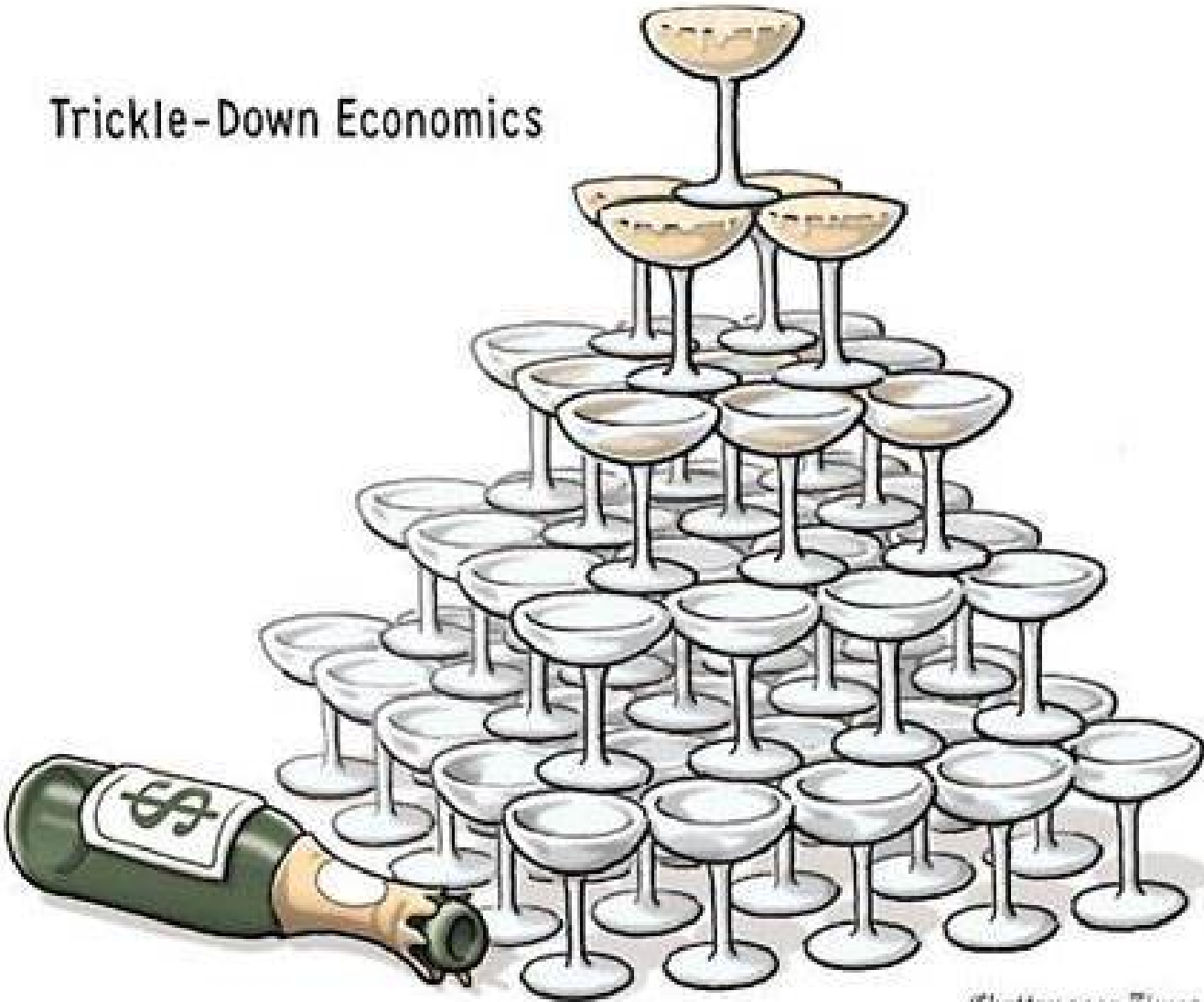




# Inequality, the crash and the crisis

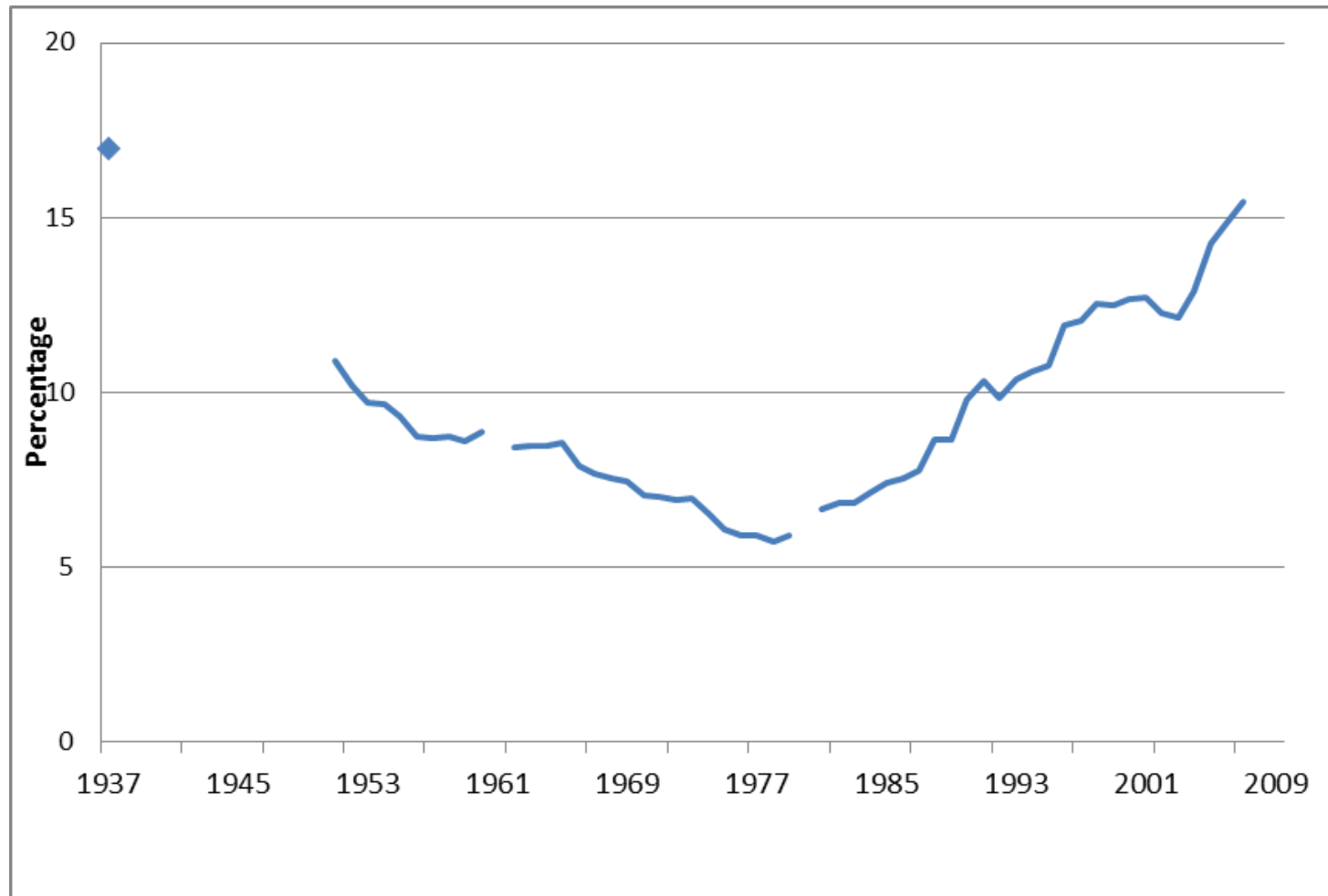
Stewart Lansley

# Trickle-Down Economics



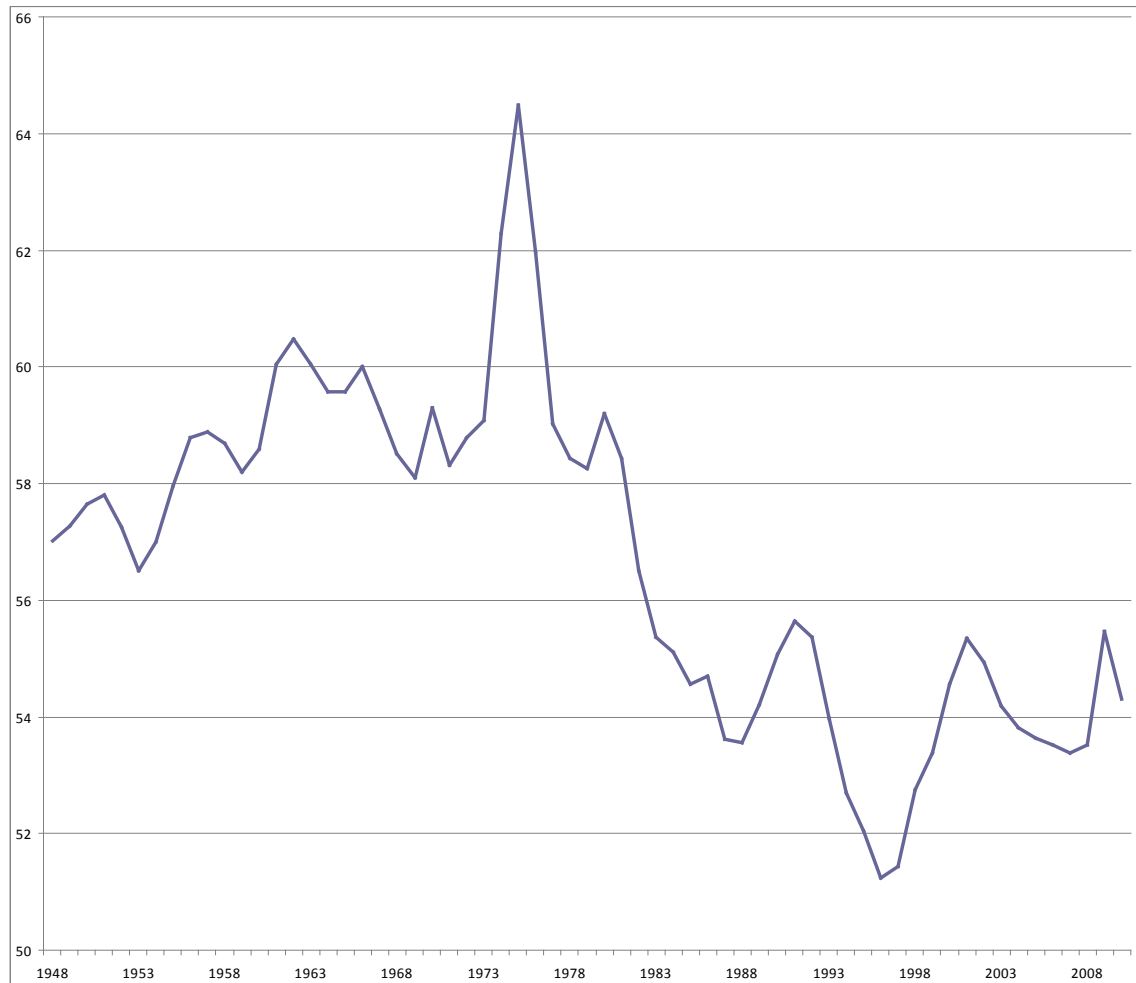
