

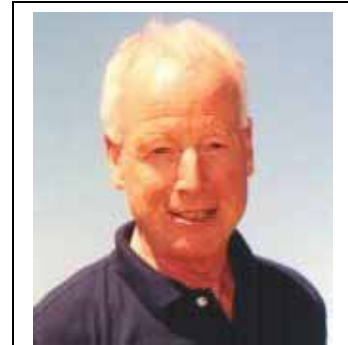
[Comment] Yo-Yo Blair!

31.08.2006 - 09:35 CET | By George Irvin
EUOBSERVER / COMMENT - President Bush's 'Yo Tony' off-the-record humiliation of Blair elicited much mirth in the UK press where the incident was widely interpreted as emblematic of the British prime minister's subservience to Washington's neo-conservative agenda.

How far that agenda encompasses the distribution of income is illustrated in a recent book by Jared Bernstein, a Washington based economist, who documents the growing inequalities of wealth and income in the US. Bernstein has coined the phrase 'Yo-Yo economy' to describe conservative America's attitude towards its growing army of poor people: Today, 'Yo-Yo' means 'you're on your own'.

Yo-yo economics

Yo-yo economics, Bernstein argues, is all about privatising utilities, cutting taxes, freeing markets and generally shrinking the state. His book shows that, adjusted for inflation, a typical worker's hourly wage in the US has actually fallen slightly in the past 30 years (from \$15.76 in 1973 to \$15.62 in 2005) while between 1979 and 2000, the real income of the richest 1% rose by 184 percent. Britain is not as unequal as the US, but it has certainly moved in that direction.



"How can a meritocracy exist where some start life with all the advantages wealth confers while others start with next to nothing?"

Gordon Brown may be seen as the most successful Chancellor (Minister of Finance) in living memory, but Britain looks more like the US every day. It lags behind the rest of Europe on a variety of indices. Life expectancy is lower than in Austria, Belgium, France, Luxembourg, The Netherlands and Sweden.

Spending on health and education is below the EU average; Britain has only half as many doctors per head of population as Germany, and half as many the hospital beds per capita as France. The poorest 10% of the population receives the lowest share of national income, while the richest 1% owns nearly a quarter of marketable assets, a higher share of the country's wealth than almost anywhere else in Europe.

Employment and Growth

Britain may have a higher growth rate than some of the core Eurozone countries, but the British (like the Americans) work longer hours and more days per year than other Europeans. Labour productivity and the share of manufacturing investment in national income rank amongst the lowest in the EU.

Britain's unemployment figures are better than those of France and Germany, but lower unemployment has been achieved mainly by expanding low-skill, low-pay jobs in the service sector. Unemployment is also low in the Nordic countries, but unlike in Britain, more skilled jobs have been created by combining high levels of education and training with active labour market policies. And following their 1991 recession, the Nordic countries have done at least as well in the growth league.

Fat Cats

It is not just that Britain has more McDonalds than other European countries. Where Britain truly resembles America is in the huge income and wealth gap which has opened between ordinary Britons and the country's 'fat cats', the new class of super rich.

Take CEOs' bonuses, for example. In June, the annual report of GCap, a London media firm, revealed that its former chief executive officer was paid £1.13 million (€1.65m) last year, despite having held the job for only four months. BSKyB's boss, James Murdoch (son of Rupert Murdoch), took home some £2.75 million (€4m).

According to a recent piece in The Scotsman (22 August), City of London bonuses were expected to rise by £21b (€31b) this year. Immediately below this piece, one blogger had written: '£21,000,000,000.00; 21 thousand million; in bonuses; to be spent on house, cars, jewelry, paintings and antiques; it's beyond greedy, it's grotesque and obscene; how much longer can ordinary people put up with this?'

The World Wealth Report for 2005, published by Merrill Lynch and Capgemini, shows that the number of 'high net-worth individuals' (HNWIs) - people who have more than US\$1m in liquid net assets - rose by 6.8% in the USA and 7.3% in the UK, but only by 0.9% in Germany.

Meritocracy?

Of course, the rise of the Yo-yo economy cannot be attributed entirely to nine years of New Labour rule; the foundations were laid after 1979 by Mrs Thatcher, and the new inequality rose meteorically in the 1980s. What must be added, however, is that New Labour acquiesced in the belief that to win elections, it must take on board much of Thatcher's political baggage.

While New Labour has lifted a significant proportion of Britain's youth and elderly people out of poverty, Britain has not become a more equal society. A recent report by London's Institute of Fiscal Studies, a highly respected think-tank, shows that the 2005 Gini coefficient - a standard measure of inequality - has only just returned to the level of 1997, the year Blair came to power.

Nobody should be surprised by this 'new inequality.' New Labour explicitly rejected greater economic equality as a goal of social policy, preferring instead to speak of a meritocracy based on 'equality of opportunity.' Soon after the 1997 election victory, Peter Mandelson, now the EU's Trade Commissioner, famously claimed that New Labour was 'intensely relaxed about people getting filthy rich.' Another former cabinet minister, Stephen Byers, claimed that 'wealth creation' was far more important than equality.

One might well ask, though, how a meritocracy can be created when some start life with all the advantages wealth confers while others start with next to nothing?

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