

Britain: Gap widens between incomes of rich and poor

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Data contained in the annual Family Expenditure Survey illustrates how the income gap between Britain's rich and poor continues to widen under the incumbent Labour government. Last year it surpassed even the highest degree of inequality reached under the previous Conservative government. Figures from the Office for National Statistics illustrate how the standard measure of inequality increased in 1999-2000 further than its earlier highest level under the Tories in 1991.

The survey also reveals how the burden of increased indirect taxation rests upon the shoulders of the poorest sections of the population. The shift from progressive forms of direct taxation like income tax to the imposition of indirect taxes on utility services, fuel, some food and clothing items means working class families pay a disproportionate amount of their income in tax compared to the wealthiest sections of society. The Labour government has accelerated the shift towards indirect taxation started by the Thatcher administration, which means the least well off in society pay, as a percentage of their income, the highest rates of overall taxes.

The statistics show how the poorest fifth in society pays 41.4 percent of their total income in taxes compared to a figure of 36.5 percent for the wealthiest fifth. The research also indicates how society is increasingly polarised between a fabulously wealthy elite and the mass of working people. The proportion of income paid in taxes by the bottom 80 percent of households has risen since 1997-1998, whereas it has fallen for the top fifth of households under the auspices of New Labour.

The share of the total UK household income going to the poorest fifth has been decreasing rapidly since 1981. The growth of the income inequality gap slowed during the early 1990's because of the economic

recession, but is accelerating now due to more favourable economic circumstances and the supply-side policies enacted by New Labour.

According to the government's *Social Trends* research released earlier this year, in 1997-1998 the weekly income of the richest 10th of the population rose by 4 percent to £560 (\$800), however, the poorest only saw a rise of just 1.8 percent to £136 (\$195). Today, the poorest fifth of households possess just 6 percent of national income after tax; the richest fifth have enjoyed a rise from 44 percent to 45 percent of national income under the Labour government.

That income inequality is markedly on the increase during a period of ostensible economic growth throws into question certain issues, not least of which is the utility of the term economic growth itself. Far from this representing an expansion that accords a universal increase in the levels of wealth across society, the rich have benefited disproportionately at the expense of the vast bulk of the population, and at the cost of the poor in particular. Despite the clear evidence revealed in such statistics as the Family Expenditure Survey, government economists and ministers continue to peddle the myth that economic growth is the necessary prerequisite for the reduction of poverty. In its effect, Labour's approach is little different from the monetarist "trickle down" nostrums advocated by Thatcher and her economic guru Milton Friedman. Both income inequality and poverty are growing, bringing in their wake unprecedented manifestations of social polarisation.



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