# The Inequality U-curve, UK, 1937 – 2009

Income share of top 1%



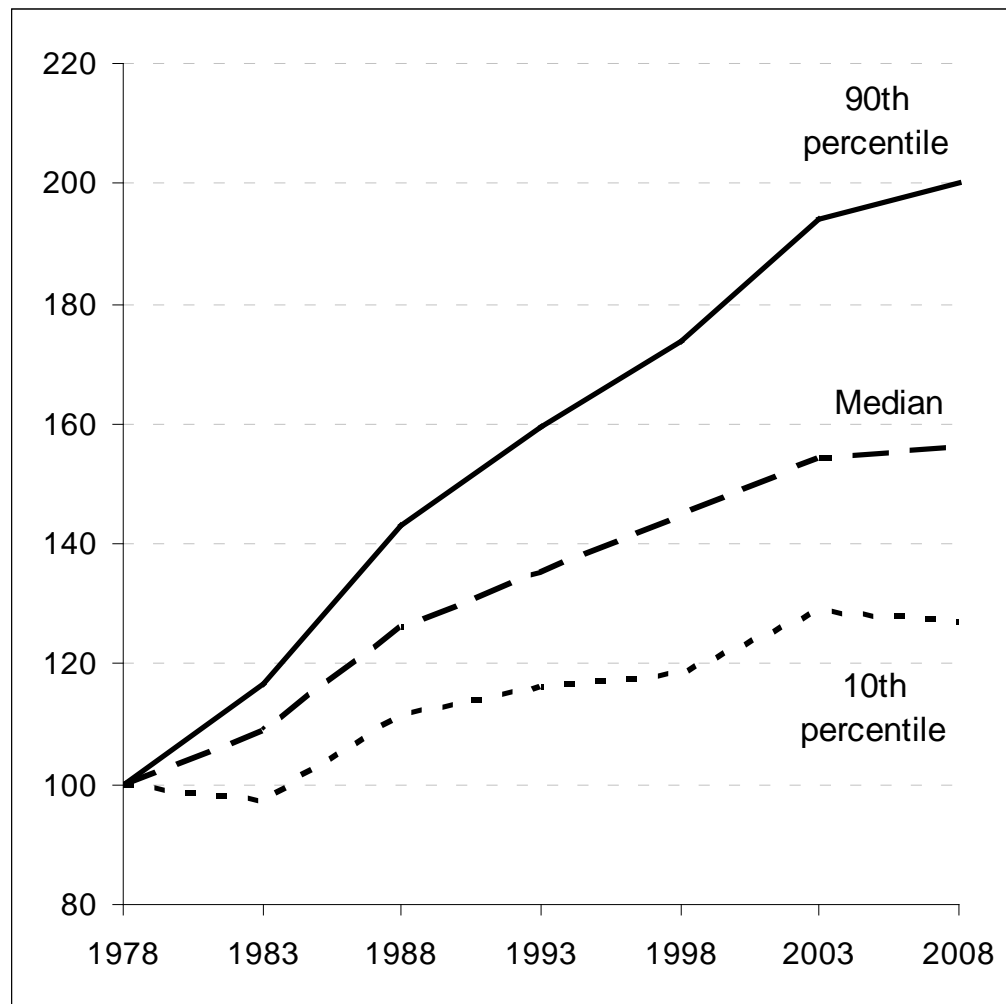
Source: Cost of Inequality, Why Economic Equality is Essential for Recovery

