

'Burgess presents a much-needed path to engage both the wealthy and everyone else. It isn't punitive, it is inclusive. It isn't billionaire bashing, it's bridge building. The principle of 'Income for me/wealth for we' is not just practical, it is executable. This book outlines an agenda to build balance again with greater opportunity, a healthy middle class and a productive environment for the continued creation of wealth for the benefit of all, not just the few.'

Chuck Collins, author of *Born on Third Base: A One Percenter Makes the Case for Tackling Inequality, Bringing Wealth Home, and Committing to the Common Good*, Senior Scholar, Institute for Policy Studies, Washington DC, and co-editor of *Inequality.org*. Co-founder of *Wealth for the Common Good* and *Patriotic Millionaires*

'Governments across the world are grappling with the increasingly toxic issue of social and economic inequalities. This book by Tom Burgess contributes some bold and imaginative ideas to the ongoing debate with a view to coming up with a package of practical solutions designed to bring about a reduction in financial hardship currently experienced by so many people worldwide.'

Professor David Wilson, Emeritus Professor and Pro-Chancellor, De Montfort University

'A sound, commonsense approach to engaging business for the greater good where we all can profit. It is not enough for business to have a social conscience. It is the performance that counts. Tom Burgess offers a practical agenda to engage the philosophy of a corporate social conscience through initiatives such as tax reform, profit allocation and self-financing infrastructure investment. A defining statement which should be read by all entrepreneurs who seek a clear alternative perspective to progress their business.'

David A Kerfoot MBE DL

'Long before Piketty quantified it, some thinkers realized that a chasm of inequality had been opening up over the past twenty-five years between the have-nots and the have-alls (leaving aside the increasingly squeezed middle). Burgess was one of these early thinkers, and his thesis that zero-sum economics is socially and financially destructive is the product of a generation's-worth of hard thinking on the matter. The analysis and solutions Burgess puts forward are radical and urgently in need of implementation.'

Prof. Chris Green, formerly Associate Professor in the Faculty of Humanities, Hong Kong Polytechnic University

*'A century ago, civic-minded business people who understood how concentrated wealth undermines our democracy helped launch the struggle that toppled America's original plutocracy. In *Income for me/wealth for we*, Burgess reignites that civic-minded spirit.'*

Sam Pizzigati, Associate Fellow, Institute for Policy Studies, Washington DC and author of *The Rich Don't Always Win*

From Here to Prosperity

An Agenda for Progressive Prosperity
based on an inequality-busting strategy of
Income for me/wealth for we

THOMAS J. BURGESS



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Contents

Acknowledgements	ix
Preface	1
Part I • Challenge for Change	9
1 Where Are We Now?	11
1.1 Extreme inequality and persistent poverty	12
1.2 Slow economic progress	19
1.3 Government isn't working (for us)	26
2 Radical Rethink	37
2.1 Austerity to prosperity	38
2.2 Tax as a toolbox	55
2.3 Revolution or evolution?	67
Part II • The Agenda for Progressive Prosperity	87
3 Turnaround Taxation	91
3.1 <i>Income</i> for me	93
3.2 <i>Wealth</i> for we	102
3.3 Location, location, location!	111
4 Socially Responsible Capitalism	121
4.1 Fair pay all the way	125
4.2 Profits for people	132
4.3 Working together	138
5 Foundations for the Future	143
5.1 Integrated infrastructure	147
5.2 Excellence in education	155
5.3 Health and welfare of the nation	158

Part III • Moving Forward	167
6 Hope into Reality	171
6.1 Towards progressive prosperity	173
6.2 Convincing the confused	179
6.3 Campaign for change	188
7 And Now, It Is up to Us	196
7.1 Body of evidence	198
7.2 The time is now	203
7.3 Next steps	212
Index	216

Preface

'Recognition of the inherent dignity and of the equal and inalienable rights of all members of the human family is the foundation of freedom, justice and peace in the world...'

