealth’





*'The continuance of social evils is not due to the fact that we do not know what is right, but to the fact that we prefer to continue doing what is wrong. Those who have the power to remove [social evils] have not the will, and those who have the will have not, as yet, the power'* Tawney (1913:9)



Thank you