# The Falling Wage Share, 1948-2011, UK



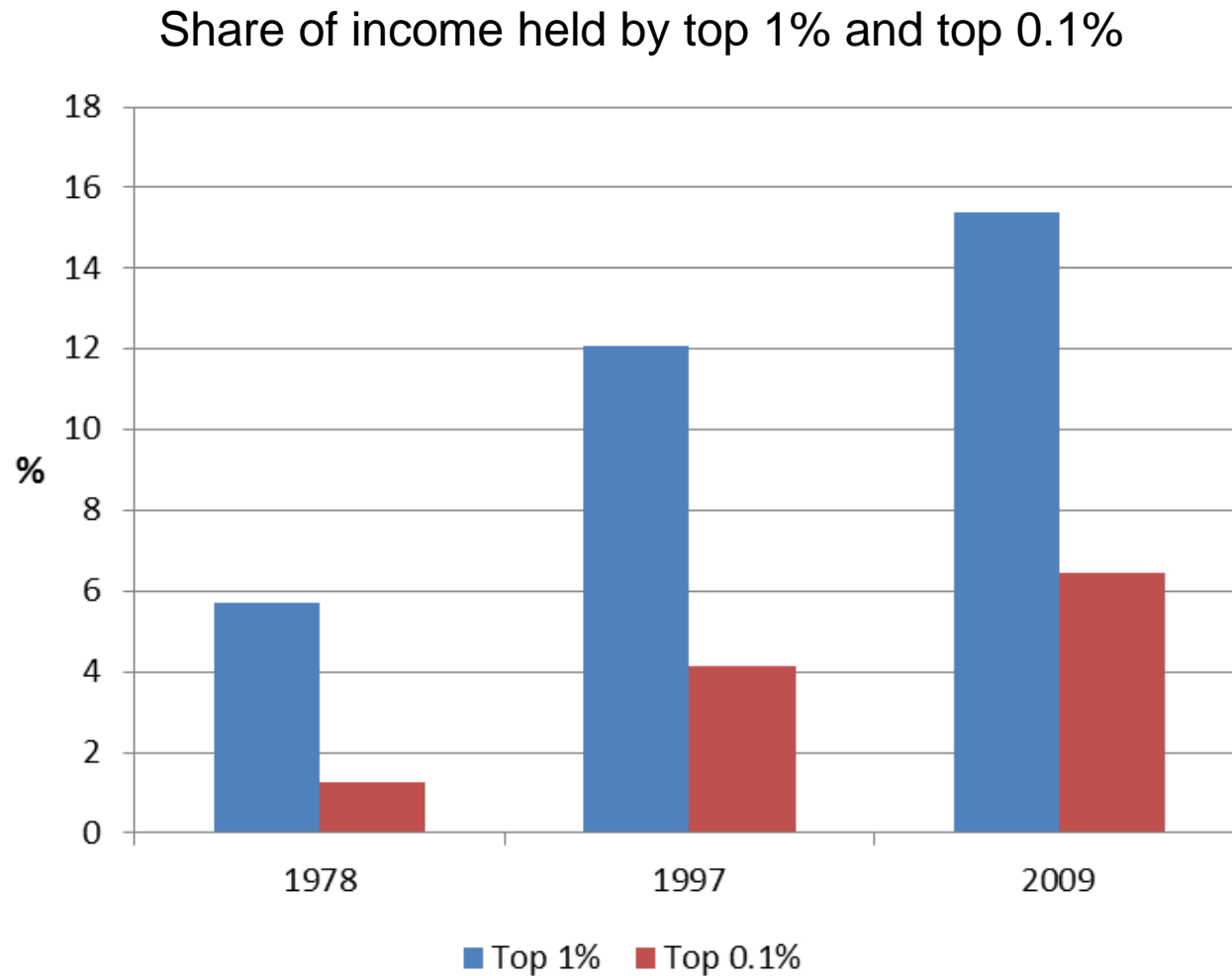
Source: The Cost of Inequality: Three Decades of the Super-Rich and the Economy