Preamble to the Universal Declaration of Human Rights
adopted in 1948 by the General Assembly
of the United Nations

TO ME that says it all, it is the basis of how we should live our lives and outlines the tasks for the governments we elect to act on behalf of us all, not just the few.

Though today, nearly seventy years later, the global economic system is creating extreme inequality, causing unnecessary hardship for millions of people. So many have so little, while so few have so much. Where is the progress?

I am frustrated by the lack of action to solve inequality, persistent poverty and slow economic growth. I did not want to write another analysis of the problem, about how bad it is and how it is getting worse. I wanted practical answers, and I was pretty sure there were simple answers, I like simplicity.

I am inspired by my late father, Dr Ronald Burgess, an economist, who had written several economic papers, as well as a 1993 book: *Public Revenue without Taxation*. I always thought this seemed like a great idea and it was indeed simple. However my Dad wrote an academic, learned book. I wanted to propose practical answers written in a more every day language so that you need not be an economist to understand. I did study economics at school and university so I should know the basics!

Just twenty years later, inequality has worsened, poverty is still endemic and the economy of the world is still fragile. It should be strong, given globalisation, technology and advances in healthcare and

communication. There should not have been the Great Recession, but there was, we should have recovered much faster. But we are in danger of making the same mistakes again. While I believe we could raise public revenue without taxation (you will need to read his book to find out how!), we now need some urgent action to bring some strong structural changes to correct our economy and make progress for our society in the 21st century.

I have always been fascinated by politics, I was a Student Union President and active in the National Union of Students, later I was a founder member of the Social Democratic Party and twice stood for city council, and also founded and edited a political newspaper. I really wanted to stand for Member of Parliament but there was no party that ideally matched my views. As my headmaster once said in my school report: 'Tom is an individualist' which apparently means one that pursues a markedly independent course in thought or action. I also got busy with my own business and sharing in the joys of bringing up a family, which became my priority. Now that my children are grown up, left home and off the payroll, and now that I have left the business world behind I can now devote my energy to making a difference.

This book is just the start.

Another factor is that I have been fortunate enough to live in both the UK and USA. One of the consequences about being out of your home country is that you can take a more objective view of your home nation, and a much better understanding of the culture, media and politics of the nation you now call home. So I hope I can bring an impartial view.

The longer you live your life and the more you travel, you see the contrasts, in culture, living standards, the variations in income, wealth, opportunity, housing and outlook on life. The businesses I founded have worked for over 500 clients in nearly 100 countries. I have seen and experienced all sides now from the mansions and yachts of the super rich, the smart hotels, impressive boardrooms and excesses of senior corporate executives, to the unemployment, insecurity and frustration of so many people as well as the determination and courage of ordinary working people, trying to make ends meet and lead a fulfilled and purposeful life. Having experienced so much I hope this puts me in a good position to comment and propose some answers to the dilemmas of today. I hope this book will inspire you to realise that if we collaborate, we can bring change and elect a government that truly does work for us, the majority, not just the few.

In *From Here to Prosperity*, I hope to persuade you that together we can build a fairer society that truly provides the opportunity of prosperity for everyone and encourages greater democratic engagement. And I propose to show you how. I want to bring you practical and simple answers. The mechanisms of change that I will describe include measures that will appeal across the whole political spectrum, bar its extremes, and will benefit the vast majority at little expense to the very wealthy few.

I propose an **Agenda for Progressive Prosperity** that aims to minimise extreme inequality and create greater opportunity for all by bringing significant financial relief to the poor and squeezed middle class. It is based on the inequality-busting strategy of '*income for me/wealth for we*'. We each keep the income we earn from the personal effort of our work and we share more equitably the wealth we create jointly. The tax system could be reformed to shift the base from income to wealth and to encourage greater social responsibility. A key tactic to achieve this would be by abolishing income and payroll taxes for the majority of the population. This would be more than covered by a greater contribution, based on a small percentage from the value of personal assets above a threshold from those who have accumulated significant wealth. Everyone will be better off. With more funds brought into circulation, consumer demand will be boosted and more jobs created, leading to greater opportunity for all. This agenda is inclusive and non-partisan; it causes no hardship and could transform our society bringing sustainable growth and greater social justice.