# The growing earnings gap, UK



Source: Cost of Inequality, Why Economic Equality is Essential for Recovery

# Rising inequality under Labour, 1997-2010

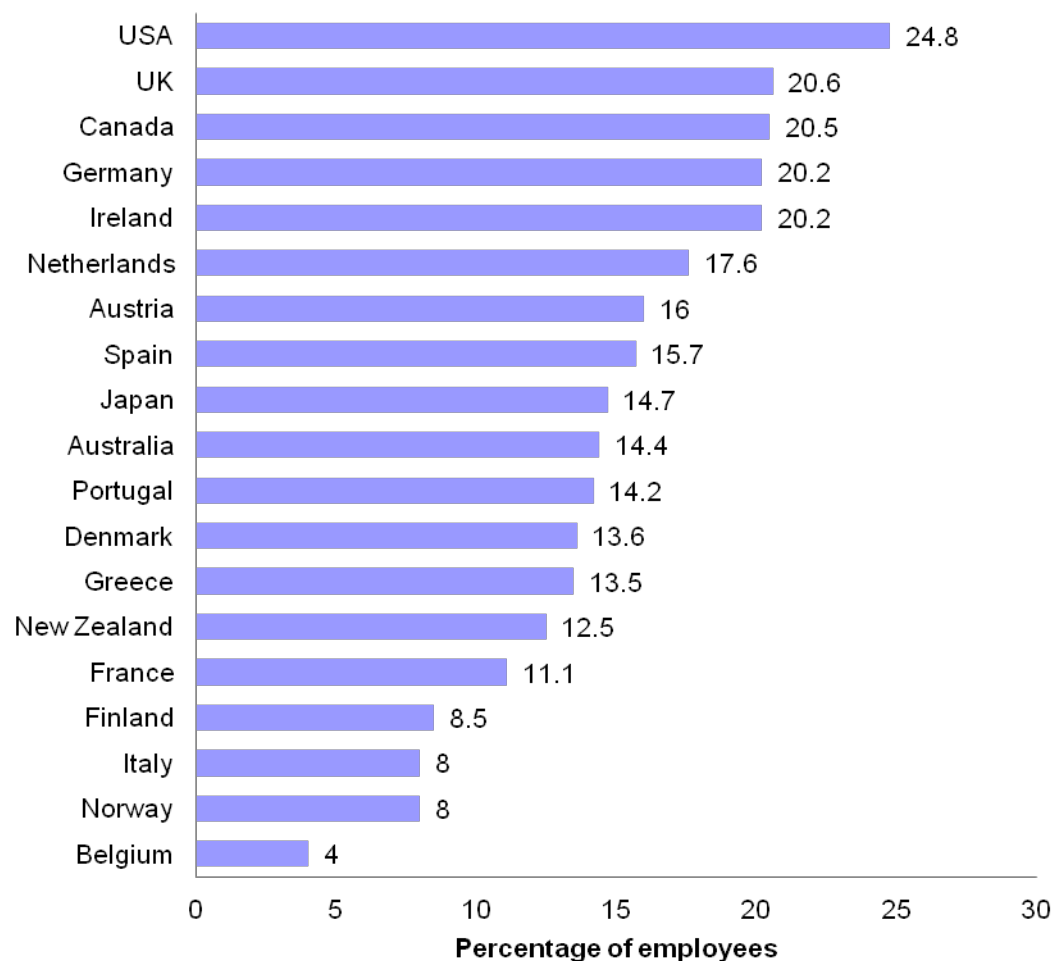


**I INCREASED  
THE GAP BETWEEN  
RICH AND POOR  
VOTE FOR ME**

*Or vote for change. Vote Conservative*



# Share of Employees in Low-wage Work, 2009

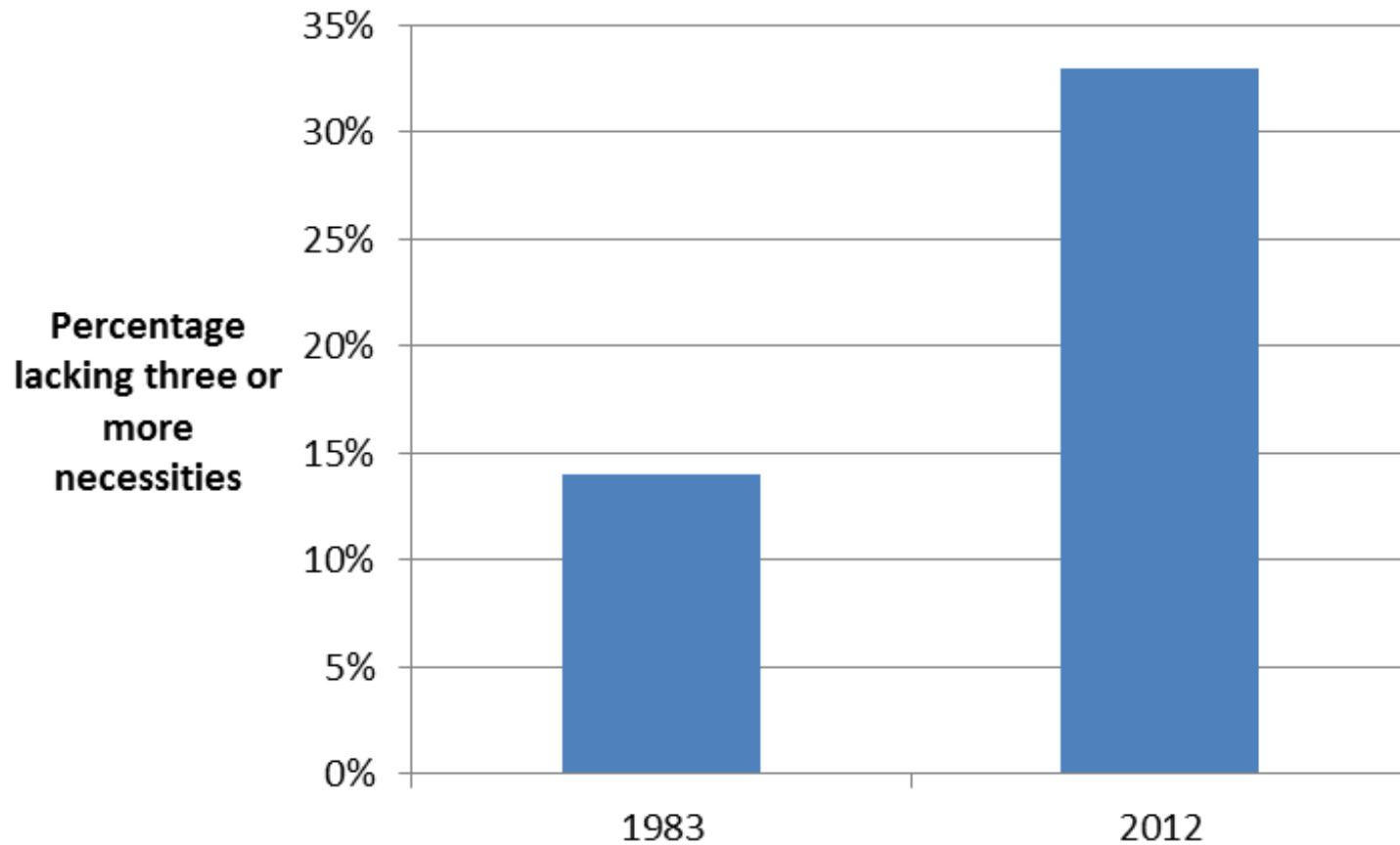


Source: OECD (2011) and Mason and Salverda (2010); data for Belgium, France, Italy, Portugal, and Spain refer to 2008; data for France and Netherlands refer 2005



# Poverty and Social Exclusion, 2012

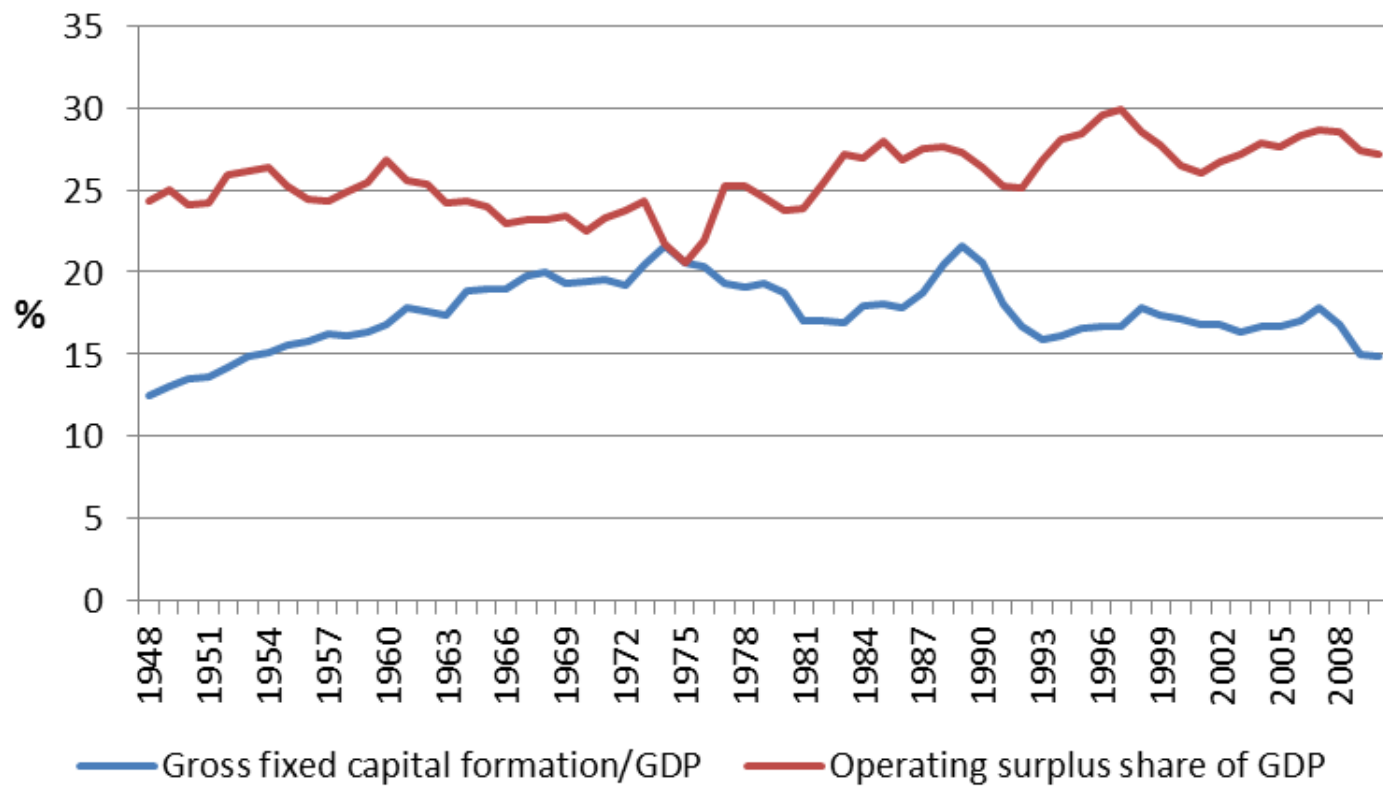
The rise in multi-deprived households in Britain, 1983-2012



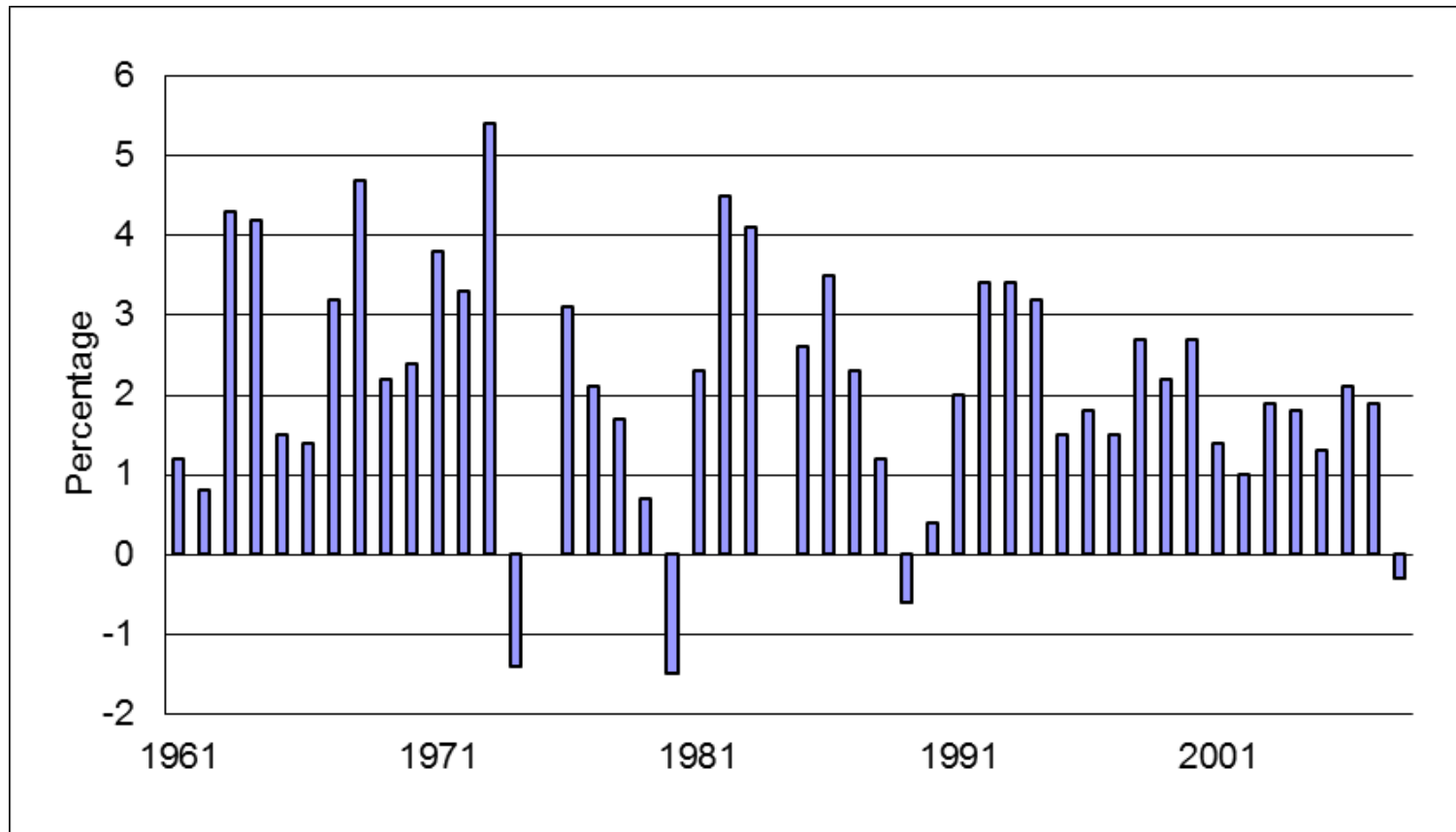
# PSE Extent of disadvantage

- Almost 18 million in the UK today cannot afford adequate housing conditions.
- About 5.5 million adults go without essential clothing.
- Around 4 million children and adults are not properly fed by today's standards.
- Around 2.5 million children – almost one in five - live in homes that are damp
- Around 1.5 million children live in households that cannot afford to heat their home
- A third of adults considered themselves to be genuinely poor 'all the time' or 'sometimes'.
- More than one in five adults had to borrow money last year to pay for their day to day expenses