Inequality is not someone else's problem. It is a tragic consequence of a broken system that affects us all and we need to fix it fast. With such high levels of poverty, low wages and weak consumer demand even the wealth of the rich is at risk. If we do not change, change will be thrust upon us by social unrest and revolution. The rapid concentration of wealth into the hands of a tiny minority has drifted us into a plutocracy, government by the rich for the rich. As a believer both in democracy and capitalism, I find this deeply troubling and not just from a moral perspective, though that is critical, but also because my sense of history tells me that it is dangerous. To my mind, it is better to encourage peaceful but profound change whilst we still have the chance.

The Agenda for Progressive Prosperity is built on a five-step process that will bring increased financial security, greater freedom and more choices leading to a more fulfilled and purposeful life for many. The eminent economist Joseph Stiglitz said reform could be achieved through the tax

system. I agree. All these five interlinked policies that I propose, contribute to reducing inequality by increasing disposable income for lower earners and sharing more equitably the wealth we jointly help create.

- **A living wage to be the minimum wage:** Low wages cause hardship. Five million people in the UK earn less than a living wage (as defined by the Living Wage Foundation) and the British government spends £30 billion topping up low wages. In the USA, where 51 million jobs pay under \$15 per hour, the federal government spends \$227 billion subsidising low pay. Research shows that paying a living wage would have a minimal effect on company profits, yet most companies still choose not to do it even though higher wages have been proven to bring benefits such as less absenteeism, reduced recruitment costs and better quality of work. This policy is effortless to implement, it just requires raising the minimum wage to an agreed level i.e. a wage based on agreed acceptable living standards. UK Chancellor of the Exchequer George Osborne proposed a 'National Living Wage' of £9 an hour by 2020, in his 2015 budget. This is the minimum wage in new clothing, and not to be confused with the real thing. While small companies may have transitional challenges to living wage, big companies making substantial profits have no excuse, business models may need to be amended but we must do the right thing. The big benefit to us all is greater consumer demand, as Henry Ford found when he increased his employees' wages so they could afford to buy the cars they made.
- **Income tax to be abolished:** Income and payroll taxes significantly reduce the disposable income of the low and middle earners bringing financial pressure and undermining their quality of life. The 80% of UK taxpayers earning below £32,000 and 70% of Americans earning below \$50,000 could be freed from income-related taxes, giving each a significant pay rise and stimulating the economy whilst reducing pressure on the welfare budget. The impact on government revenue is small and could be made up in a more equitable manner from the wealth we generate collectively. The impact on disposable income would gradually be improved as, currently, low-income groups, whose pay packets are reduced by taxation, are compensated by tax credits and welfare, requiring a costly bureaucracy taking away with one hand and giving back with another. Overall, it is reasonable to

conclude that income taxes, in relation to the lower paid, are expensive to collect for the community as a whole, and self-defeating, as reducing these taxes would almost certainly lead to a degree of economic expansion, and higher tax revenues overall. Progressive taxes on income would still be retained for higher earners, but deliberately rebranded as insurance payments as they would go towards funding health and welfare for all.