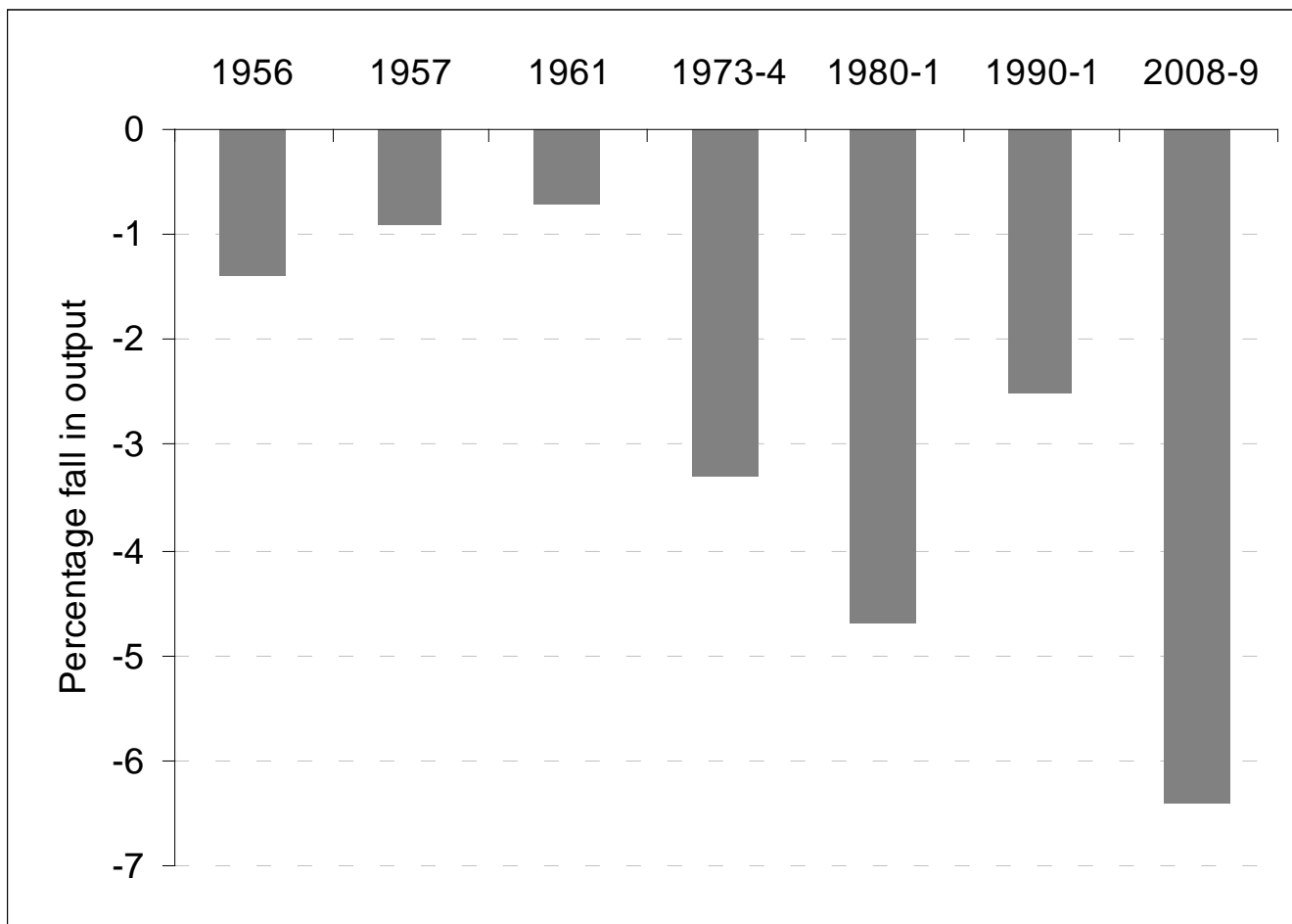
# The rising profit share and falling investment, 1948-2010