- **A tax based on personal assets to be introduced:** As we all participate in wealth creation, the fruits should be shared more equitably, reducing extreme inequality. This does not happen today: on the contrary, the economy performs in such a way that wealth flows from the poor towards the rich. In the USA, the top 1% own more than 40% of the nation's wealth, in the UK, the country's five richest families now own more wealth, than the poorest 20% of the population. Some of this excessive wealth could be returned to those that helped create it through a low percentage tax on all assets over a certain threshold. This percentage would still be less than the expected increase in asset value so the rich would still get richer, but by not quite so much, and more funds would be put into circulation for the benefit of all.
- **Infrastructure investment to be funded through reformed property tax:** Changing the way the out of date property taxes are levied so there is more equitable means of collecting payment for all public services. This could be based on the market or locational value of the land only, and could make infrastructure projects self-financing. As improved infrastructure raises adjoining land values, a Land Value Tax (LVT) based on the market value of each site, would enable government expenditure to be recouped automatically from rising land values, as well as providing more funds for public services. As the rich occupy the most valuable sites, with the most locational advantages provided by society as a whole, they would contribute more to public revenue through what I prefer to describe as a Land Usage Charge but in return for valuable benefits. Firms occupying the best sites and enjoying the greatest advantages would pay more for the privilege. Current property taxes penalise improvements, whereas land use charges encourage best use. Land hoarding and speculation would become unprofitable, and the scope for moving

profits off-shore would be reduced. Some transitional relief might be required initially for property owners with a valuable property but low income.

- **The wealth created to be shared through encouraging greater corporate responsibility:** Enterprises, which bring together capital and labour, create wealth, which should be shared more equitably with all the stakeholders, not just the shareholders. By changing the way we raise public revenue from business, we can ensure that the wealth created benefits all. So instead of all the gains going to the shareholders, more of this will go to stakeholders by means of ‘social offsetting’ as socially responsible companies will contribute less from their profits/wealth to public revenue. This encourages social responsibility while still respecting the profit motive. It could put an end to low wages, excessively high salaries, and the distorting influence of lobbying and vast political contributions, as well as eradicating tax avoidance and many more ‘anti-social’ corporate activities that have made so many both metaphorically and literally sick. This would encourage business to act in the interests of the wider community not just the shareholders.

All these measures would put more money in the hands of those now in poverty and those of the ‘squeezed middle’, bringing great relief without causing anyone else further hardship. Increasing the contribution made from those that already have a comfortable lifestyle can offset the reduction in taxes on income. This would mean more cash taken out of ‘storage’ and put into circulation, therefore increasing economic growth, providing jobs and creating greater opportunity. There would be no need for further austerity measures; the economy would be turbo-charged as the funds would be available from the wealth we all create.

I am not content to just lay out the agenda in a book – having spent a career in business, marketing and media relations, I want to make this long overdue agenda a reality. One thing is very clear: voting is not enough. Real social change only happens when there is a mass movement of people who clearly demonstrate their feelings. A constructive practical and fair agenda needs to be offered. Not a rambling collection of patches but a clear vision and a concise strategy. More engagement can be encouraged by the wise application of social media. But we, the majority, have to be confident and to convince ourselves that we can do

it. The wealthy need persuading that it is their interests, too. And our politicians need convincing that this is the will of the people. As John F. Kennedy said: *'If a free society cannot help the many who are poor, they cannot save the few who are rich.'*

Practical common sense answers are required. There are many good academic, learned works on economics and inequality, packed with charts, graphs and data, including those by Thomas Piketty, Anthony Atkinson and Joseph Stiglitz (all of whom I have heard talk at the London School of Economics), Emmanuel Saez of University of California, Berkeley whose seminar I attended at the Institute of Fiscal Studies in London, Robert Reich, whose many lectures I joined for a semester at University of California, Berkeley and Professor Sir John Hills and Gabriel Zucman of the LSE who kindly took time to give me some valuable input. I have benefitted from many others too. There is a lot to learn from these studies and the solutions they propose, but now is the time for action so let's keep it simple and effective. If an idea makes sense and is fair, a way can be found to make it happen. The issues of implementation and transition can be overcome by clear creative thinking. While many may not like change, it must happen if we are to survive and prosper, as we have been going the wrong way for some time.

I do not want to give another analysis of the problems and the dire situation that is now upon us; there has been enough talking. Instead I want to build on this with a common sense approach to a political problem that is undermining our society by means of a book that can be understood and acted on by all. It is about putting the wealth we jointly create to work for everyone.

This is not a battle, this is not a fight, but a means to build non-partisan consensus for change. The answers I propose do not involve an attack on any group and are not motivated by a wish to punish anyone. The Agenda for Progressive Prosperity provides a way to bring a better life to those who have been denied the opportunity by a system that is overdue for reform. We need a positive attitude, great determination and a practical, bold agenda.

I hope this book will at least stimulate constructive discussion around a bold vision, a simple, fair approach that will truly give the opportunity of a better life for all and move us all From Here To Prosperity.

PART I

The Challenge for Change

'I have a dream that one day this nation will rise up, live out the true meaning of its creed: We hold these truths to be self evident, that all men are created equal'

Martin Luther King 1963

THE TIME has come, to join together, realise that many more people could lead fulfilled and purposeful lives if we took a different approach to our society, our economy and our government.

- We let many in the world be hungry when there is plenty.
- We live in democracies but power is in the hands of a few.
- We are still consuming finite resources when there are sustainable options.
- We are killing our planet but we have nowhere else to go.
- We are imposing taxes on people so they cannot build a fulfilled life.
- We allow the rich to get richer and the poor to get poorer.
- We agree with human rights but do not respect the rights of many humans.
- We are still fighting wars in the name of peace.

We can do better.

It is time to put aside the divisions of the past, to move away from right or left wing rhetoric that can alienate and no longer unites. There are many good people with good ideas and intentions, we need to be open, listen, learn and work it out. We have a huge task ahead. Let's work together and make that choice.

Government itself is not the problem: in fact, it is the answer. This does not mean bigger governments but better and bolder governments, with a purpose and vision. This is an Agenda for peaceful but determined action to make the world a better place for many more people.

It is not difficult, it is not simple, but it can be done.

A pivotal point has been reached and unless we act, things could get out of control. What is happening now is not new, it has happened before; we need to learn from our mistakes. We live in an even more highly connected world with rapid communication and instant access to information; we should be wiser and more informed.

Let's seize the opportunity, take up the challenge for change so that real progress can be made.

CHAPTER 1

Where Are We Now?

WE ARE NOT where we could be on the path of human progress. Despite all the advances that have been made in technology, health-care and communications, we still live in a world riddled with inequality, conflict and suffering. Even in the rich nations, we need change and I believe that if we can make it here, to paraphrase the song, we can make it anywhere. At base, almost all our problems stem from inequality of some sort: of wealth, of opportunity, of resources or freedoms. There is no excuse for poverty in the economically advanced countries, no reason why it should persist; there is enough income generated and wealth created to go round in a more equitable manner.

I want to give you some real facts that bring clarity about where we are today and facts that are indisputable. Then to move on to common sense policy ideas that, given the political will, could make a real difference. But that is not enough, the greatest ideas are no good unless implemented, so I want to outline how the environment for change can be created, once we have that, how the policy ideas can be implemented in a realistic time frame. Before the answers, let's review the problems to determine where we are now. I have identified three major issues; while I have taken most of my illustrations from the UK and USA, these problems are applicable to most western democracies and 'advanced' economies.

- Extreme inequality and persistent poverty
- Slow economic progress
- Damaged democracy, a government that isn't working, for us

1.1 Extreme inequality and persistent poverty

The world is getting richer and yet most of its inhabitants are poor or getting poorer. How can this be? Surely, everyone should be getting richer, perhaps not at the same rate and certainly not from the same base, but getting richer, regardless? Well, no. It doesn't work like that, unfortunately, because our economic and political systems drive wealth towards the rich, concentrating more and more of it into a very few hands, and with it, political power. The Equality Trust, which works to improve the quality of life in the UK, says:

the grotesque concentration of wealth in the hands of a tiny minority is fracturing our society, weakening our economy and giving disproportionate power to the richest. Unless policymakers adopt a clear goal of reducing the gap between the richest and the rest, they will have to govern an increasingly dysfunctional nation.