# UK productivity record under 'managed' and 'market' capitalism



# Depth of post-war recessions, UK

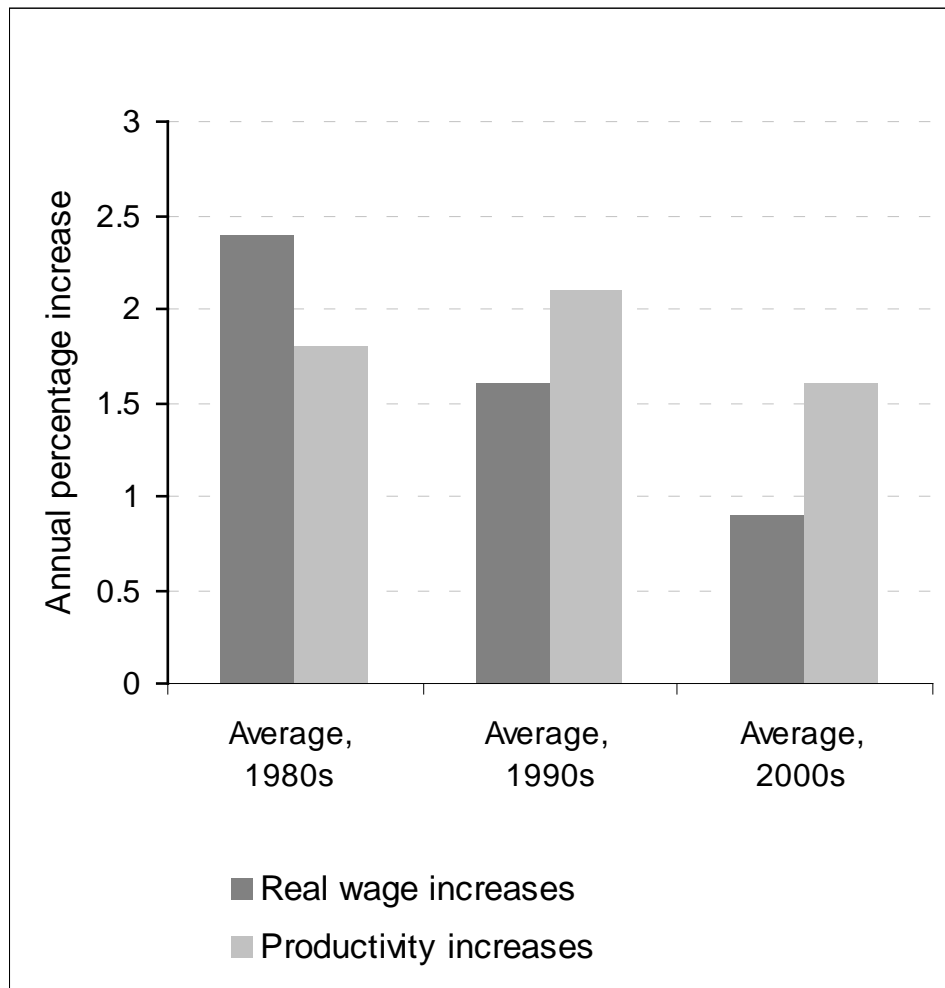


Source: The Cost of Inequality: Three Decades of the Super-Rich and the Economy

# The impact of a growing wage-productivity gap, UK

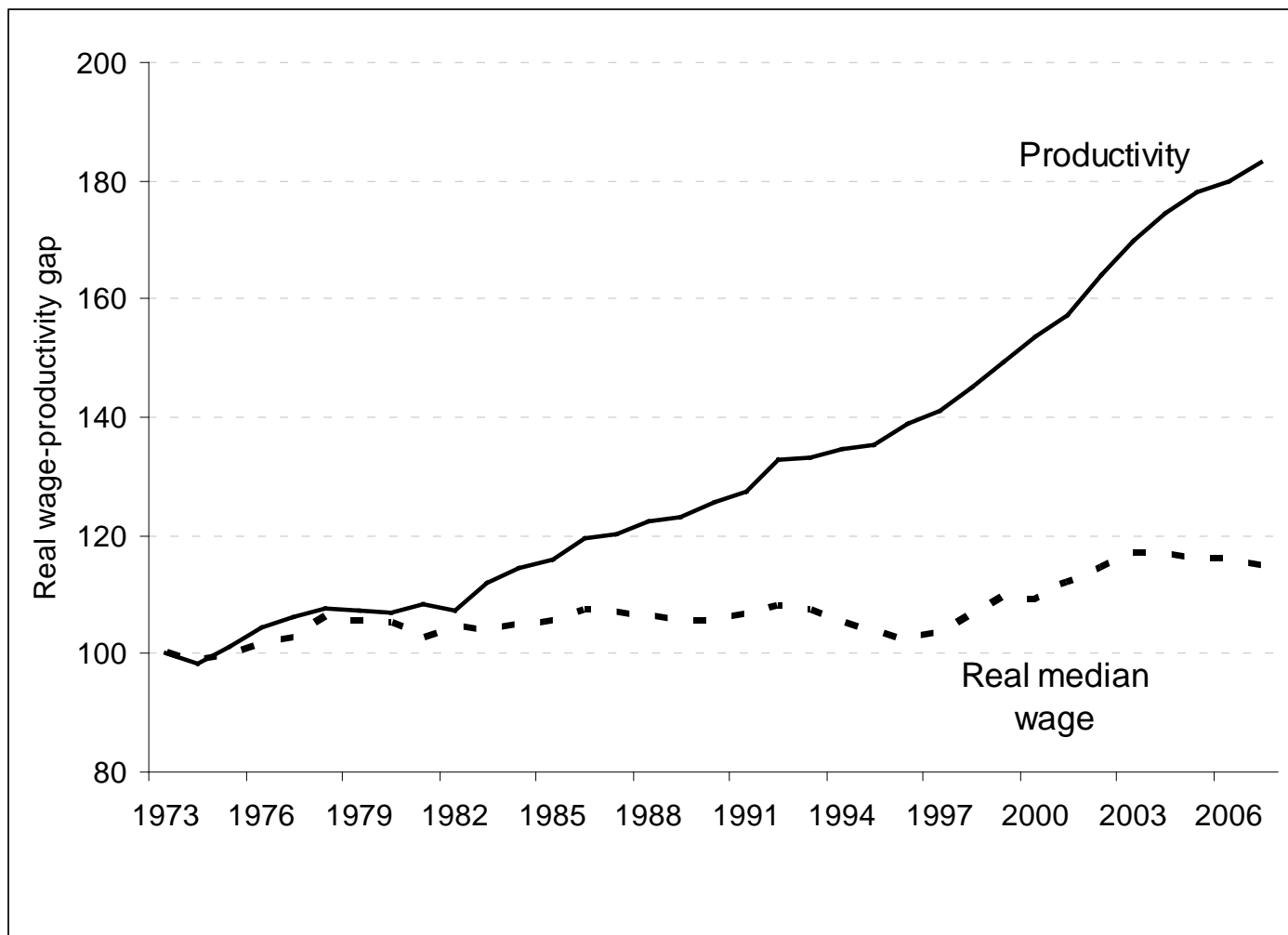
PERIOD	RELATIONSHIP BETWEEN WAGES AND PRODUCTIVITY	IMPACT
1920s and post -1980s	<b>THE WAGE SQUEEZE</b> Wages fell sharply behind rises in productivity	Recession
1970 - 1975	<b>THE PROFITS SQUEEZE</b> Wages rose more quickly than productivity	Stagflation
1950 -1970	<b>WAGE BUOYANCY</b> Wages rose in line with productivity	Stability