Some people are very rich, so rich, in fact, that 80 super-rich individuals are as wealthy as all the poorest 3.5 billion combined: half the population of the world. Wealth is so concentrated among the super-rich and so thinly spread among the very poor that when you reverse the equation to see how many people at the top have, say, half the world's wealth it is still only 1%, according to the charity Oxfam. Nor do the 99% share the other half of the world's wealth equally. The gradient is so steep that with wealth amounting to \$110 trillion, that richest 1% owns 65 times the total wealth of the bottom half of the world's population. And this tiny group's wealth is not just growing but accelerating. The richest 1% increased their share of income in 24 out of 26 countries for which data is available between 1980 and 2012.

According to the Global Wealth Report by Credit Suisse (published in October 2014), global wealth surged by \$20.1 trillion over the previous year to \$263 trillion, 20% above the pre-crisis peak in 2007. The countries with the biggest economies benefitted most. Their exact position on the podium varies according to who is doing the measuring – the CIA Handbook, the International Monetary Fund, The United Nations or the World Bank – but the European Union, the USA and China are first, second and third in terms of Gross Domestic Product. In the USA, household wealth rose by \$8.9 trillion in the 12 months ending mid-2014. Despite the crisis in the Euro Zone, the European Union enjoyed the second-largest rise of \$8.1 trillion. China, with 21.4% of the

adult population of the world, added 8.1% of global wealth or \$715 billion. The drop-off at that point is sharp.

The World Wealth Report published by Capgemini estimates that in 2014 there were 12 million millionaires (High Net Worth Individuals, HNWI) in the world, each having a net worth of at least \$1 million in all assets except their primary residence. Their assets are expected to rise to \$55.8 trillion by 2015. The number of multi-millionaires worldwide has grown by 7.1% over the past decade, while millionaire numbers have increased by 58%.

In the USA, the Congressional Budget Office found that the gap in income between the top 1% of the population and the rest tripled between 1979 and 2007, the onset of the Great Recession. After federal taxes and transfer payments, the income of the top 1% increased by 275%, while it increased less than 40% for the middle three quintiles of the population and only 18% for the bottom quintile. In April 2013, Pew Research Center in USA reported that from 2009 to 2011, the mean net worth of households in the upper 7% of wealth distribution rose by an estimated 28%, while the mean net worth of households in the lower 93% dropped by 4%. While a few got much richer, almost all Americans were worse off.

The wealth gap has continued to widen in the recovery; an estimated 15% – that's more than 45 million people – live in poverty in the USA. According to the US Census Bureau, median family and median household incomes have been falling, adjusted for inflation; while according to the data gathered by Emmanuel Saez, at the University of California, Berkley, the income of the wealthiest 1% has risen by 3.1%. Saez has calculated that 95% of all economic gains since the recovery started have gone to the 1%.

Is this because the rich work harder or perhaps because they work just as hard as everyone else but are lucky enough to get paid more for what they do? The answer is neither. In the USA, the top 1% own more than 40% of the nation's approximately \$54 trillion wealth; they earn about 19% of the country's income. The difference between what they earn and what they own is explained not by the sweat of their brows but by their accumulation of wealth of stocks, bonds, real estate and so on that continue to increase in value.

With 1% owning so much, it leaves the bottom 80% with just 7% of the wealth, or, to look at it another way, the wealthiest 400 Americans have the same combined wealth as more than 150 million people: the poorest half of the nation's population. About three million people,

the 1%, have nearly half the pie while 315 million scrambles for the other half.