# The growing wage-productivity gap, UK



Source: The Cost of Inequality: Three Decades of the Super-Rich and the Economy

# The growing wage-productivity gap, US





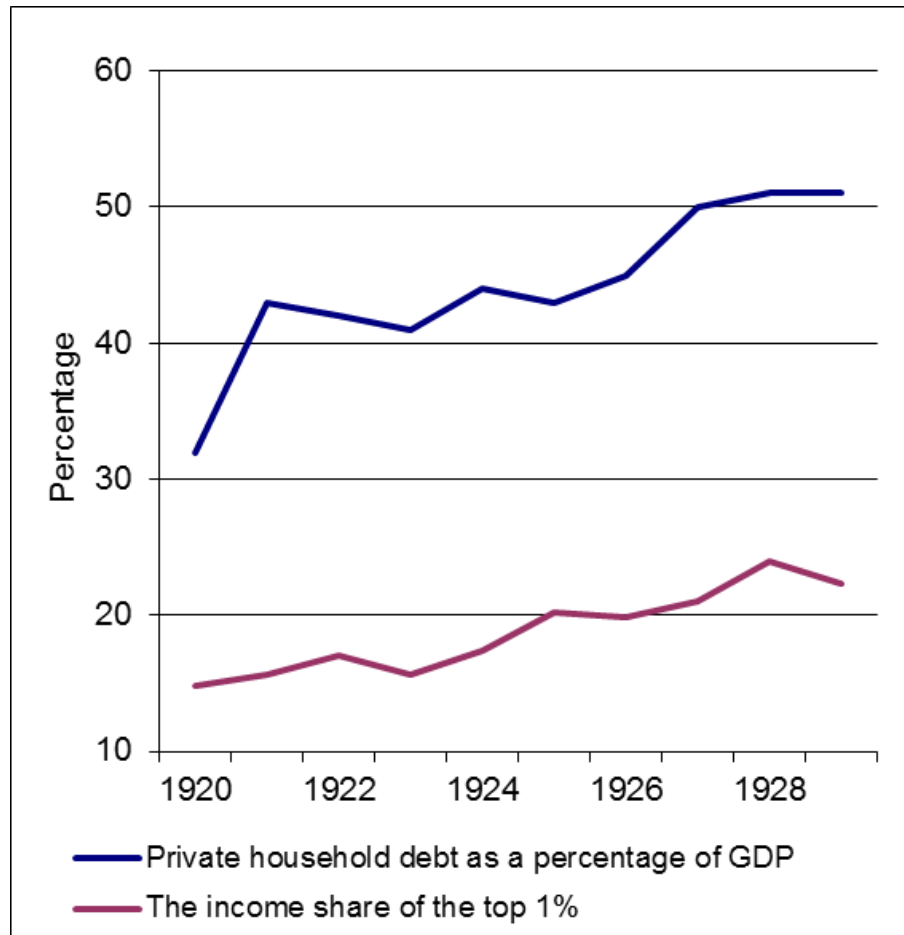




**400**

**Number of Americans  
who together have more  
wealth than the poorest  
50 percent of Americans**

# The growth of inequality and debt, US, 1920s





# The economic impact of a growing wage/output gap

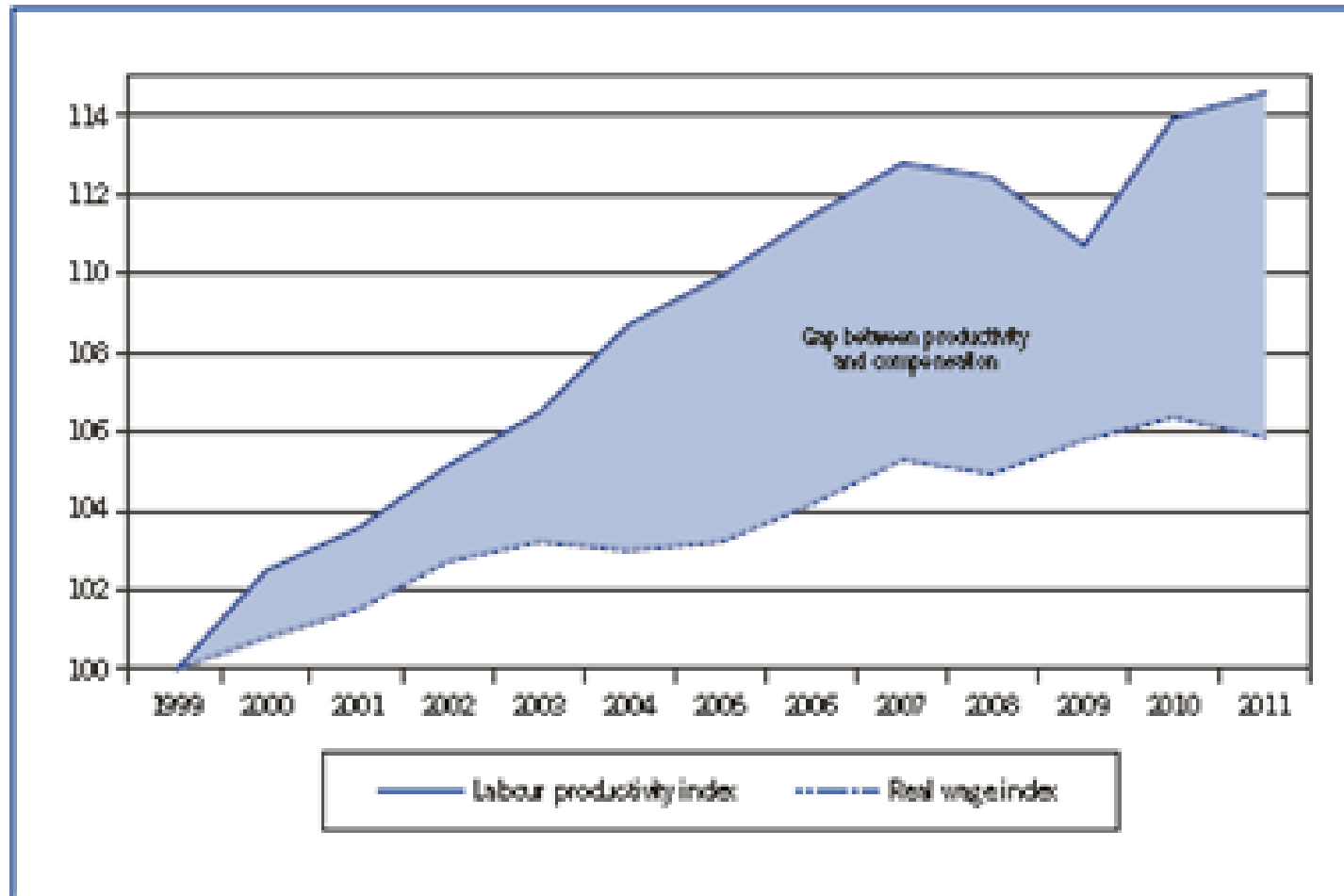
- Demand
- Bubble economies
- Regulatory capture



Source: The Cost of Inequality: Three Decades of the Super-Rich and the Economy

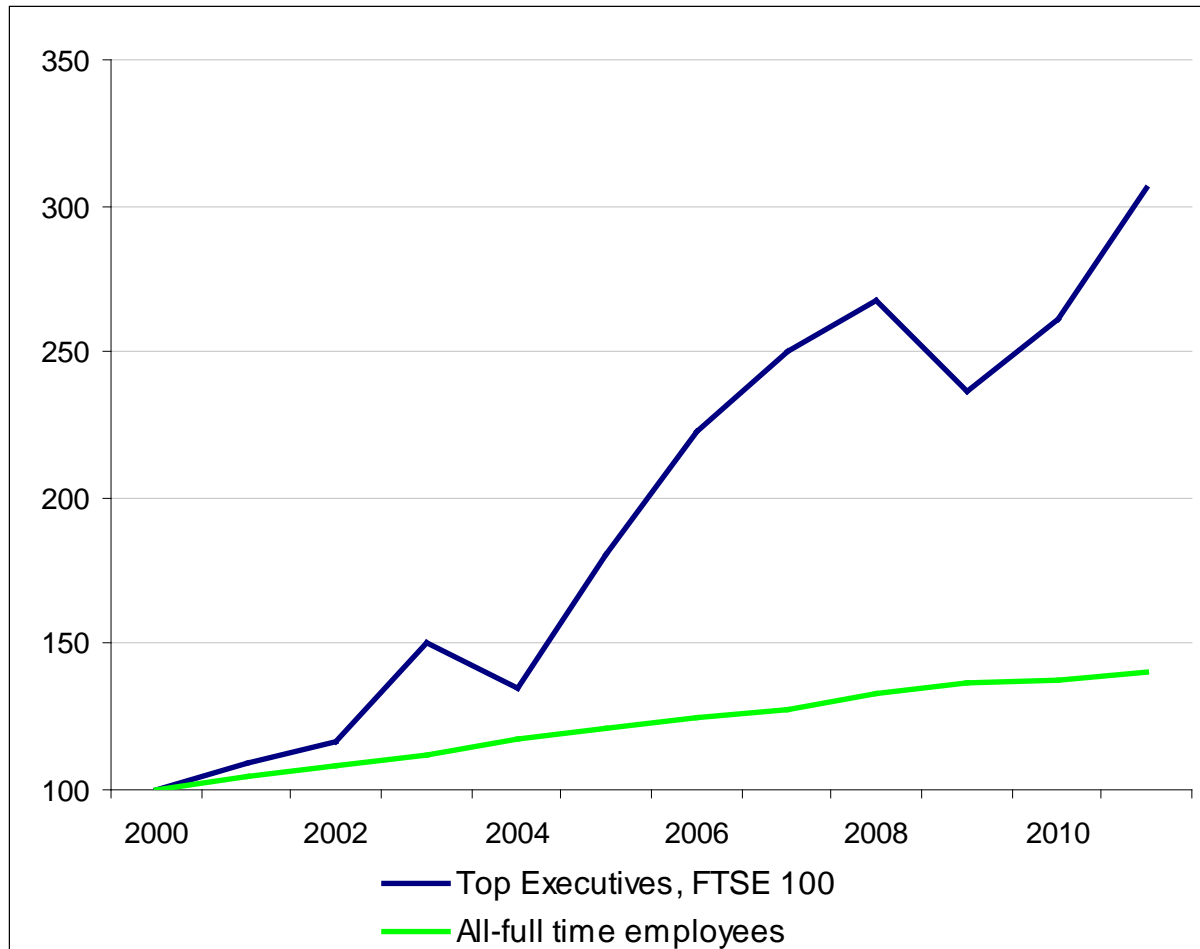
Source: The Cost of Inequality: Three Decades of the Super-Rich and the Economy

# Growth in average wages and labour productivity across rich world, 1990-2011



Source: ILO

# Top executive and employee pay, 2000-2011





*'Inequality is the defining issue of our time' .*

**President Obama**, 2011

*'Excessive inequality is corrosive to growth; it is corrosive to society... the economics profession and the policy community have downplayed inequality for too long.'*

**Christine Lagarde**, January 2013

*'Capitalism may not have it quite so easy in the next phase. Labour will fight back to take its proper (normal) share of the national cake, squeezing profits on a secular basis.'*

**Albert Edwards**, Societe Generale .