Inequality among working-age people has risen faster in Britain than in any other rich nation since the mid-1970s, according to a report by the OECD in 2011. In 2014, according to the Office for National Statistics (ONS), Britain's top 20% of earners saw their annual disposable income rise by £940, while the bottom fifth lost £381 and all other groups lost around £250. By contrast, the share of the top 1% of income earners increased from 7.1% in 1970 to 14.3% in 2005. Astonishingly, the country's five richest families now own more wealth, £28.1 billion, than the poorest 20% of the population who have just £2,230 each on average. Just prior to the global recession, the OECD said the very wealthiest Brits – the 0.1% of highest earners – accounted for a remarkable 5% of total pre-tax income, a level of hoarding not seen since the Second World War.

'There are two ideas of government,' according to soon-to-be US presidential candidate William Jennings Bryan in 1896.

There are those who believe that if you just legislate to make the well-to-do prosperous, that their prosperity will leak through on those below. The Democratic idea has been that if you legislate to make the masses prosperous their prosperity will find its way up and through every class that rests upon it.

In Bryan's time what we now call trickle down was known as the horse and sparrow theory: If you feed the horse enough oats, some will pass through to the road for the sparrows. However many times it is discredited it keeps coming back. One reason that it does not work is that when the rich grab on to wealth, they cling on to it. ONS says Britain's richest 1% (roughly 600,000 people) have accumulated as much wealth as all the poorest 55% of the population. As one billionaire said, *'I sock my extra money away in savings, where it doesn't do the country much good.'*

In 2012 the Tax Justice Network, a research group that maps and analyses tax avoidance and tax havens, reported that the super-rich hoard at least £13 trillion (\$21 trillion) in secret offshore accounts – the equivalent of the combined GDP of the USA and Japan. The study carried out by James Henry, former chief economist at the consultancy McKinsey, showed that the top 10 banks, including Goldman Sachs, UBS and Credit Suisse in Switzerland, managed more than £4 trillion [\$6.2 trillion] in 2010, a sharp rise from £1.5 trillion five years earlier. He calculated that if that dead money were to earn just 3% interest and to be taxed at 30%

it would raise \$188 billion dollars: more than the rich countries spend on international aid every year. *'The problem here is that the assets of these countries are held by a small number of wealthy individuals while the debts are shouldered by the ordinary people of these countries through their governments,'* the report said.

Britain has more than 25 million working people (about 80% of workforce) earning £32,000 or less. A report published by the Centre for London in September 2014 highlighted the situation in London of a group dubbed 'Endies' (Employed but No Disposable Income or Savings). These are individuals and single parents living on between £20,000 and £33,000 or couples with dependent children having a household income of between £25,000 and £40,000, an estimated 650,000 households in London. Their earnings are kept flat by a fiercely competitive labour market, while living costs, particularly housing, transport and childcare have risen sharply. Endies live quiet and modest lives largely hidden from view for a simple reason: most cannot afford to go out. Life is an endless treadmill of work, commuting and recovering at home, often with the Internet for company and little other respite.

At the end of 2014, the living wage was calculated at £7.85 an hour outside London (about £19,000 a year) and £9.15 an hour in the capital by the Living Wage Foundation, while the National Minimum Wage for adults was set at £6.50, 20% below the living wage. The number of UK workers earning below the living wage has risen to 4.8 million according to 2013 research from Resolution Foundation think tank. This is equivalent to 20% of employees and is up from 3.4 million in 2009. Rachel Reeves, Labour Shadow Treasury minister said in September 2013 that research by the House of Commons library suggested 60% of new jobs created since May 2010 had been in low-pay sectors, where median hourly pay was less than a quarter of the national hourly median. Two-thirds of restaurant and hotel workers earned less than the living wage.

You might argue that some economic inequality is essential to drive growth and progress, rewarding those with talent, skills, and the drive to innovate or take entrepreneurial risks. But the extremes of income and subsequent wealth concentration that we see today threaten to exclude hundreds of millions of people from the rewards of their talents and hard work. Rather than creating an incentive to contribute to society, it removes the point. The harder most of us work, the better off a tiny minority becomes at our expense. Where is the sense in that? Once you are rich, you can't help getting richer. The World Economic Forum has identified

increasing economic inequality as a major risk to human progress. In November 2013, it released its 'Outlook on the Global Agenda 2014', in which it ranked widening income disparities as the second greatest worldwide risk in the forthcoming 12 to 18 months. Based on those surveyed, it stated: *'inequality is impacting social stability within countries and threatening security on a global scale.'*

Extreme economic inequality is damaging and worrying for many reasons. Although it has been fuelled by growth, it can also impede it. In August 2014, Standard & Poor's said current inequality levels are hindering US economic growth, and the firm reduced its 10-year US growth forecast to a 2.5% rate, having expected 2.8% five years earlier. While earnings for the top 1% rose 15.1% from 2009 to 2010; for the bottom 90%, income rose slower or fell. This increased reliance on debt, leading to the Great Recession. In the end it will also have affected the educational opportunities open to many Americans and their future earnings potential, dampening social mobility: the loss of the American Dream. A less-educated workforce cannot compete in a changing global economy, resulting in a negative impact on potential long-term growth. Extreme economic inequality can multiply social problems. It can compound other inequalities, such as those between women and men. In many countries, extreme economic inequality is of even greater concern because of the destructive impact that wealth concentrations can have on equitable political representation. The massive concentration of economic resources in the hands of fewer people presents a significant threat to our political and economic systems. Instead of moving forward together, people are increasingly divided by economic and political power, inevitably heightening social tensions and increasing the risk of breakdown in society. Ultimately, the levels of wealth inequality that we are experiencing are bad for business and bad for democracy.

Nobel Prize winning economist, Joseph E. Stiglitz explains why this is bad news:

Some people look at income inequality and shrug their shoulders. So what if this person gains and that person loses? What matters, they argue, is not how the pie is divided but the size of the pie. That argument is fundamentally wrong. An economy in which most citizens are doing worse year after year – an economy like America's is not likely to do well over the long haul.

The Organisation for Economic Co-operation and Development (OECD) warned of sweeping consequences for rich societies in a report

in 2011, pointing to the rash of occupations and protests that year, especially by young people, around the world. It said:

Youths who see no future for themselves feel increasingly disenfranchised. They have now been joined by protesters who believe they are bearing the brunt of a crisis for which they have no responsibility, while people on higher incomes appeared to be spared.

Thomas Piketty in his well-researched book, *Capitalism in the 21st Century*, noted that:

when the rate of return on capital exceeds the rate of growth of output and income, as it did in the 19th century and seems quite likely to again in the 21st century, capitalism automatically generates arbitrary and unsustainable inequalities that radically undermine the meritocratic values on which democratic societies are based.

He does, however, give us hope that:

there are nevertheless ways democracy can regain control over capitalism and ensure that the general interest takes precedence over private interests, while preserving economic openness and avoiding protectionist and nationalist actions.

Persistent Poverty

What is considered the poverty line or threshold varies from country to country depending on the social context. For instance in the USA, the government's definition of poverty is based on total income received; in 2014 it was set at \$23,850 (total yearly income) for a family of four. It is estimated that most Americans will spend at least one year below the poverty line at some point between ages 25 and 75.

In November 2012, the US Census Bureau said more than 16% of the population lived in poverty, including almost 20% of American children, up from 14.3% (approximately 43.6 million) in 2009 and to its highest level since 1993. Starting in the 1980s, relative poverty rates have consistently exceeded those of other wealthy nations. Even in California, the so-called Golden State (from where I have been writing most of this book), after declining to a 20-year low of 12% in 2006, the official poverty rate in California spiked upward in the wake of the Great Recession: as of 2011, it was 16.9%. This amounts to more than six million Californians living in households with incomes below the federal poverty level (about